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Application Proof of

Zibuyu Group Limited
子不语集团有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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ZIBUYU

Zibuyu Group Limited
子不语集团有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**US$0.00005 per Share**
Stock Code	**:**	**[REDACTED]**

***Joint Sponsors,* [REDACTED], [REDACTED], [REDACTED] *and* [REDACTED]**

华泰国际 HUATAI INTERNATIONAL　　農銀國際 ABC INTERNATIONAL

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Applicants for **[REDACTED]** are required to pay, on application, the maximum **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** for each **[REDACTED]** together with brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%, subject to refund if the **[REDACTED]** as finally determined is less than HK$**[REDACTED]** per **[REDACTED]**.

The **[REDACTED]** and the **[REDACTED]** (on behalf of the **[REDACTED]**) may, with our consent, reduce the number of **[REDACTED]** being offered under the **[REDACTED]** and/or the indicative **[REDACTED]** stated in this document at any time on or prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, an announcement will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.zbycorp.com** not later than the morning of the last day for lodging applications under the **[REDACTED]**. For further information, please refer to the sections headed "Structure and Condition of the **[REDACTED]**" and "How to Apply for the **[REDACTED]**" in this document.

The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. Such grounds are set out in the section headed "**[REDACTED]**" in this document. It is important that you refer to that section for further details.

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

The **[REDACTED]** have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state security laws. The **[REDACTED]** are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

[REDACTED]

[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

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IMPORTANT NOTICE TO INVESTORS

We have issued this document solely in connection with the [**REDACTED**] *and the* [**REDACTED**] *and it does not constitute an offer to sell or a solicitation of an offer to buy any security other than the* [**REDACTED**] *offered by this document pursuant to the* [**REDACTED**]. *This document may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a* [**REDACTED**] *of the* [**REDACTED**] *in any jurisdiction other than Hong Kong and we have taken no action to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the* [**REDACTED**] *and sale of the* [**REDACTED**] *in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

You should only rely on the information contained in this document and the [**REDACTED**] *to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the Joint Sponsors, the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**] *and the* [**REDACTED**], *the* [**REDACTED**], *any of our or their respective directors or any other person or party involved in the* [**REDACTED**].

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This summary is an overview of the information contained in this document and does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the **[REDACTED]**.

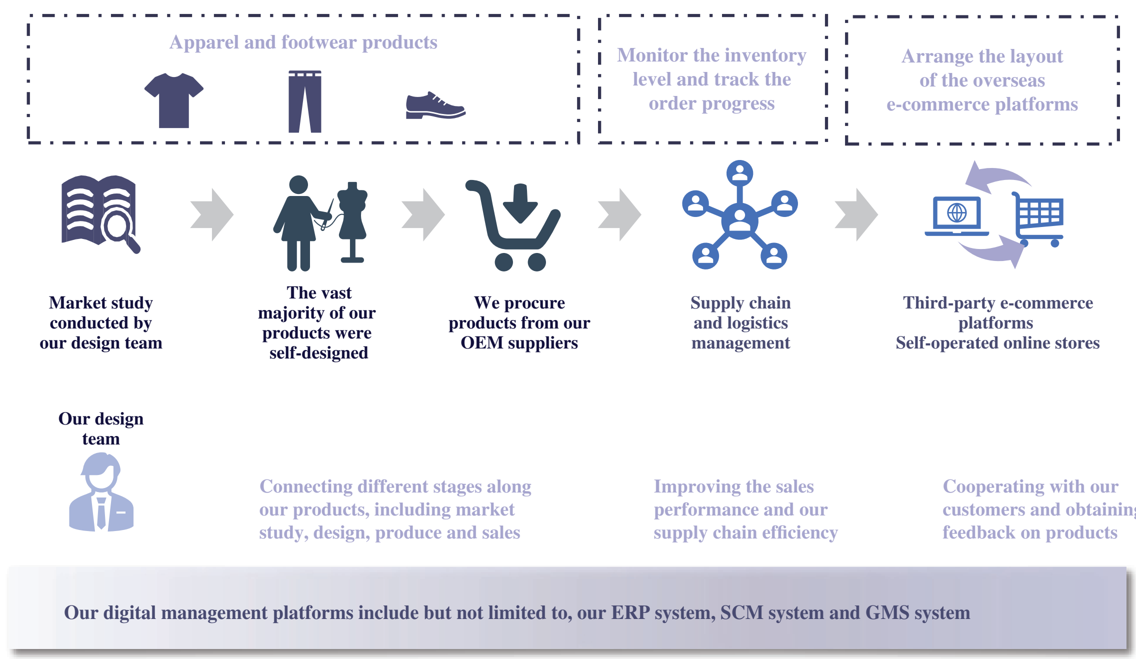
There are risks associated with any investment. Some of the particular risks in investing in the **[REDACTED]** *are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* **[REDACTED]**.

OVERVIEW

We are one of the largest cross-border e-commerce companies in China focusing on the sale of apparel and footwear products through third-party e-commerce platforms. According to Frost & Sullivan, we ranked third amongst all platform-based sellers in China's cross-border e-commerce export B2C apparel and footwear market in terms of GMV in 2021, holding a market share of 0.4% in the RMB596.5 billion market. In addition, we ranked first in terms of GMV generated through North America amongst all platform-based sellers in China's cross-border e-commerce export B2C apparel and footwear market in 2021, holding a market share of 0.7% in the RMB303.0 billion market. In recognition of our outstanding performance, we have been awarded the "Best Cross-border E-commerce Brand Award (最佳跨境電商品牌獎)" for six consecutive years in a row since 2016.

Our Business Model

The following diagram illustrates our business model and features:



Since our inception in 2011, we have been primarily focusing on the sale of a wide range of self-designed apparel, footwear and other products worldwide. We primarily design apparel, footwear and other products, procure products manufactured in accordance with our design and on OEM basis from selected OEM suppliers, and subsequently sell such products to customers globally through a combination of third-party e-commerce platforms and our self-operated online stores. Our products are delivered to customers either by third-party logistics service providers or through fulfillment services provided by third-party e-commerce platforms. Leveraging our fully integrated and efficient supply chain, we are able to provide our customers with fashion apparel and footwear products at competitive prices. Our products are sold through major third-party e-commerce platforms and our self-operated online stores to customers located in over 80% of the countries and regions globally, including among others, the United States, Germany and France.

Our Revenue Source and Financial Performance

During the Track Record Period, we generated revenue primarily from sale of apparel products and sale of footwear products. To a much lesser extent, we also generated revenue from sale of other products such as electronic devices, stationery and sporting goods.

Our revenue had experienced continuous growth during the Track Record Period. Our revenue increased from RMB1,428.9 million for the year ended December 31, 2019 to RMB1,898.1 million for the year ended December 31, 2020, and further to RMB2,346.5 million for the year ended December 31, 2021. Our revenue increased from RMB1,100.7 million for the six months ended June 30, 2021 to RMB1,277.5 million for the six months ended June 30, 2022. Our profit for the year increased from RMB81.1 million for the year ended December 31, 2019 to RMB114.0 million for the year ended December 31, 2020, and further to RMB200.5 million for the year ended December 31, 2021. Our profit for the period decreased from RMB114.2 million for the six months ended June 30, 2021 to RMB61.3 million for the six months ended June 30, 2022. See "Financial Information – Description of Key Items of Consolidated Statement of Comprehensive Income" and "Financial Information – Year to Year/Period to Period Comparison of Results of Operations."

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success:

(i) we are one of the largest cross-border e-commerce companies in China focusing on the sale of apparel and footwear products through third-party e-commerce platforms, ranking first in terms of GMV of apparel and footwear products sold in North America through third-party e-commerce platforms;

(ii) we have a strong design team with extensive experience in designing with the support of our extensive database and big data analysis, and the capability to quickly identify fashion trend and address customers' evolving needs;

(iii) we have extensive experience in the digital management and integration of supply chain, thereby holding leading position in the industry;

(iv) we have strong self-owned brands and extraordinary brand cultivation capability;

(v) we have effective e-commerce operating capabilities; and

(vi) we are led by an experienced and dedicated management team.

OUR STRATEGIES

We endeavor to become a world renowned e-commerce fashion brand to meet our global customers' fashion needs on a timely and seamless basis (致力於成為一家國際知名的時尚服飾及鞋履產品運營商, 讓全球用戶及時便捷地獲得滿意的服飾及鞋履產品). We intend to pursue the following strategies:

(i) keep pace with fashion trend and technology innovation and continue to develop fashion products;

(ii) continue to integrate supply chain resources to improve operating efficiency and expand our global footprint;

(iii) build brand matrix for our overseas operations and further expand our localized operations;

(iv) build large-scale independent self-operated online stores to enhance brand recognition and customer loyalty; and

(v) explore suitable opportunities to invest in or acquire targets along the industry chain to explore synergies.

OUR PRODUCTS

The following table sets forth our revenue by business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Sale of apparel products	1,146,892	80.3	1,338,415	70.5	1,833,677	78.2	824,458	74.9	1,016,658	79.6
Sale of footwear products	256,409	17.9	401,130	21.1	453,615	19.3	229,337	20.8	258,087	20.2
Sale of other products(1)	25,553	1.8	158,564	8.4	59,251	2.5	46,891	4.3	2,782	0.2
Total	**1,428,854**	**100.0**	**1,898,109**	**100.0**	**2,346,543**	**100.0**	**1,100,686**	**100.0**	**1,277,527**	**100.0**

Note:

(1) Primarily represent sale of electronic devices (such as earphones, home cameras and signal boosters), stationery and sporting goods, etc.

Our Products

Sale of Apparel Products

Since our inception, we have focused on the design and sale of fashion apparel products, in particular, women's apparel products. We provide our customers with a comprehensive range of apparel products, including among others, sweaters, T-shirts, coats and jackets, dresses, trousers and sportswear.

Sale of Footwear Products

Starting from 2016, we expanded our product portfolio and started to sell footwear products. In particular, we commenced operation of our self-operated online stores to focus on the sale of footwear products in 2018 and recorded significant growth.

Sale of Other Products

In recent years, we have also offered different types of other products, such as electronic devices, stationery and sporting goods.

Our Sales Channels

We have established a broad sales channel covering different sales platforms. To reach online customers and efficiently promote our products, we began selling products through major third-party e-commerce platforms since 2012 and have since expanded our sales channels to include our self-operated online stores in 2018. As of the Latest Practicable Date, our sales channels consisted of (i) Amazon, (ii) Wish, (iii) other third-party e-commerce platforms such as eBay and AliExpress, and (iv) our self-operated online stores. As of the Latest Practicable Date, all of our self-operated online stores were operated on proprietary websites.

The table below sets forth a breakdown of revenue, gross profit and gross profit margin by sales channel for the periods indicated:

	Year ended December 31,												Six months ended June 30,							
	2019				2020				2021				2021				2022			
	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
														(unaudited)						
Third-party E-commerce Platforms																				
Amazon	450,152	31.5	330,616	73.4	615,117	32.4	441,809	71.8	1,672,349	71.2	1,264,705	75.6	629,382	57.2	486,741	77.3	1,157,463	90.6	878,527	75.9
Wish	778,482	54.5	527,028	67.7	841,108	44.3	593,811	70.6	304,125	13.0	228,148	75.0	224,981	20.4	167,174	74.3	21,745	1.7	16,334	75.1
Others(1)	84,019	5.9	53,509	63.7	49,663	2.6	31,596	63.6	75,805	3.2	50,060	66.0	43,292	3.9	28,841	66.6	21,095	1.7	13,664	64.8
Sub-total	**1,312,653**	**91.9**	**911,153**	**69.4**	**1,505,888**	**79.3**	**1,067,216**	**70.9**	**2,052,279**	**87.4**	**1,542,913**	**75.2**	**897,655**	**81.5**	**682,756**	**76.1**	**1,200,303**	**94.0**	**908,525**	**75.7**
Self-operated Online Stores	109,708	7.7	83,748	76.3	362,601	19.1	289,514	79.8	257,319	11.0	209,190	81.3	172,612	15.7	139,193	80.6	74,756	5.8	60,007	80.3
Others(2)	6,493	0.4	3,034	46.7	29,620	1.6	21,078	71.2	36,945	1.6	13,432	36.4	30,419	2.8	12,512	41.1	2,468	0.2	584	23.7
Total	**1,428,854**	**100.0**	**997,935**	**69.8**	**1,898,109**	**100.0**	**1,377,808**	**72.6**	**2,346,543**	**100.0**	**1,765,535**	**75.2**	**1,100,686**	**100.0**	**834,461**	**75.8**	**1,277,527**	**100.0**	**969,116**	**75.9**

Notes:

(1) Primarily include other third-party e-commerce platforms, such as eBay and AliExpress.

(2) Primarily represent our offline sale of apparel and other products to corporate customers. See "Business – Our Business Model – Our Sales Channels."

Our revenue generated from Wish decreased from RMB841.1 million in 2020 to RMB304.1 million in 2021, while our gross profit margin generated from Wish increased from 70.6% in 2020 to 75.0% in 2021, primarily as we reduced our sale of products with low profit margin on Wish. Due to the same reason, our revenue generated from Wish further decreased from RMB225.0 million in the first half of 2021 to RMB21.7 million in the first half of 2022, while our gross profit margin generated from Wish increased from 74.3% in the first half of 2021 to 75.1% in the first half of 2022.

Meanwhile, we strategically focused more on sale through other third-party e-commerce platforms, especially Amazon. As a result, we experienced a significant increase in revenue generated from the sale through Amazon in 2021. Our revenue generated from Amazon increased from RMB615.1 million in 2020 to RMB1,672.3 million in 2021, primarily due to the increased sales volume of both our hot-selling products and new products launched through Amazon, resulting from our continuous efforts in developing our sale through Amazon.

For risks in relation to our reliance on a few third-party e-commerce platforms, see "Risk Factors – Risks Relating to Our Business and Industry – Disruption of our relationships and unfavorable changes in terms of our arrangements with third-party e-commerce platforms, in particular, Amazon and Wish, could have a material adverse effect on our business and results of operations."

Our Geographical Coverage

In addition, we have a worldwide customer geographical coverage. As of the Latest Practicable Date, our products have been primarily sold to customers located in over 80% of the countries and regions globally, including among others, the United States, Germany and France. The following table sets forth a breakdown of our revenue by geographical location of our customers for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
North America										
United States	840,173	58.8	1,309,955	69.0	2,007,191	85.5	876,302	79.6	1,213,163	95.0
Others(1)	59,621	4.2	68,347	3.6	22,190	1.0	13,154	1.2	6,931	0.5
Sub-total	**899,794**	**63.0**	**1,378,302**	**72.6**	**2,029,381**	**86.5**	**889,456**	**80.8**	**1,220,094**	**95.5**
Europe										
Germany	93,751	6.6	80,744	4.3	71,021	3.0	46,562	4.2	19,459	1.5
United Kingdom	48,453	3.4	67,425	3.6	42,207	1.8	20,233	1.8	10,129	0.8
France	80,526	5.6	55,155	2.9	20,815	0.9	12,781	1.2	2,730	0.2
Italy	24,108	1.7	21,434	1.1	7,035	0.3	3,898	0.4	1,601	0.1
Others(2)	167,820	11.7	156,849	8.2	96,498	4.1	71,603	6.5	12,567	1.0
Sub-total	**414,658**	**29.0**	**381,607**	**20.1**	**237,576**	**10.1**	**155,077**	**14.1**	**46,486**	**3.6**

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Asia										
Israel	4,752	0.3	4,771	0.3	4,412	0.2	2,527	0.2	1,403	0.1
Japan	16,755	1.2	39,879	2.1	19,751	0.8	17,926	1.6	478	0.0
Others	16,292	1.1	11,887	0.6	25,937	1.1	18,300	1.7	2,138	0.2
Sub-total	**37,799**	**2.6**	**56,537**	**3.0**	**50,100**	**2.1**	**38,753**	**3.5**	**4,019**	**0.3**
Others(3)	**76,603**	**5.4**	**81,663**	**4.3**	**29,486**	**1.3**	**17,400**	**1.6**	**6,928**	**0.6**
Total	**1,428,854**	**100.0**	**1,898,109**	**100.0**	**2,346,543**	**100.0**	**1,100,686**	**100.0**	**1,277,527**	**100.0**

Notes:

(1) Include countries such as Canada.

(2) Include countries such as Spain and Netherlands.

(3) Include countries such as Australia.

During the Track Record Period, and up to the Latest Practicable Date, the United States had been our largest market. However, there have been political matters which resulted in increased tensions between the U.S. and China, see "Risk Factors – Risks Relating to Our Business and Industry – Changes in international trade policies and the ongoing conflict and emergence of a trade war between the U.S. and China may have an adverse effect on our business." All of our products sold to the United States are subject to additional tariffs, with the vast majority of them subjected to a tax rate of 7.5% while the remaining subject to a tax rate of 25.0% since 2018. During the Track Record Period, our logistics service providers are generally responsible for the declaration and payment of all applicable customs duties and tariffs which are included in the lump-sum logistics service fees, or we will reimburse them the customs duties actually incurred based on the terms of the logistics service agreements. Our total logistics service fees, including inbound and outbound shipping charges and related insurance fees, increased from RMB412.2 million in 2019 to RMB546.6 million in 2020, and further to RMB634.9 million in 2021. Our total logistics service fees increased from RMB287.5 million in the first half of 2021 to RMB366.9 million in the first half of 2022. In addition, we recorded steady growth in revenue and maintained stable gross profit margin during the Track Record Period, despite the increase in the total logistics service fees, primarily by increasing selling prices of our products and passing the additional costs to customers to maintain our profitability.

During the Track Record Period, the additional tariffs imposed had been passed to our customers through the increase of selling prices of our products without any material adverse impact on our competitiveness as evidenced by our continuous growth. Besides, it has been noted that positive negotiations have been recently carried out between China and the U.S. in many fields to ease the bilateral tension. Nevertheless, if any additional tariffs are imposed on our products, we will be able to pass the increased expenses to our customers without weakening our market competitiveness based on our past experience, as such tariff would be applicable to all similar products exported to the U.S. from China. Therefore, our Directors believe that our business had not been adversely affected by the bilateral tension between China and the United States or additional tariffs imposed during the Track Record Period. Moreover, we intend to gradually reduce our reliance on the U.S. market by actively exploring the market in Southeast Asia and Europe through a combination of sale through third-party e-commerce platforms and our self-operated online stores. Therefore, our Directors are of the view that our ability to carry out our business with customers and/or our collaborative partners in the U.S. and other countries is unlikely to be impeded by the development in China's relationships with the U.S. and other countries.

Our revenue generated from sale of products in Europe decreased from RMB414.7 million in 2019 to RMB381.6 million in 2020, and further decreased to RMB237.6 million in 2021, primarily as we strategically shifted our focus to sale through Amazon, the market focus of which is mainly North America thus less European customers purchased products from us. In the first half of 2022, we further reduced our resources allocated to the sale through Wish and continued to focus on Amazon, the major market focus of which is not Europe. As a result, our revenue generated from sale of products in Europe decreased from RMB155.1 million for the six months ended June 30, 2021 to RMB46.5 million for the six months ended June 30, 2022. In the future, we plan to further expand our sale to European market as we have accumulated extensive experience in the operation when we developed our sale to the U.S. and are able to transplant such experience in European market. We plan to (i) introduce our hot-selling products in the U.S. market to European customers; (ii) expand our design team targeting European market to develop more localized products; (iii) expand our operating team targeting European market; and (iv) invest more in the marketing activities for our sale in the European market. For further details of our expansion plan on European market, please refer to the sectioned headed "Business – Our Business Process – Our Geographical Coverage" in this document.

Selected Operational Data

Our extensive product portfolio primarily comprises apparel and footwear products. The following table sets forth a breakdown of our revenue, sales volume, average selling price and price range by our key product category for the periods indicated:

	Year ended December 31,												Six months ended June 30,							
	2019				2020				2021				2021				2022			
	Revenue[1]	Sales volume[1]	Average selling price[1]	Price range	Revenue[1]	Sales volume[1]	Average selling price[1]	Price range	Revenue[1]	Sales volume[1]	Average selling price[1]	Price range	Revenue[1]	Sales volume[1]	Average selling price[1]	Price range	Revenue[1]	Sales volume[1]	Average selling price[1]	Price range
	RMB'000	*'000 pc*	*RMB*	*RMB*	*RMB'000*	*'000 pc*	*RMB*	*RMB*	*RMB'000*	*'000 pc*	*RMB*	*RMB*	*RMB'000 (unaudited)*	*'000 pc*	*RMB*	*RMB*	*RMB'000*	*'000 pc*	*RMB*	*RMB*
Apparel Products[2]	1,146,892	12,737	90	7-331	1,338,415	13,628	98	7-343	1,833,677	13,837	133	6-353	824,458	6,974	118	7-549	1,016,658	6,378	159	10-387
Footwear Products[2]	256,409	1,180	217	60-399	401,130	1,676	239	69-346	453,615	1,773	256	62-382	229,337	1,021	225	82-439	258,087	908	284	101-444
Other Products[3]	25,553	1,077	24	6-309	158,564	5,341	30	3-2,414	59,251	700	85	3-1,044	46,891	799	59	3-1,989	2,782	20	139	3-1,692
Total	**1,428,854**	**14,994**	**95**	**6-399**	**1,898,109**	**20,645**	**92**	**3-2,414**	**2,346,543**	**16,310**	**144**	**3-1,044**	**1,100,686**	**8,794**	**125**	**3-1,989**	**1,277,527**	**7,306**	**175**	**3-1,692**

Notes:

(1) The returned products were excluded from the calculation of revenue, sales volume and average selling price.

(2) During the Track Record Period, the prices of apparel and footwear products sold by us might be lower than the low-end of such price range when we offer discount to customers, while the prices of certain apparel and footwear products for winter season sold by us might be higher than the high-end of such price range. For illustration purpose, during the calculation of such price range, we excluded outliers from our statistical data of all products within their respective product category, representing approximately 2% of the orders of which the prices were either extremely high or extremely low, which we believe may distort statistical analysis and be less indicative. The extremely low prices were primarily the prices for promotional products, while the extremely high prices were primarily the prices for products that are sold occasionally in small quantity.

(3) Mainly include electronic devices (such as earphones, home cameras and signal boosters), stationery and sporting goods, etc. The high-end of price range for other goods sold in 2020, 2021 and the first half of 2021 and 2022 were relatively high, primarily as we sold outdoor sporting goods in the same periods. For illustration purpose, during the calculation of such price range, we excluded outliers from our statistical data of all other products, representing approximately 2% of the orders of which the prices were either extremely high or extremely low, which we believe may distort statistical analysis and be less indicative. The extremely low prices were primarily the prices for promotional products, while the extremely high prices were primarily the prices for products that are sold occasionally in small quantity.

Seller Store Arrangement

We operate more than one seller store by one entity (the "**Multiple Seller Store Arrangement**") and used to operate seller stores registered under the names of some of our employees, and their family members and friends, or the names of companies owned by them (the "**Authorizing Individuals and Companies**") in accordance with their authorizations (the "**Third-party Seller Store Arrangement**") on third-party e-commerce platforms.

Under Multiple Seller Store Arrangement, we operate multiple seller stores on the same third-party e-commerce platform, a large number of which mainly operate a single brand in each seller store. Among those seller stores, some operate the same brand on the same third-party e-commerce platform targeting different sales regions or customers, which is in line with the industry practice as confirmed by Frost & Sullivan. After consulting our legal advisors as to all applicable jurisdictions and obtaining confirmations from those third-party e-commerce platforms, our Directors are of the view that the Company's Multiple Seller Store Arrangement and operating the same brand in multiple seller stores are permitted by and in compliance with the policies of all those platforms.

As to Third-party Seller Store Arrangement, we have acquired the vast majority of the Authorizing Companies and the seller stores registered under the names of the Authorizing Individuals into our Group since March 2021 to enhance our management and control on these seller stores, and fully terminated some seller stores used to register under the names of Authorizing Individuals, which cannot be transferred to us due to the restriction of a third-party e-commerce platform. As of June 30, 2022, all Authorizing Companies and other seller stores registered under the names of Authorizing Individuals had been either acquired or voluntarily closed by us, thus there remained no authorization arrangement with Authorizing Individuals and Companies. After consulting our legal advisors as to all applicable jurisdictions and obtaining confirmations from those third-party e-commerce platforms, our Directors are of the view that our Third-party Seller Store Arrangement is permitted by and in compliance with the policies of all those platforms. For more information of our seller store arrangement, please see "Business – Our Business Process – Seller Store Management."

Key Operating Data of Our Business

The following table sets forth the key operating data of our online seller stores on Amazon for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Key operating data				
Number of orders[1] *(in thousands)*	3,127	4,115	11,103	7,876
Sales income[1] *(RMB in millions)*	574.8	758.5	2,103.2	1,574.4
Average price per order *(RMB)*	183.8	184.4	189.4	199.9
Range of order size[2] *(RMB)*	47-491	49-502	49-584	64-394
Return rate[3] (%)	18.5	17.1[4]	19.8[5]	25.5[6]
Repeat customer rate[7] (%)	N/A	N/A	N/A	N/A

Notes:

(1) The number of orders refers to the number of orders placed by customers and shipped by us, and the sales income refers to the total transaction amount of the orders placed by customers and shipped by us. The calculation of number of orders and the sales income included returned products, and excluded canceled orders and transactions with our corporate customers through third-party e-commerce platforms.

(2) The range of order size is broad as the order size may vary significantly depending on the quantity and price of products purchased in one single order. For illustration purpose, the range of transaction size of Amazon, Wish and other third-party ecommerce platforms refers to the range of transactions size of our top 20 online seller stores with the largest transaction volume, under their respective category. When

calculating the price range, we excluded outliers from our statistical data, representing approximately 2% of the orders of which the prices were either extremely high or extremely low, which we believe may distort statistical analysis and be less indicative. The extremely low prices were primarily the prices for promotional products, while the extremely high prices were primarily the prices for products that are sold occasionally in small quantity.

(3) Return rate was calculated by dividing the transaction amount of products returned to us by our sales income during the relevant year/period. Given the time difference between product delivery, revenue recognition and product return, the amount of returned products may include products ordered in the previous year/period and returned in the relevant year/period and does not reflect products ordered in the relevant year/period and returned in the following year/period.

(4) We recorded decreased product return rate for our sale through Amazon in 2020, primarily because footwear products sold represented a decreased portion of our total revenue in 2020 as compared to that in 2019, which normally have relatively high product return rate due to the discrepancies in shoe's size among different regions.

(5) We recorded increased product return rate for our sale through Amazon in 2021, as footwear products sold represented an increased portion of our total revenue in 2021 as compared to that in 2020. In addition, the increased product return rate was also attributable to more flexible product return policies adopted by Amazon since August 2021.

(6) We recorded increased product return rate for our sale through Amazon in the first half of 2022, primarily as (i) the high inflation and the increasing interest rates in the United States in the first half of 2022 had deteriorated the spending power and changed the purchasing habits of our customers in the United States, resulting in more conservative consumption and more frequent product return, as confirmed by Frost & Sullivan, as a result of which, customers may purchase several products and only keep their most favorable product while returning the rest after fitting; and (ii) Amazon adopted a flexible product return policy allowing unconditional product returns within 30 days upon delivery.

(7) Due to the system restriction, we do not have full user data for customers chose FBA model. As a result, we do not have full statistics to calculate repeat customer rate of our seller stores on Amazon.

The following table sets forth the key operating data of our online seller stores on Wish for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Key operating data				
Number of orders *(in thousands)*	12,029	15,186	4,096[(2)]	223[(2)]
Sales income *(RMB in millions)*	863.3	916.0[(1)]	305.2[(2)]	20.4[(2)]
Average price per order *(RMB)*	71.8	60.3	74.5	91.1
Range of order size *(RMB)*	14-262	13-267	14-319	20-343
Return rate (%)	8.4	8.9	5.8	4.8
Repeat customer rate[(3)] (%)	33.8	40.1[(4)]	23.2[(5)]	7.5[(5)]

Notes:

(1) The increase of the sales income generated from Wish in 2020 was generally in line with the fluctuation of our revenue generated from sale through Wish. Our revenue generated from Wish increased in 2020, primarily due to our increased sales through Wish to North America in 2020, as (i) Wish adopted more flexible shipment policies; and (ii) we continued to focus more on the development of our sale to North American market through third-party e-commerce platforms, including Wish.

(2) The number of orders and sales income of our online seller stores on Wish experienced significant decline in 2021 and the first half of 2022, as we strategically shifted our business focus to sale through Amazon. In addition, as confirmed by Frost & Sullivan, there was a decline in the growth rate of GMV generated by China-based sellers on Wish since 2019, which resulted in significant decreases in both the number of orders and sales income of our online seller stores on Wish in 2021 and the first half of 2022. According to Frost & Sullivan, the annual growth rate of Wish was approximately -5.1%, 12.7% and -30.5% for the years ended December 31, 2019, 2020 and 2021, respectively.

(3) Repeat customer rate is calculated by dividing the number of customers who purchased from our seller stores more than once and the products had been shipped during the relevant year/period, by the total number of customers who purchased from our online seller stores and the products had been shipped during the relevant year/period.

(4) The increased repeat customer rate of Wish in 2020 was primarily due to higher online consumption facilitated more orders due to the outbreak of COVID-19 in 2020, especially in the first half of 2020.

(5) The decreased repeat customer rate of Wish in 2021 and the first half of 2022 was primarily due to the reduction in the investment in the marketing and advertising activities for our sale through Wish since the second half of 2020, with the intention to concentrate our resources on Amazon.

The following table sets forth the key operating data of our online seller stores on other third-party e-commerce platforms for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Key operating data				
Number of orders *(in thousands)*	1,094	755[1]	1,088[2]	287[3]
Sales income *(RMB in millions)*	107.4	55.9[1]	79.9[2]	24.0[3]
Average price per order *(RMB)*	98.1	74.0	73.4	83.5
Range of order size *(RMB)*	31-461	19-631	23-616	17-348
Return rate (%)	10.0	6.9	6.1	8.8
Repeat customer rate (%)	16.2	15.1	13.4	11.4[4]

Notes:

(1) The number of orders and sales income on other third-party e-commerce platforms experienced decrease in 2020, as certain new stores on other third-party e-commerce platforms recorded unsatisfactory sales performance and we subsequently consolidated our seller stores to focus on the operations on certain third-party e-commerce platforms, such as Joom and Walmart.

(2) The number of orders and sales income of our online seller stores on other third-party e-commerce platforms increased in 2021, primarily due to our increased sale through AliExpress. We newly established a number of seller stores on AliExpress in the second half of 2020 and the first half of 2021. The increase was also attributable to more selling and marketing efforts on such platform.

(3) The number of orders and sales income of our online seller stores on other third-party e-commerce platforms decreased in the first half of 2022, primarily due to (i) less revenue generated from eBay in the first half of 2022, as in accordance with our Group's business strategies to focus on the sale of apparel and footwear products and gradually reduce our sale of other products since 2022, we reduced our sale of other products on eBay, such as furniture and sports goods, which were our primary products sold on such platform, and (ii) less revenue generated from Joom during the same period, mainly as we ceased our sale to certain countries or regions such as Russia and Ukraine that may subject us to sanction risks thus generated less revenue from there.

(4) The declining repeat customer rate of our online seller stores on other third-party e-commerce platforms during the Track Record Period was primarily due to our reduction in the investment in marketing and advertising activities on other third-party e-commerce platforms especially those failed to record satisfactory business performance, with the intention to concentrate our resources on Amazon.

The following table sets forth the key operating data of our self-operated online stores for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Key operating data				
Number of orders[(1)] *(in thousands)*	424	1,185[(2)]	757[(5)]	215[(5)]
Sales income[(1)] *(RMB in millions)*	117.2	406.9	274.9[(5)]	83.9[(5)]
Average price per order *(RMB)*	276.1	343.5[(3)]	363.0	390.1
Range of order size *(RMB)*[(4)]	118-833	102-1,110	180-1,158	142-455[(7)]
Return rate (%)	4.8	5.5	5.3	5.4
Repeat customer rate (%)	4.7	7.4[(6)]	7.0	7.5

Notes:

(1) The number of orders refers to the number of orders placed by customers and shipped by us, and the sales income refers to the total transaction amount of the orders placed by customers and shipped by us. The calculation of number of orders and sales income included returned products, and excluded canceled orders and transactions with our corporate customers through our self-operated online stores.

(2) The number of orders increased significantly in 2020, as we expanded our operations of self-operated online stores and newly commenced operations of a large number of self-operated online stores during the same year.

(3) The increase in the average price per order in 2020 was primarily due to the rising logistics cost caused by COVID-19, as well as more footwear products sold with relatively high unit prices.

(4) The range of order size is broad as the order size may vary significantly depending on the quantity and price of products purchased in one single order. For illustration purpose, the above range of transaction size refers to the range of transactions size of our top 20 self-operated online stores with the largest transaction volume. When calculating the price range, we excluded outliers from our statistical data, representing approximately 2% of the orders of which the prices were either extremely high or extremely low, which we believe may distort statistical analysis and be less indicative. The extremely low prices were primarily the prices for promotional products, while the extremely high prices were primarily the prices for products that are sold occasionally in small quantity.

(5) The number of orders and sales income of our self-operated online stores decreased in 2021 and the first half of 2022, primarily as (i) we adjusted our operating strategies in the first half of 2021 to focus on the cultivation of selected self-operated online stores with better sales performance and profitability potential, which needs ramp-up time before the realization of normal growth, and (ii) we reduced our investment in the sales and marketing for our self-operated online stores during the same period.

(6) The increased repeat customer rate of our self-operated online stores in 2020 was primarily due to our efforts to cultivate selected self-operated online stores with better sales performance and profitability potential. The increased repeat customer rate was also in line with the increased sales through self-operated online stores in 2020.

(7) We recorded a relatively small range of order size for sale through our self-operated online stores in the first half of 2022, primarily due to decreased sale to corporate customers through self-operated online stores, resulting in relatively less procurement in a single order by individual customers as compared with those by corporate customers.

The following table sets forth a breakdown of our sales income, sales volume, average selling price and price range by subcategory of our apparel products for the periods indicated:

	Year ended December 31,												Six months ended June 30,							
	2019				2020				2021				2021				2022			
	Sales income[1]	Sales volume	Average selling price[2]	Price range[3]	Sales income[1]	Sales volume	Average selling price[2]	Price range[3]	Sales income[1]	Sales volume	Average selling price[2]	Price range[3]	Sales income[1]	Sales volume	Average selling price[2]	Price range[3]	Sales income[1]	Sales volume	Average selling price[2]	Price range[3]
	RMB'000	*'000 pc*	*RMB*	*RMB*	*RMB'000*	*'000 pc*	*RMB*	*RMB*	*RMB'000*	*'000 pc*	*RMB*	*RMB*	*RMB'000*	*'000 pc*	*RMB*	*RMB*	*RMB'000*	*'000 pc*	*RMB*	*RMB*
Women's apparel and related products[4]	1,139,022	13,669	83	7-289	1,309,778	16,343	80	7-278	1,868,530	14,424	130	6-281	840,292	7,631	110	7-296	1,166,951	7,272	160	11-360
Men's apparel products	192,904	1,594	121	13-331	226,815	1,683	135	14-343	306,457	1,948	157	10-353	136,253	977	139	18-367	155,659	975	160	24-387
Children's apparel products	39,232	601	65	7-211	32,279	449	72	7-207	79,731	645	124	8-214	17,714	192	92	13-222	51,312	392	131	21-229
Other apparel products	3,894	42	93	10-267	3,934	60	66	7-278	2,922	49	60	7-296	2,524	46	55	13-549	148	2	74	10-225
Total apparel products	**1,375,052**	**15,906**	**86**	**7-331**	**1,572,806**	**18,535**	**85**	**7-343**	**2,257,640**	**17,066**	**132**	**6-353**	**996,783**	**8,846**	**113**	**7-549**	**1,374,070**	**8,641**	**159**	**10-387**

Notes:

(1) The sales income included transaction amount of apparel products returned to us. As excluded from our revenue, the total transaction amount of apparel products returned to us, according to our internal record, amounted to RMB165.3 million, RMB190.9 million, RMB383.6 million, RMB144.6 million and RMB339.6 million in 2019, 2020 and 2021 and the first half of 2021 and 2022, respectively, representing approximately 12.0%, 12.1%, 17.0%, 14.5% and 24.7%, respectively, of the total transaction amount of our apparel products delivered for the same periods. The products returned to us are recorded under the general apparel product category instead of the breakdown for each subcategory.

The increase in transaction amount of apparel products returned to us in 2021 was primarily due to the increase of our sale through Amazon under the FBA model, which provided customers with more flexible return policy as compared with those delivered through international direct mail method. As a result, we recorded increased product return rate in that year.

The significant increase in transaction amount of apparel products returned to us in the first half of 2022 was primarily as (i) the high inflation and the increasing interest rates in the United States in the first half of 2022 had negatively affected the spending power and changed the purchasing habits of our customers in the United States, resulting in more conservative consumption and more frequent product return, as confirmed by Frost & Sullivan, as a result of which, customers may purchase several products and only keep their most favorable product while returning the rest after fitting; and (ii) Amazon adopted a flexible product return policy allowing unconditional product returns within 30 days upon delivery. Accordingly, we recorded increased product return rate during the same period.

(2) The calculation of sales volume and average selling price included apparel products returned to us. The increase of the average selling prices of the women's apparel and related products, men's apparel products and children's apparel products in 2021 was caused by the increase of our sale through Amazon, which primarily targets mid- to high-end customers with strong spending power and our selling prices on which are relatively high.

(3) For illustration purpose, during the calculation of price range, we excluded outliers from our statistical data of all apparel products within their respective product subcategory, representing approximately 2% of the orders of which the prices were either extremely high or extremely low, which we believe may distort statistical analysis and be less indicative. The extremely low prices were primarily the prices for promotional products, while the extremely high prices were primarily the prices for products that are sold occasionally in small quantity.

(4) Women's apparel and related products include apparel products for women and related products, such as accessories.

OUR SUPPLIERS AND CUSTOMERS

Our Suppliers

Our suppliers primarily consist of third-party OEM suppliers and logistics service providers, most of which are located in the PRC. We procure all of our products from selected domestic OEM suppliers. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, purchases from our five largest suppliers in each year during the Track Record Period collectively accounted for approximately 51.9%, 46.7%, 48.8% and 61.9% of our total purchases during the same periods, respectively, and purchases from our largest supplier in each year during the Track Record Period accounted for approximately 23.5%, 19.7%, 38.6% and 57.4% of our total purchases during the same periods, respectively. Our five largest suppliers during the Track Record Period comprise third-party e-commerce platforms, logistics service providers and marketing service providers.

Jiahe Group (Hong Kong) Limited ("**Jiahe Group**"), our fourth largest supplier for the year ended December 31, 2020, is a company used to be controlled by a family relative of Ms. Yu, before its disposal to one of our former employees, who is an Independent Third Party in May 2021. Except for Jiahe Group (prior to its disposal to the Independent Third Party), all of our five largest suppliers during the Track Record Period are Independent Third Parties. For transactions with Jiahe Group, see "Financial Information – Related Party Transactions." We ceased to procure advertising agency services from Jiahe Group in May 2021 when our contract with Jiahe Group expired upon mutual consent and engaged Independent Third Parties to provide similar services. We will not continue to procure advertising agency services from Jiahe Group. To the best knowledge of our Directors, none of our Directors, their respective close associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period, except for Jiahe Group before May 2021. Supplier A, a third-party e-commerce platform, was one of our five largest suppliers and also our customer during the Track Record Period. Other than Jiahe Group and Supplier A, none of our five largest suppliers during the Track Record Period were also our customers. See "Business – Supply Chain Management."

Our Customers

Our customers are primarily retail customers who purchased our products either through major third-party e-commerce platforms, or our self-operated online stores directly. To a much lesser extent, our customers also include corporate customers such as third-party e-commerce platforms and other third-party merchants. Although we primarily target female customers aging from 18 and 45 years who seek quality womenswear with reasonable and affordable prices, given the dispersed base of our customers, we do not have a concentration risk. The revenue contributed by our five largest customers in each period during the Track Record Period accounted for less than 1.6% of our total revenue of the relevant period. Our five largest customers during the Track Record Period primarily comprised third-party e-commerce platforms, other third-party merchants and individual customers. Among our five largest customers, Jiahe Group, our second largest customer for the year ended December 31, 2021, was our fourth largest supplier for the year ended December 31, 2020. In addition, Supplier A, a third-party e-commerce platform, was one of our five largest suppliers and also our customer during the Track Record Period. Besides, our fourth largest customer for the year ended December 31, 2020, an e-commerce platform which also provides logistics services, who primarily procured sporting goods and toys from us, was also our logistics service supplier during the Track Record Period. Other than the above-mentioned three customers, none of our five largest customers was our suppliers during the Track Record Period. As advised by Frost & Sullivan, it is the industry norm for e-commerce platforms to purchase products from e-commerce companies like us and provide platform services such as logistics or advertising services.

Our second largest customer for the year ended December 31, 2021 was Jiahe Group. For transactions with Jiahe Group, see "Financial Information – Related Party Transactions." Our largest customer for the years ended December 31, 2019, 2020 and 2021, Super Summer, used to be our subsidiary before we disposed it to an Independent Third Party in July 2019. For more details, please see "History, Reorganization and Corporate Structure – Reorganization – Offshore Reorganization – (v) Acquisition and Subsequent Disposal of Super Summer." Other than Jiahe Group and Super Summer, all of our five largest customers during the Track Record

Period are Independent Third Parties. To the best knowledge of our Directors, none of our Directors, their respective close associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period, except for Jiahe Group before May 2021 and Super Summer before July 2019. See "Business – Our Customers."

PRICING

In line with the industry norm, we adopted market-oriented pricing approach. We principally offer customers products at competitive prices. We price our products based on, to the extent applicable, a series of factors including: (i) historical purchase volume and sales statistics; (ii) customer review; (iii) selling prices of comparable products and competitive landscape of our products; (iv) market trends; (v) pricing policy of certain third-party e-commerce platforms; (vi) product positioning and target customer base; and (vii) foreign exchange rate fluctuations.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in our [**REDACTED**]. Some of the major risks that we face include:

(i) disruption of our relationships and unfavorable changes in terms of our arrangements with third-party e-commerce platforms, in particular, Amazon and Wish, could have a material adverse effect on our business and results of operations;

(ii) we may not be able to identify and respond to changes in fashion trends, consumer preferences and market demand in a timely manner;

(iii) any material shortage or delay in supply by our OEM suppliers or instability of their product quality, and any difficulty in maintaining our current relationships with our OEM suppliers or find replacements for our OEM suppliers in a timely manner, could materially and adversely affect our business;

(iv) failure to maintain optimal inventory level could increase our operating costs or lead to unfulfilled customer demands, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects; and

(v) our business operations may be affected by risks related to logistics services provided by third parties.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Capitalization Issue and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Hua and Ms. Yu, through their respective holding companies (namely Hone Ru, Wiloru Holdings, Gfxtmyun, Hyufeng and TMY ONE), will together be interested in and entitled to exercise the voting rights attaching to approximately [**REDACTED**]% of our enlarged total issued share capital, and Mr. Hua, Ms. Yu, Hone Ru, Wiloru Holdings, Gfxtmyun, Hyufeng and TMY ONE will be considered as a group of Controlling Shareholders for the purpose of the Listing Rules upon [**REDACTED**]. For details, please see the section headed "Relationship with Controlling Shareholders."

[REDACTED] INVESTORS

Several [**REDACTED**] Investors, including Ningbo Zhongyao, Calor Capital and Aloe Tower, were introduced to become the shareholders of our Group, and their investment demonstrates their confidence in the operation of our Group and serves as an endorsement of our Company's performance, strength and prospects. For details, please see the section headed "History, Reorganization and Corporate Structure – [**REDACTED**] Investments."

SUMMARY OF HISTORICAL AND FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I to this document.

Consolidated Statement of Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
			RMB'000		
				(unaudited)	
Revenue	1,428,854	1,898,109	2,346,543	1,100,686	1,277,527
Cost of sales	(430,919)	(520,301)	(581,008)	(266,225)	(308,411)
Gross profit	**997,935**	**1,377,808**	**1,765,535**	**834,461**	**969,116**
Selling expenses and distribution costs	(833,610)	(1,162,217)	(1,413,705)	(636,422)	(838,255)
General and administrative expenses	(69,636)	(70,979)	(108,969)	(55,616)	(62,923)
Net impairment losses on financial assets	(616)	(697)	15	(293)	(3,077)
Other income	4,340	8,981	15,982	3,755	5,596
Other gains/(losses), net	3,477	(11,753)	(9,092)	(4,752)	8,656
Operating profit	**101,890**	**141,143**	**249,766**	**141,133**	**79,113**
Finance income	365	–	–	–	1,215
Finance costs	(8,655)	(6,720)	(9,876)	(3,871)	(6,706)
Finance costs – net	(8,290)	(6,720)	(9,876)	(3,871)	(5,491)
Fair value changes of redeemable convertible preferred shares	–	–	(2,259)	(287)	(2,274)
Profit before income tax	**93,600**	**134,423**	**237,631**	**136,975**	**71,348**
Income tax expense	(12,491)	(20,462)	(37,122)	(22,742)	(10,034)
Profit and total comprehensive income for the year/period, all attributable to owners of the Company	**81,109**	**113,961**	**200,509**	**114,233**	**61,314**
Earnings per share for profit attributable to owners of the Company (express in RMB per share) – Basic and diluted	0.20	0.28	0.50	0.29	0.15

During the Track Record Period, our revenue experienced continuous growth, primarily due to our expanding operations on Amazon during the Track Record Period and our development of self-operated online stores in 2020. Our profit for the year increased from RMB81.1 million in 2019 to RMB114.0 million in 2020, and further increased significantly to RMB200.5 million in 2021, primarily due to our increased sales through Amazon and the associated high gross profit. Our profit for the period decreased from RMB114.2 million for the six months ended June 30, 2021 to RMB61.3 million for the six months ended June 30, 2022, primarily due to (i) the high inflation and the increasing interest rates in the United States in the first half of 2022, which imposed negative impact on the spending power and the purchasing habits of our customers, resulting in more conservative consumption and increased return rate of sale through Amazon as confirmed by Frost & Sullivan, which caused the slowdown of our revenue growth rate; (ii) the increase in marketing and advertising expenses, primarily due to the increased advertising prices driven by more sellers intending to place advertisements on Amazon under advertising bidding scheme, in line with the industry trend as confirmed by Frost & Sullivan; (iii) the increase in freight and insurance cost in our selling expenses and distribution costs, primarily due to the increase in prices for outbound shipping under the FBA model since early 2022, in line with the industry trend as confirmed by Frost & Sullivan; and (iv) the increase in employee benefit expenses in both selling expenses and distribution costs and general and administrative expenses, mainly caused by the increased number of employees, mainly consisted of staff we recruited for our sales and operation, product designing and development and IT teams, to expand our talent reserves for future business expansion. See "Financial Information – Description of Key Items of Consolidated Statement of Comprehensive Income" and "Financial Information – Year to Year/Period to Period Comparison of Results of Operations."

Gross Profit and Gross Profit Margin

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Sale of apparel products	785,164	68.5	944,551	70.6	1,373,770	74.9	625,171	75.8	766,477	75.4
Sale of footwear products	194,590	75.9	314,215	78.3	362,257	79.9	184,501	80.4	201,018	77.9
Sale of other products	18,181	71.2	119,042	75.1	29,508	49.8	24,789	52.9	1,621	58.3
Total	**997,935**	**69.8**	**1,377,808**	**72.6**	**1,765,535**	**75.2**	**834,461**	**75.8**	**969,116**	**75.9**

Our gross profit represents revenue less cost of sales. Our cost of sales primarily consists of (i) cost of inventories sold, comprising our cost of procurement from our OEM suppliers; (ii) freight and insurance cost, mainly representing inbound shipping charges and related insurance fees; and (iii) impairment provision of inventories, mainly representing the impairment provision we made for inventories. During the Track Record Period, we provided a significant amount of impairment loss on inventories, primarily as we assessed the net realizable value of inventories and the amount of impairment based on multiple factors, including product lifecycle, sales performance and aging of inventories. Our gross profit increased continuously during the Track Record Period, generally in line with our increased revenue during the same periods. Our gross profit margin increased from 69.8% in 2019 to 72.6% in 2020, and further to 75.2% in 2021, primarily as (i) we strategically focused more on developing our sales though Amazon, which primarily targets mid- to high-end customers with strong spending power; and (ii) we developed and streamlined our self-operated online store business, through which we enjoyed a relatively high gross profit as our sale through self-operated online stores mainly target at mid-end customers, the price of products sold to whom are generally at a relatively high level. Our gross profit margin remained relatively stable at 75.9% in the first half of 2022 compared with 75.8% in the first half of 2021.

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2019	2020	2021	2022
		RMB'000		
Property, plant and equipment	6,549	6,172	9,109	12,094
Right-of-use assets	26,194	20,879	40,225	48,746
Deferred income tax assets	13,286	13,505	11,451	13,014
Total non-current assets	**48,220**	**43,176**	**64,865**	**80,075**
Inventories	178,144	255,840	664,323	761,082
Trade receivables	189,673	166,500	119,226	180,733
Prepayments and other receivables	31,238	86,816	89,146	39,711
Cash and cash equivalents	27,097	83,000	80,855	82,913
Total current assets	**426,675**	**599,336**	**954,810**	**1,065,738**
Total assets	**474,895**	**642,512**	**1,019,675**	**1,145,813**
Lease liabilities	13,374	8,381	25,335	28,452
Total non-current liabilities	**13,374**	**8,381**	**25,635**	**28,752**
Trade and other payables	266,568	235,669	232,005	283,940
Contract liabilities	24,741	132,576	29,650	11,225
Borrowings	79,518	71,000	209,939	224,309
Redeemable convertible preferred shares	–	–	106,091	108,365
Total current liabilities	**396,765**	**461,664**	**621,064**	**682,771**
Total liabilities	**410,139**	**470,045**	**646,699**	**711,523**
Net current assets	**29,910**	**137,672**	**333,746**	**382,967**
Net assets	**64,756**	**172,467**	**372,976**	**434,290**

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
			RMB'000		
				(unaudited)	
Operating profit before changes in working capital	136,013	185,347	288,685	156,473	115,067
Changes in working capital	(41,765)	(47,193)	(479,553)	(249,524)	(97,756)
Interest received	99	86	67	38	33
Income taxes paid	(12,385)	(24,122)	(16,248)	(10,290)	(5,306)
Net cash generated from/(used in) operating activities	81,962	114,118	(207,049)	(103,303)	12,038
Net cash (used in)/ generated from investing activities	(3,642)	(8,000)	(764)	1,567	(8,325)
Net cash (used in)/generated from financing activities	(100,221)	(48,069)	206,997	133,639	(3,710)
Net (decrease)/ increase in cash and cash equivalents	(21,901)	58,049	(816)	31,903	3

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
			RMB'000		
				(unaudited)	
Cash and cash equivalents at the beginning of the year/period	48,603	27,097	83,000	83,000	80,855
Effects of exchange rate changes on cash and cash equivalents	395	(2,146)	(1,329)	(663)	2,055
Cash and cash equivalents at the end of the year/period	**27,097**	**83,000**	**80,855**	**114,240**	**82,913**

We recorded net cash used in operating activities of RMB207.0 million for the year ended December 31, 2021, primarily as we used more cash to procure inventories in order to (i) satisfy the continuous expansion of our business scale and active prospect of our sales; (ii) satisfy the foreseeable increase of our sale through Amazon under the FBA model, the shipment time of which is relatively long thus requires sufficient stock of products; and (iii) be prepared for the customer demand considering the relatively long life cycle of our products sold through Amazon. See "Financial Information – Liquidity and Capital Resources – Cash Flows" and "Risk Factors – Risks Relating to Our Business and Industry – We recorded negative cash flows from operating activities during the Track Record Period, which may have an adverse effect on our business, financial condition, results of operations and prospects." Subsequent to December 31, 2021, our operating cash flow position has been improved in line with our sale of products in stock. We recorded net cash inflow from operating activities for the six months ended June 30, 2022.

Key Financial Ratios

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Profitability ratios				
Gross profit margin	69.8%	72.6%	75.2%	75.9%
Net profit margin	5.7%	6.0%	8.5%	4.8%
Return on equity	125.3%	66.1%	53.8%	N/A
Return on assets	17.1%	17.7%	19.7%	N/A
	As of December 31,			**As of June 30,**
	2019	**2020**	**2021**	**2022**
Liquidity ratios				
Current ratio	1.1x	1.3x	1.5x	1.6x
Quick ratio	0.6x	0.7x	0.5x	0.4x
Capital adequacy ratios				
Gearing ratio	199.6%	53.2%	95.5%	87.7%
Debt to equity ratio	157.6%	5.1%	73.8%	68.6%
Liabilities to assets ratio	86.4%	73.2%	63.4%	62.1%

For details of our key financial ratios, see "Financial Information – Key Financial Ratios."

COMPETITION

According to Frost & Sullivan, there were over 16,000 sellers in China's cross-border e-commerce export market in 2021, amongst whom over 5,000 sellers focuses on B2C business. The market size of China's cross-border e-commerce export B2C market in 2021 was approximately RMB2,738.4 billion in terms of GMV. The total market share of the top five participants in China's cross-border e-commerce export B2C market was approximately 6.5% in 2021. Amongst all sellers in China's cross-border e-commerce export B2C market, platform-based sellers were the majority, holding a market share of approximately 74.5% in such market in terms of GMV in 2021. As the largest component of China's cross-border e-commerce export B2C market, China's cross-border e-commerce export B2C apparel and footwear market took a market share of approximately 27.4% in terms of GMV in 2021. The total market share of the top five participants in China's cross-border e-commerce export B2C apparel and footwear market was approximately 1.8% in terms of GMV generated through third-party e-commerce platforms in 2021. In the same year, the total market share of the top five participants in China's cross-border e-commerce export B2C apparel and footwear market in terms of GMV generated through third-party e-commerce platforms in North America market was approximately 2.1%, indicating a highly fragmented market.

According to Frost & Sullivan, we ranked third amongst all China's platform-based sellers in cross-border e-commerce export B2C apparel and footwear market in terms of GMV in 2021, holding a market share of 0.4% in the RMB596.5 billion market. In addition, we ranked first in terms of GMV generated through North America amongst all platform-based sellers in China's cross-border e-commerce export B2C apparel and footwear market in 2021, holding a market share of 0.7% in the RMB303.0 billion market.

According to Frost & Sullivan, we operate in the highly competitive cross-border e-commerce export B2C apparel and footwear industry. We primarily compete on a few major factors: (i) brand awareness and customer loyalty; (ii) the diversification of product portfolio; (iii) marketing and promotion; (iv) sales network coverage; (v) operation capabilities; (vi) pricing; and (vii) delivery efficiency. However, we believe we are well positioned to capitalize on the future industry growth, leveraging our leading market position on third-party e-commerce platforms and extensive market knowledge. See "Industry Overview" for a more detailed discussion regarding the industries and markets where we operate.

COMPLIANCE AND LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable laws and regulations in all material aspects in material jurisdictions in relation to our operations. We were not imposed any material administrative penalties and experienced any material or systemic non-compliance incidents. As of the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings, and were not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business. As of the same date, our Directors were not involved in any actual or threatened material claims or litigation.

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]
[REDACTED] of our [REDACTED](2)	HK$[REDACTED]	HK$[REDACTED]

Notes:

(1) All statistics in the table are based on the assumption that none of the [**REDACTED**] is exercised.

(2) The calculation of [**REDACTED**] is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**].

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as of June 30, 2022	Estimated impact to the consolidated net tangible assets upon the conversion of the redeemable convertible preferred shares	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted net tangible assets attributable to owners of our Company as of June 30, 2022	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an [REDACTED] of HK$[REDACTED] per Share	430,818	108,365	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	430,818	108,365	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note:

(1) Please see "Appendix II – Unaudited Pro Forma Financial Information" for further details regarding the assumptions used and the calculation method.

[REDACTED]

Our [**REDACTED**] mainly include [**REDACTED**], legal and professional fees paid to the professional parties and other expenses for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. The estimated total [**REDACTED**] (based on the mid-point of our indicative [**REDACTED**] for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately HK$[**REDACTED**] (including (i) [**REDACTED**], SFC transaction levy, Stock Exchange trading fees and FRC transaction levy for all [**REDACTED**] of approximately HK$[**REDACTED**], and (ii) non-[**REDACTED**] related expenses of approximately HK$[**REDACTED**], which consist of (a) fees and expenses of legal advisors and accountants of approximately HK$[**REDACTED**], and (b) sponsor fee and other fees and expenses of approximately HK$[**REDACTED**]), representing approximately [**REDACTED**]% of the gross [**REDACTED**] based on the same assumptions. During the Track Record Period, we incurred [**REDACTED**] in aggregate of HK$[**REDACTED**], of which (i) HK$[**REDACTED**] was charged to the consolidated statements of profit or loss as general and administrative expenses; and (ii) HK$[**REDACTED**] was directly attributable to the issuance of shares and will be recognized as a deduction in equity directly upon the [**REDACTED**]. We expect approximately HK$[**REDACTED**] to be recognized as general and administrative expenses and approximately HK$[**REDACTED**] to be recognized as a deduction in equity directly upon the [**REDACTED**].

DIVIDENDS

No dividend had been paid or declared by us during the Track Record Period. We do not currently have a pre-determined dividend payout ratio.

USE OF [REDACTED]

We estimate the [**REDACTED**] of the [**REDACTED**] which we will receive, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-end of the [**REDACTED**] stated in this document), will be approximately HK$[**REDACTED**], after deduction of [**REDACTED**] and commissions and estimated expenses payable by us in connection with the [**REDACTED**] and assuming the [**REDACTED**] is not exercised.

We intend to use the [**REDACTED**] of the [**REDACTED**] for the following purposes:

Approximately HK$ in millions	Percentage of [REDACTED]	Future Plan
[**REDACTED**]	[**REDACTED**]%	to enhance our sales and branding capabilities
[**REDACTED**]	[**REDACTED**]%	to enhance our supply chain management system
[**REDACTED**]	[**REDACTED**]%	to establish large-scale independent self-operated online stores
[**REDACTED**]	[**REDACTED**]%	to enhance our product research and development capabilities
[**REDACTED**]	[**REDACTED**]%	to enhance our IT system

For details, see "Future Plans and Use of [**REDACTED**]."

IMPACT OF COVID-19

There has been an outbreak of an infectious disease caused by a novel coronavirus (the "**COVID-19**"). The disease quickly spread within the PRC and globally, and has materially and adversely affected the domestic and global economy. The outbreak of COVID-19 worldwide has the following impacts on our business, results of operations and financial conditions:

Industry and market: though the outbreak of COVID-19 had demonstrated its adverse impact on the global economy and the cross-border e-commerce export industry and caused interruptions to logistics services and the suspension of OEM suppliers, especially at the beginning of the outbreak, in the long term, the outbreak of COVID-19 has positively influenced the industry as the customers' online consumption habits have been cultivated, logistics infrastructure and warehouse facilities have been better established to actively respond to the outbreak, and favorable government policies have also been promulgated to benefit the industry.

Supply chain: we encountered shortage or delay in the supply of, or fluctuation in the price of, certain products in a short period from February 2020 to March 2020, primarily due to the suspension of operations of our OEM suppliers in the PRC. From February 2020 to March 2020, approximately 13% of the products we ordered in terms of product volume, were in short supply, higher than the annual average of approximately 3% under normal circumstance. However, our operations have resumed quickly due to the improvement of health conditions in China and the efforts of our procurement department.

Logistics: for orders placed by our customers on third-party e-commerce platforms, we encountered delay in the shipment to such third-party e-commerce platforms from February 2020 to March 2020. In addition, certain of our overseas logistics services had been adversely affected as a result of the spread of COVID-19 in other countries from June 2020 to the first quarter of 2021. Normally, it takes 20 days or less from the receipt of customer orders to the shipment of products from the warehouse. With the spread of COVID-19, in 2020, 2021 and the first half of 2022, the value of our products shipped later than 20 days from the order time due to the above-mentioned reason amounted to approximately RMB189.7 million, RMB210.1 million and RMB39.5 million, representing 8.8%, 7.5% and 2.3% of our products shipped during the same periods, respectively. We are responsible for losses arising from any delay in shipment caused by the shortage of our products, while our logistics service providers are generally liable to compensate for our losses arising from failing to deliver on-time. In addition, the logistics service fees increased during the COVID-19 pandemic, primarily due to the limited shipping capacity. According to Frost & Sullivan, cross-border logistics services have returned to normal since the first quarter of 2021. Accordingly, most of the international delivery has resumed and our sales amount has been increasing.

Employees: we have promptly taken precautionary measures in areas affected by the COVID-19 outbreak and crowded places and maintained good indoor ventilation. To the best knowledge of our Directors, there had been no confirmed case of COVID-19 infection among our employees as of the Latest Practicable Date. As of June 30, 2022, we had incurred approximately RMB0.2 million in respect of the precautionary measures taken in order to prevent the transmission of COVID-19. See "Financial Information – Key Factors Affecting Our Results of Operations – The Outbreak of COVID-19."

On the above basis, our Directors are of the view that the outbreak and spread of COVID-19 had no material adverse impact on our business operation and financial condition during the Track Record Period and up to the Latest Practicable Date. Nevertheless, in the event that the COVID-19 cannot be successfully countered globally in a timely manner, our supply chain or international logistics may continue to be affected. See "Risk Factors – Risks Relating to Our Business and Industry – Our business operations may be affected by the outbreak of COVID-19."

RECENT DEVELOPMENT

Since early 2022, there has been an increasing global inflation, especially in the United States. The Federal Reserve of the United States raised the interest rates in the United States several times in the first half of 2022. According to Frost & Sullivan, such inflation and the corresponding economic uncertainty adversely affected the spending power and the purchasing habits of customers, resulting in more conservative consumption and more frequent product return in cross-border e-commerce export B2C market. Such high inflation and increasing interest rates have been continuing since July 2022, according to Frost & Sullivan. Under such circumstance, our Directors expect the high inflation and increasing interest rates in the United States may continue affecting the growth rate of our results of operations during the remaining time of 2022. Considering that (i) our revenue growth rate is adversely affected by more conservative consumption and increased return rate of sale through Amazon in relation to the continuous negative impact on the spending power and customers' purchasing habits brought by the high inflation and the increasing interest rates in the United States; and (ii) we do not plan to reduce our investments in marketing and advertising activities aiming to maintain and strengthen our competitive position, thus we expect to continue to incur substantial marketing and advertising expenses in the second half of 2022, we expect to record decreased net profit for the year ending December 31, 2022, compared with that for the year ended December 31, 2021. See "Risks Factors – Risks relating to Our Business and Industry – Our business and financial position may be adversely affected if we are not able to continue servicing the United States market effectively or if there is any adverse change in the macroeconomic situation or economic downturn in the United States."

Since July 2022, there have been further waves of recurrence of COVID-19 cases in certain parts of the PRC, including Shanghai and Sanya. The PRC government has also imposed temporary regional control measures in cities where confirmed cases are reported. However, neither our OEM suppliers nor we were subject to any regional control measures which would materially and adversely affect our business, results of operations and financial conditions, as our procurement from OEM suppliers had not experienced any material interruption and none of our OEM suppliers informed us of any material impact caused by regional control measures. As of the Latest Practicable Date, none of our OEM suppliers were located in Shanghai or Sanya, which were the cities mostly affected by the recent recurrence of COVID-19 and thus subject to strict regional control measures. To our best knowledge after making reasonable inquiries with our major OEM suppliers, our OEM suppliers proactively adopt measures to mitigate the impact of COVID-19 pandemic. For example, some OEM suppliers require their employees to live and stay in their workshop and avoid unnecessary cross-regional traveling to meet the timing requirement of products supply during the pandemic. Therefore, our procurement, sales and delivery maintained stable subsequent to the Track Record Period and up to the Latest Practicable Date. We closely monitor the indicators for any further waves of COVID-19 outbreaks and proactively take precautionary measures to minimize the risk of spreading and contracting COVID-19 in our office premises.

RECENT REGULATORY DEVELOPMENTS

Regulatory Changes on Data Privacy and Protection

The regulatory environment in relation to data privacy and protection in China has been undergoing a number of recent changes and reforms.

On June 10, 2021, the Standing Committee of the National People's Congress of the People's Republic of China (全國人民代表大會常務委員會) (the "**SCNPC**") passed the *Data Security Law of the PRC* (《中華人民共和國數據安全法》) (the "**Data Security Law**"), which became effective on September 1, 2021. On July 30, 2021, the State Council published the *Security Protection Regulations on the Critical Information Infrastructure* (《關鍵信息基礎設施安全保護條例》) (the "**CII Regulations**"), which was passed by the State Council on April 27, 2021 and took effect on September 1, 2021. On August 20, 2021, the SCNPC passed the *Personal Information Protection Law of the PRC* (《中華人民共和國個人信息保護法》) (the "**PIPL**"), which became effective on November 1, 2021.

On November 14, 2021, the Cyberspace Administration of China (國家互聯網信息辦公室) (the "**CAC**") published *Regulations on the Administration of Cyber Data Security (Draft for Comments)* (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Data Security Regulations**"), the Draft Data Security Regulations has been published quite recently and some of the requirements in the Draft Data Security Regulations are subject to more specific explicit provisions or implementation standards, we are still in the process of evaluating the applicability of the various requirements under the Draft Data Security Regulations on our business.

On December 28, 2021, the CAC promulgated the *Measures for Cybersecurity Review* (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**," together with the Draft Data Security Regulations, the "**CAC Measures and Draft**") and became effective on February 15, 2022.

According to Article 2 of the Cybersecurity Review Measures, where any critical information infrastructure operator purchases network products and services, or any network platform operator (網絡平台運營者) conducts any data processing activity, which affects or may affect national security, a cybersecurity review shall be conducted in accordance with the Cybersecurity Review Measures. The Cybersecurity Review Measures shall be applied to both critical information infrastructure operators and network platform operators.

According to the Draft Data Security Regulations, "internet platform operators (互聯網平台運營者)" refer to data processors who provide users with internet platform services such as information release, social networking, transactions, payment and audiovisual.

According to the *Guidelines for the Classification and Grade of Network Platforms (Draft for Comment)* (《互聯網平台分類分級指南(徵求意見稿)》) promulgated by the State Administration for Market Regulation (國家市場監管總局), "internet platforms (互聯網平台)" provide the connection of people, goods, services, information, entertainment, capital, and computing power through network technology.

The data collected and processed by us are mainly the mailing address used by our overseas customers. It is probable that some of the customers overseas may be Chinese. The customer data are transmitted to our ERP system in the PRC for subsequent shipments.

With reference to the Draft Data Security Regulations and the *Guidelines for the Classification and Grade of Network Platforms (Draft for Comment)*, since we use the network to carry out data processing activities within the territory of the PRC in our business operations, we shall be defined as a network platform operator, and the Cybersecurity Review Measures shall be applied to us.

Pursuant to Article 2 of the Draft Data Security Regulations, the Draft Data Security Regulations apply to: (i) data processing activities carried out by using the network in the PRC; and (ii) supervision and management of network data security in the PRC. Since we use the network to carry out data processing activities in the PRC, the Draft Data Security Regulations shall be applied to us.

Pursuant to Article 5 and 7 of the Cybersecurity Review Measures, enterprises shall apply for the cybersecurity review under the following circumstances: (i) a critical information infrastructure operator that intends to purchase network products and services that affect or may affect national security; (ii) a network platform operator that processes the personal information of more than one million users and intends for "foreign listing (國外上市)."

As for the definition of "critical information infrastructure operators," pursuant to Article 2 of the CII Regulations, critical information infrastructure refers to the important network facilities and information systems in important industries and fields, as well as other important network facilities and information systems which, in case of destruction, loss of function or leak of data, may result in serious damage to national security, the national economy and the people's livelihood and public interests.

Pursuant to Article 10 of the CII Regulations, the identity of the critical information infrastructure operator shall be determined by the PRC government authorities responsible for critical information infrastructure protection, and the identified critical information infrastructure operator shall be notified by the competent PRC government authority. We have not received any notice or determination from competent PRC government authorities identifying us as a critical information infrastructure operator.

As for the definition of "foreign listing," the Cybersecurity Review Measures provide no further explanation or interpretation. According to mainstream opinions, "foreign listing" also does not include "listing in Hong Kong."

As for the definition of "affects or may affect national security," the Cybersecurity Review Measures provides no further explanation or interpretation for "affects or may affect national security," and the PRC government authorities may have wide discretion in the interpretation of "affects or may affect national security." According to *National Security Law of the PRC* (《中華人民共和國國家安全法》) issued on July 1, 2015, and became effective on the same date, national security refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other major interests of the state are relatively not faced with any danger and not threatened internally or externally and the capability to maintain a sustained security status.

Our PRC Legal Advisors are of the view that, since we may process personal information generated from Chinese people living overseas, it cannot be ruled out that the competent PRC government authorities initiate cybersecurity reviews on us.

Although the possibility that our data processing activities may affect national security cannot be completely ruled out, the possibility that the competent PRC government authorities initiate cybersecurity reviews on us is low, primarily because: (i) the types of data processed by us are mainly used for the purpose of providing shipment services. Although we had provided data to our International Sanctions Legal Advisors, the outbound data transfer had been completed, and we are not conducting any on-going outbound data transfer. At present, there are no circumstances in which our aforesaid data processing practices have affected or may affect national security. Therefore, taking into account our business, the nature of the data and the processing purpose, our PRC Legal Advisors are of the view that it is unlikely that the activities of our [**REDACTED**] in Hong Kong will give rise to national security risks; and (ii) the Draft Data Security Regulations has not been formally adopted and is subject to further guidance, and we have not been involved in any investigations on cybersecurity review made by the CAC on such basis and nor have we received any inquiry, notice, warning, or sanctions in such respect.

Pursuant to Article 13 of the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cybersecurity review when carrying out the following activities: (i) the merger, restructuring or separation of network platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or could affect national security; (ii) data processors that handle the personal information of more than one million people intend for "foreign listing;" (iii) data processors seeking to be listed in Hong Kong, which affect or may affect national security; or (iv) other data processing activities that affect or may affect national security.

Our Directors and our PRC Legal Advisors are of the view that the Cybersecurity Review Measures and the Draft Data Security Regulations shall be applied to us, but are unlikely to have material adverse impacts on our business operations or the proposed [**REDACTED**] in Hong Kong at the present stage, since we have not been involved in any investigation on cybersecurity review made by the PRC government authorities or received any inquiry, notice, warning or sanctions from the PRC government authorities on such basis. During the Track Record Period and up to the Latest Practicable Date, there had been no incident of data or personal information leakage, violation of data protection and privacy laws and regulations or investigation or other legal proceeding against us that will adversely affect our business operations. Moreover, our PRC Legal Advisors are of the view that Hong Kong listing does not fall within the scope of "foreign listing" under the Cybersecurity Review Measures. Therefore, although we possess more than one million overseas customers' shipment information, our PRC Legal Advisors are of the view that the requirement is not applicable to us given that we are seeking the [**REDACTED**] in Hong Kong instead of seeking to be listed abroad. Our PRC Legal Advisors do not foresee any material impediment for us to take measures for compliance with the Cybersecurity Review Measures and the Draft Data Security Regulations.

Additionally, since the Draft Data Security Regulations shall be subject to more specific rules, there still exists uncertainty of the requirements under the Draft Data Security Regulations on our business. Therefore, it is hard for the PRC Legal Advisors to preclude the possibility that new rules or regulations promulgated in the future will impose additional compliance requirements on us. We have adopted a series of data compliance management and technical measures in accordance with current PRC laws and regulations, in order to comply with PRC cybersecurity, data security and personal information protection regulations. Therefore, the Draft Data Security Regulations will not have an immediate and significant impact on our [**REDACTED**] at the present.

As advised by our PRC Legal Advisors, we shall pay close attention to law enforcement of the Cybersecurity Review Measures and legislative developments of the Draft Data Security Regulations as well as its specific provisions or implementation standards, maintain ongoing dialogue with competent PRC government authorities and consult competent PRC government authorities as necessary and in due course. We shall also rectify, adjust, and optimize our data practices in a timely manner to keep pace with regulatory development. We shall strictly follow the requirements under the applicable legal requirements at the time accordingly.

On July 7, 2022, the CAC promulgated the *Measures on Security Assessment of Outbound Data Transfer* (《數據出境安全評估辦法》) (the "**Measures on Security Assessment of Outbound Data Transfer**"), which became effective on September 1, 2022. These measures shall apply to the security assessment of the provision of important data and personal information collected and generated by data processors in the course of their operations within the territory of the PRC by such data processors to overseas recipients (the "**outbound data transfer**"). Where there are other provisions in laws and administrative regulations, such other provisions shall prevail. These Measures specify that an outbound data transfer by a data processor that falls under any of the following circumstances, the data processor shall apply to the CAC for the security assessment via the local provincial-level cyberspace administration authority: (i) outbound transfer of important data by a data processor; (ii) outbound transfer of personal information by a critical information infrastructure operator or a personal information processor who has processed the personal information of more than 1,000,000 people; (iii) outbound transfer of personal information by a personal information processor who has made outbound transfers of the personal information of 100,000 people cumulatively or the sensitive personal information of 10,000 people cumulatively since January 1 of the previous year; or (iv) other circumstances where an application for the security assessment of an outbound data transfer is required as prescribed by the CAC.

As of the Latest Practicable Date, the data collected and processed by us are mainly the mailing address used by our overseas customers. It is probable that some of the customers overseas may be Chinese. The customer data are transmitted to our ERP system in the PRC for subsequent shipments. There is no outbound data transfer involved during our daily business operations. Although we had provided data to our International Sanctions Legal Advisors, the outbound data transfer had been completed, and we are not conducting any on-going outbound data transfer. As advised by our PRC Legal Advisors, we have not received any notice or determination from competent PRC government authorities identifying us as a critical information infrastructure operator, and we have not met the threshold as stipulated under circumstances (iii) which shall be required to apply for security assessment on outbound data transfer. Nonetheless, the identification of important data as stipulated under circumstance (i) is still subject to the formation of specified catalogue of important data by relevant government authorities, and the implementation under circumstance (iv) is still subject to elaboration by relevant government authorities, there remains uncertainty as to how the new regulation will be implemented. Therefore, we shall closely monitor the implementation of these measures, and we shall apply for security assessment of outbound data transfer in case we transfer personal information abroad after September 1, 2022.

Based on the above-mentioned and as advised by our PRC Legal Advisors, our Directors are of the view that the Measures on Security Assessment of Outbound Data Transfer will not have a material adverse impact on our business operations and financial performance.

See "Regulatory Overview" for details of the recent regulatory developments. See "Risk Factors – Risks Relating to Our Business and Industry–Our business generates and possesses a large amount of overseas customers' shipment information, and the improper collection, storage, use or disclosure of such information could materially and adversely affect our business and reputation" for the associated risks.

NO MATERIAL CHANGE AND DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2022, being the date of the latest audited consolidated financial position of our Group as set out in the Accountant's Report in Appendix I to this document.

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules.

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

"Alitti"	Alitti Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and wholly owned by Mr. Dong Zhenguo (董振國), our executive Director
"Aloe Tower"	Aloe Tower Limited, a BVI business company incorporated under the laws of the BVI on March 10, 2021 and one of our [**REDACTED**] Investors
"Also Jun"	Also Jun Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and wholly owned by Mr. Wang Weiping (汪衛平), our executive Director
"Anhui Yueyu"	Anhui Yueyu Supply Chain Management Co., Ltd. (安徽省悅語供應鏈管理有限公司), a limited liability company established in the PRC on April 8, 2019 and a subsidiary of our Company
"Anqing Zibuyu"	Anqing Zibuyu Network Technology Co., Ltd. (安慶子不語網絡科技有限公司), a limited liability company established in the PRC on April 24, 2018 and a subsidiary of our Company

[**REDACTED**]

"Articles" or "Articles of Association"	the amended and restated articles of association of our Company adopted on [●] with effect from the [**REDACTED**] and as amended from time to time, a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board

"Board" or "Board of Directors"	our board of Directors
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday, or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"Calor Capital"	Calor Capital (BVI) Limited, a BVI business company incorporated under the laws of the BVI on May 21, 2021 and one of our [**REDACTED**] Investors
"Capitalization Issue"	the issue of [**REDACTED**] Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of our Company, as further described in the section headed "Appendix IV – Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 3. Resolutions in writing of our Shareholders passed on [●]"

[**REDACTED**]

"Cayman Companies Act" or "Companies Act"	the Companies Act (As Amended) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"China" or "PRC"	the People's Republic of China, but for the purpose of this document and for geographical reference only, except where the context requires, references in this document to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Company" or "our Company"	Zibuyu Group Limited (子不语集团有限公司), an exempted company incorporated in the Cayman Islands with limited liability on August 6, 2018
"Comprehensively Sanctioned Countries"	Cuba, Iran, North Korea, Syria, the Crimea Region of Russia/Ukraine and the self-proclaimed Luhansk People's Republic and the self-proclaimed Donetsk People's Republic regions
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Hua, Ms. Yu, Hone Ru, Wiloru Holdings, Gfxtmyun, Hyufeng and TMY ONE
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Countries subject to International Sanctions"	any country or territory subject either to a general and comprehensive embargo or a more limited set of export, import, financial or investment restrictions under sanctions related laws or regulation of the Relevant Jurisdiction

"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company
"Dongguan Zibuyu"	Dongguan Zibuyu Supply Chain Management Co., Ltd. (東莞子不語供應鏈管理有限公司), a limited liability company established in the PRC on April 27, 2021 and a subsidiary of our Company
"EIT"	enterprise income tax in the PRC
"Euro" or "€" or "EUR"	the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992)
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FRC"	the Financial Reporting Council of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company and an Independent Third Party
"Frost & Sullivan Report"	an independent industry report commissioned by us and prepared by Frost & Sullivan for the purpose of this document
"FSE List"	the list of Foreign Sanctions Evaders maintained by OFAC, which sets forth individuals and entities that are determined to have violated, attempted to violate, conspired to violate, or caused a violation of the U.S. sanctions on Syria or Iran, and are prohibited to transact with the U.S. persons or within the United States but whose assets/property interest are not subject to blocking
"GBP"	Great Britain pound, the lawful currency of the United Kingdom
"GDP"	gross domestic product

"Gfxtmyun"	Gfxtmyun Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and wholly owned by Mr. Hua, one of our Controlling Shareholders

[**REDACTED**]

"Gpxxxx"	Gpxxxx Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and wholly owned by Mr. Yang Xinmin (楊薪民), a former Director who resigned from office in December 2020
"Greenxin"	Greenxin Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and wholly owned by Mr. Xu Shijian (徐石尖), our executive Director
"Group," "our Group," "we," or "us"	our Company and our subsidiaries from time to time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Guangzhou Xingzezhi"	Guangzhou Xingzezhi Network Technology Co., Ltd. (廣州行則至網絡科技有限公司), a limited liability company established in the PRC on July 28, 2021 and a subsidiary of our Company
"Guangzhou Zibuyu"	Guangzhou Zibuyu Supply Chain Service Co., Ltd. (廣州子不語供應鏈服務有限公司), a limited liability company established in the PRC on October 16, 2017 and a subsidiary of our Company
"Hangzhou Chengyusi"	Hangzhou Chengyusi Network Technology Co., Ltd. (杭州成於思網絡科技有限公司), formerly known as Hangzhou Yueyu Network Technology Co., Ltd. (杭州悅語網絡科技有限公司), a limited liability company established in the PRC on May 23, 2018 and a subsidiary of our Company

"Hangzhou Junbuqi"	Hangzhou Junbuqi Network Technology Co., Ltd. (杭州君不器網絡科技有限公司), formerly known as Hangzhou Damaimiao Consulting Co., Ltd. (杭州噠嘜喵諮詢有限公司) and Hangzhou Damaimiao Network Technology Co., Ltd. (杭州噠嘜喵網絡科技有限公司), a limited liability company established in the PRC on August 25, 2017 and a subsidiary of our Company
"Hangzhou Modengxian"	Hangzhou Modengxian Information Technology Co., Ltd. (杭州莫等閒信息技術有限公司), a limited liability company established in the PRC on April 1, 2020 which we disposed of to Mr. Yang Xinmin on February 3, 2021 as described in the section headed "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (iii) Deregistration or Disposal of Non-operating Subsidiaries and Branch – b. Subsidiaries disposed of"
"Hangzhou Qingruxu"	Hangzhou Qingruxu Network Technology Co., Ltd. (杭州清如許網絡科技有限公司), a limited liability company established in the PRC on March 26, 2020 which we disposed of to Independent Third Parties as described in the section headed "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (iii) Deregistration or Disposal of Non-operating Subsidiaries and Branch – b. Subsidiaries disposed of"
"Hangzhou Shangzhi"	Hangzhou Shangzhi Network Technology Co., Ltd. (杭州上知網絡科技有限公司), a limited liability company established in the PRC on November 20, 2018 and a subsidiary of our Company
"Hangzhou Xingzezhi"	Hangzhou Xingzezhi Network Technology Co., Ltd. (杭州行則至網絡科技有限公司), a limited liability company established in the PRC on November 20, 2018 and a subsidiary of our Company
"Hangzhou Xingzezhi E-Commerce"	Hangzhou Xingzezhi E-Commerce Co., Ltd. (杭州行則至電子商務有限公司), a limited liability company established in the PRC on March 16, 2022 and a subsidiary of our Company

"Hangzhou Zibuyu"	Hangzhou Zibuyu Supply Chain Management Co., Ltd. (杭州子不語供應鏈管理有限公司), a limited liability company established in the PRC on August 29, 2017 and a subsidiary of our Company
"Hefei Zibuyu"	Hefei Zibuyu Network Technology Co., Ltd. (合肥子不語網絡科技有限公司), formerly known as Hefei Zibuyu Supply Chain Management Co., Ltd. (合肥子不語供應鏈管理有限公司), a limited liability company established in the PRC on August 23, 2017 and a subsidiary of our Company which was deregistered on August 21, 2019
"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

[**REDACTED**]

"Hone Ru"	Hone Ru Enterprise Limited, a BVI business company incorporated under the laws of the BVI on January 7, 2020, the holding vehicle set up by Cantrust (Far East) Limited for the administration of Hone Ru Trust, one of our Controlling Shareholders
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

[**REDACTED**]

"Huzhou Zibuyu"	Huzhou Zibuyu Supply Chain Management Co., Ltd. (湖州子不語供應鏈管理有限公司), a limited liability company established in the PRC on December 10, 2020 and a subsidiary of our Company
"Hyufeng"	Hyufeng Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and wholly owned by Ms. Yu, one of our Controlling Shareholders
"IFRSs"	International Financial Reporting Standards
"IIT"	individual income tax
"Independent Third Party(ies)"	an individual or a company which, to the best of our Director's knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules

[**REDACTED**]

"International Sanctions"	all applicable laws and regulation to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted administered and enforced by the U.S. Government, the EU and its member states, UN or Government of Australia
"International Sanctions Legal Advisors"	Hogan Lovells, our legal advisors as to International Sanctions laws in connection with the [**REDACTED**]

[**REDACTED**]

"Joint Sponsors" and "[**REDACTED**]"	Huatai Financial Holdings (Hong Kong) Limited and ABCI Capital Limited
"Latest Practicable Date"	September 19, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"M&A Rules"	the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, SAMR, and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Hua"	Mr. Hua Bingru (華丙如), an executive Director, the chairman of the Board, the chief executive officer of our Company and one of our Controlling Shareholders
"Mr. Wang"	Mr. Wang Shijian (王詩劍), an executive Director and the vice president of our Company
"Ms. Yu"	Ms. Yu Feng (余風), the spouse of Mr. Hua and one of our Controlling Shareholders

"Nanchang Zibuyu"	Nanchang Zibuyu Supply Chain Management Co., Ltd. (南昌子不語供應鏈管理有限公司), a limited liability company established in the PRC on October 27, 2020 and a subsidiary of our Company which was deregistered on May 19, 2021
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Ningbo Bingfeng"	Ningbo Bingfeng Investment Management Partnership (Limited Partnership) (寧波丙風投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on April 20, 2017 which is held by Mr. Hua as the limited partner and Ms. Yu as the general partner as to 99.95% and 0.05%, respectively
"Ningbo Gongqiju"	Ningbo Meishan Free Trade Port Zone Gongqiju Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區共齊聚投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on December 6, 2017 which was deregistered on January 18, 2022
"Ningbo Ruizhou"	Ningbo Meishan Free Trade Port Zone Ruizhou Enterprise Management Partnership (Limited Partnership) (寧波梅山保稅港區睿舟企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 23, 2017 which was deregistered on November 17, 2021
"Ningbo Ruyu"	Ningbo Ruyu Investment Co., Ltd. (寧波如餘投資有限公司), a limited liability company established in the PRC on April 20, 2017 which is held by Mr. Hua and Ms. Yu as to 90% and 10%, respectively
"Ningbo Tongmingyun"	Ningbo Tongmingyun Investment Partnership (Limited Partnership) (寧波同命運投資合夥企業(有限合夥)), a limited partnership established in the PRC on April 25, 2017
"Ningbo Zhongyao"	Ningbo Zhongyao Investment Partnership (Limited Partnership) (寧波中耀投資合夥企業(有限合夥)), a limited partnership established in the PRC on March 9, 2018

"Nomination Committee"	the nomination committee of the Board
"OFAC"	the U.S. Department of Treasury's Office of Foreign Assets Control

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行)
"People's Congress"	the PRC's legislative apparatus, including the National People's Congress and all the local people's congresses (including provincial, municipal, and other regional or local people's congresses) as the context may require, or any of them

"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of National People's Congress on October 26, 2018 and effective on the same date
"PRC Legal Advisors"	Jingtian & Gongcheng, our legal advisors as to PRC laws
"[**REDACTED**] Investments"	the [**REDACTED**] investments in our Company undertaken by the [**REDACTED**] Investors, details of which are set out in the section headed "History, Reorganization and Corporate Structure – [**REDACTED**] Investments"
"[**REDACTED**] Investors"	Ningbo Zhongyao, Calor Capital and Aloe Tower, details of which are set out in the section headed "History, Reorganization and Corporate Structure – [**REDACTED**] Investments – Information about [**REDACTED**] Investors"

[**REDACTED**]

"Primary Sanctioned Activity"	any activities in a Comprehensively Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting or involving the property or interests in property of, a Sanctioned Target by our Company incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law and regulation
"Regulation S"	Regulation S under the U.S. Securities Act

"Relevant Jurisdiction"	any jurisdiction that is relevant to our Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assess or certain countries, governments, person or entities targeted by such law or regulation
"Relevant Persons"	means our Company, together with its investors and shareholders and persons who might directly or indirectly, be involved in permitting the listing, trading, clearing and settlement of its shares including the Stock Exchange and related group companies
"Relevant Regions"	Cuba, the Crimea region, Balkans (Albania, Bosnia and Herzegovina, Northern Macedonia and Serbia), Belarus, Egypt, Ethiopia, Guinea, Guinea-Bissau, Hong Kong, Lebanon, Mali, Myanmar/Burma, Nicaragua, Russia (excluding Crimea region), Somalia, Tunisia, Turkey, Ukraine (excluding Crimea region), Venezuela and Zimbabwe
"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization arrangements undergone by our Group in preparation for the [**REDACTED**] as described in the section headed "History, Reorganization and Corporate Structure"
"RMB" or "Renminbi"	the lawful currency of the PRC
"Rocubabe"	Rocubabe Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and wholly owned by Mr. Wang Bin (汪賓)
"SAFE"	State Administration of Foreign Exchange of the PRC (國家外匯管理局)
"SAFE Circular 13"	Notice on Further Simplifying and Improving the Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by SAFE in February 2015

"SAFE Circular 37"	Notice on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE in July 2014
"SAMR"	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"Sanctioned Person"	certain person(s) and identity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., EU, UN or Australia
"Sanctioned Target"	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Country subject to International Sanctions; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SDN"	individuals and entities that are listed on the SDN List
"SDN List"	the list of Specially Designated Nationals, and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealings with the U.S. persons
"Secondary Sanctionable Activity"	certain activity by our Company that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though our Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus sutra that Relevant Jurisdiction
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with nominal value of US$0.01 each before share subdivision and with nominal value of US$0.00005 each after share subdivision
"Shareholder(s)"	holder(s) of the Shares
"Shenzhen Zibuyu"	Shenzhen Zibuyu Electronic Commerce Co., Ltd. (深圳子不語電子商務有限公司), a limited liability company established in the PRC on December 22, 2021 and a subsidiary of our Company
"SSI List"	the list of the Sectoral Sanctions Identifications parties maintenance by OFAC, which sets forth entities designated by OFAC in Russia's energy, financial and/or defence sectors that are subject to more limited, sectoral, sanctions imposed under one or more OFAC Directives that prohibit certain (but not all) dealing with the U.S. persons or within the United States

[**REDACTED**]

"State Council"	State Council of the PRC (中華人民共和國國務院)

[**REDACTED**]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules

"Super Summer"	Super Summer Inc, formerly known as USA-ZIBUYU INC and USA-ZIBUYU LLC, a company incorporated in the United States with limited liability on September 29, 2016 which we disposed of to an Independent Third Party as described in the section headed "History, Reorganization and Corporate Structure – Reorganization – Offshore Reorganization – (v) Acquisition and Subsequent Disposal of Super Summer"
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"TMY ONE"	TONGMINGYUN ONE LIMITED, a BVI business company incorporated under the laws of the BVI on September 10, 2018 and wholly owned by Mr. Hua, one of our Controlling Shareholders
"TMY THREE"	TONGMINGYUN THREE LIMITED, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and owned by certain employees and consultant of our Group
"TMY TWO"	TONGMINGYUN TWO LIMITED, a BVI business company incorporated under the laws of the BVI on September 10, 2018 and owned by certain senior management and consultant of our Group
"Track Record Period"	the three financial years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022

[**REDACTED**]

"United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"U.S." or "United States"	the United States of America, its territories, possessions, and all areas subject to its jurisdiction

"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"US$," "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"Virtual Particle"	Virtual Particle Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and wholly owned by Ms. Hua Hui (華慧), the sister of Mr. Hua

[**REDACTED**]

"Wiloru Holdings"	Wiloru Holdings Limited, a BVI business company incorporated under the laws of the BVI on April 22, 2020, the holding vehicle set up by Cantrust (Far East) Limited for the administration of Wiloru Trust, one of our Controlling Shareholders
"Wuxi Zibuyu"	Wuxi Zibuyu Supply Chain Management Co., Ltd. (無錫子不語供應鏈管理有限公司), a limited liability company established in the PRC on June 28, 2017 and a subsidiary of our Company which was deregistered on May 31, 2021
"Xiamen Zibuyu"	Xiamen Zibuyu Electronic Commerce Co., Ltd. (廈門子不語電子商務有限公司), a limited liability company established in the PRC on May 17, 2022 and a subsidiary of our Company
"Xingzezhi BVI"	Xingzezhi (BVI) Limited (formerly known as Chellysun (BVI) Limited), a BVI business company incorporated under the laws of the BVI on October 16, 2018 and a subsidiary of our Company

"Xingzezhi Cayman"	Xingzezhi (Cayman) Limited (formerly known as Chellysun Limited), a company incorporated in the Cayman Islands with limited liability on September 26, 2018 and the former shareholder of Xingzezhi BVI
"Xingzezhi HK"	Xingzezhi HK Limited (行則至香港有限公司) (formerly known as Chellysun HK Limited), a company incorporated in Hong Kong with limited liability on November 1, 2018 and a subsidiary of our Company
"Xingzezhi Subsidiaries"	Xingzezhi BVI, Xingzezhi HK and Hangzhou Xingzezhi
"Xringirl"	Xringirl Limited, a BVI business company incorporated under the laws of the BVI on August 31, 2018 and owned by Mr. Wang and Ms. Rao Xingxing (饒興星), the spouse of Mr. Wang, as to 74.36% and 25.64%, respectively
"Zhejiang Zibuyu"	Zhejiang Zibuyu Electronic Commerce Co., Ltd. (浙江子不語電子商務有限公司), formerly known as Hangzhou Zibuyu Network Technology Co., Ltd. (杭州子不語網絡科技有限公司) and Hangzhou Zibuyu Trading Co., Ltd. (杭州子不語貿易有限公司), a limited liability company established in the PRC on April 20, 2011 and a subsidiary of our Company
"Zhongyao BVI"	Zhongyao Limited, a BVI business company incorporated under the laws of the BVI on September 3, 2018, and ultimately owned by Mr. Chen Yong (陳勇) and Mr. Fang Rongyue (方榮躍) through their respective family trust as to 40% and 60%, respectively, and one of our [**REDACTED**] Investors
"Zibuyu BVI"	ZIBUYU BVI LIMITED, a BVI business company incorporated under the laws of the BVI on August 21, 2018 and a subsidiary of our Company
"Zibuyu HK"	ZIBUYU INTERNATIONAL LIMITED (子不語國際有限公司), a company incorporated in Hong Kong with limited liability on September 19, 2016 and a subsidiary of our Company

"Zijin HK"	Hong Kong Zijin Limited (香港子衿有限公司), a company incorporated in Hong Kong with limited liability on November 26, 2018 and a subsidiary of our Company

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this document and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only.

This glossary of technical terms contains terms used in this document as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"Advanced Logistics Program"	a logistics program of Wish to support order delivery under international direct mail method to selected destination countries, in order to improve merchant logistics and overall customer experience on Wish with this unified logistics solution
"AI"	artificial intelligence
"API"	application programing interface, a set of routines, protocols and tools for building software applications
"AWS"	Amazon Web Services, the on-demand clouding services provided by Amazon through their own cloud computing platforms on a metered pay-as-you-go basis. These cloud computing services comprise a variety of basic abstract technical infrastructure and distributed computing building blocks and tools
"B2B"	business to business
"B2C"	business to consumer
"big data analytics"	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful information that can help organizations make more informed business decisions
"Black Friday"	a colloquial term for the Friday following Thanksgiving Day in the U.S., on which day stores generally offer highly promoted sales
"CAGR"	compound annual growth rate
"cloud data base"	resources made available to users on demand via the internet from a cloud computing provider's server with access to shared pools of configurable resources

"consumption tax"	the tax levied on consumption spending on goods and services
"COVID-19"	the coronavirus pandemic, an ongoing global pandemic of coronavirus disease (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
"CPC"	cost per click, a performance-based pricing model where advertisement service fees are charged on the basis of each click
"DSP"	demand side platform, a platform that allows buyers of digital advertising inventory to manage multiple ad exchange and data exchange accounts through one interface, enabling the platform-based sellers to increase the brand awareness both on and off the e-commerce platforms
"ERP"	enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources
"fabric and accessories (面輔料)"	fabric refers to the principal materials used to manufacture apparels and footwear products, while accessories refer to materials or parts used to decorate apparels and footwear or extend functions in addition to fabrics
"FBA"	fulfilment by Amazon, a fulfilment method provided by Amazon to third-party e-commerce sellers based on Amazon's self-operated logistics network, covering receiving, packing, shipping, customer service and returns for orders, to facilitate the delivery of products when Amazon's customers make a purchase on Amazon
"FBM"	fulfilment by merchant, a fulfilment method provided by Amazon under which an Amazon seller is responsible for fulfilling their orders to customers on Amazon
"GFA"	gross floor area
"GMS"	goods management system

"GMV"	gross merchandise volume. Our calculation of GMV includes value added tax and excludes (i) shipping charges; (ii) surcharges and other taxes; and (iii) deposits for purchases that have not been settled
"Harmonized Tariff Schedule"	Harmonized Tariff Schedule of the United States, a hierarchical structure for describing all goods in trade for duty, quota and statistical purposes, enacted by Congress and made effective on January 1, 1989
"hot-selling products"	our hot-selling products, refer to the products with annual sales of over 2,000 pieces through our sales network, including third-party e-commerce platforms and self-operated online stores
"IP"	intellectual property
"IT"	information technology
"KOL"	key opinion leaders
"net sales income"	refers to the amount our Group receives from sale of our products, after deducting returns of products by customers
"OEM"	original equipment manufacturer, a company that manufactures a product in accordance with its customer's designs which ultimately will be branded by its customer for sale
"sales income"	refers to the amount our Group receives from sale of our products, based on the orders we shipped during the respective periods
"SCM"	supply chain management, the management of the flow of goods and services, covering the whole process of transforming raw materials into final products
"Seller Central program"	refers to the seller program on Amazon, where retail customers purchase products through Amazon e-commerce marketplace directly from the seller
"SKU"	stock keeping unit, a unique identifier for each distinct product, as distinguished by style, size and color, that can be purchased. SKU is the sub-category of SPU

GLOSSARY OF TECHNICAL TERMS

"SPU"	standard product unit, the smallest unit of product information used by most online stores. Commodities with the same attribute values and characteristics can be called an SPU
"traffic"	the total number of internet users that visit the website within a certain period
"voluntary disclosure agreement" or "VDA"	a written agreement in which the taxpayer discloses and pays back state tax liabilities plus interest and files returns for a limited number of prior tax years, the "lookback period." In return, the state partially or completely waives penalties and agrees not to assess tax and interest prior to the lookback period (except for collected but unremitted sales, use or withholding tax)

FORWARD-LOOKING STATEMENTS

This document contains, and the documents incorporated by reference herein may contain certain statements that are, or may be deemed to be, "forward-looking statements." These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe(s)," "aim(s)," "estimate(s)," "plan(s)," "project(s)," "anticipate(s)," "expect(s)," "intend(s)," "may," "seek(s)," "can," "could," "ought to," "potential," "will" or "should" or similar expressions, or, in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. In particular, references to "estimate(s)" only refer to situations where best estimates have been adopted by the management. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, our business, results of operations, financial position, liquidity, prospects, growth, strategies and the industries and markets in which we operate or may operate in the future.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance or the actual results of our operations, financial position and liquidity. The development of the markets and the industries in which we operate may differ materially from the description or implication suggested by the forward-looking statements contained in this document. In addition, even if our results of operations, financial position and liquidity as well as the development of the markets and the industries in which we operate are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, third-party e-commerce platforms we cooperate with, our customers and major suppliers;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the industries and markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;

- our ability to retain senior management and key personnel, and recruit qualified staff;
- our business strategies and plans to achieve these strategies;
- the actions of and developments affecting our competitors;
- our ability to reduce costs and offer competitive prices;
- our ability to defend our IP rights and protect confidentiality;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes;
- commodity prices and overall market trends;
- capital market developments; and
- our dividends policy.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect our management's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions. Investors should specifically consider the factors identified in this document, which could cause actual results to differ, before making any investment decision. Subject to the requirements of the Listing Rules and except as may be required by applicable laws, we undertake no obligation to revise any forward-looking statements that appear in this document to reflect any change in our expectations, or any events or circumstances, that may occur or arise after the date of this document. All forward-looking statements in this document are qualified by reference to this cautionary statement.

An investment in our Shares involves various risks. You should carefully consider all the information in this document and in particular the risks and uncertainties described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business performance, financial condition, results of operations or prospects. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Disruption of our relationships and unfavorable changes in terms of our arrangements with third-party e-commerce platforms, in particular, Amazon and Wish, could have a material adverse effect on our business and results of operations.

In 2019, 2020 and 2021 and the six months ended June 30, 2022, our revenue generated from sale through third-party e-commerce platforms amounted to approximately RMB1,312.7 million, RMB1,505.9 million, RMB2,052.3 million and RMB1,200.3 million, respectively, representing approximately 91.9%, 79.3%, 87.4% and 94.0% of our total revenue for the same periods, among which, our total revenue generated from sale through Amazon and Wish amounted to approximately RMB1,228.6 million, RMB1,456.2 million, RMB1,976.5 million and RMB1,179.2 million, respectively, representing approximately 86.0%, 76.7%, 84.2% and 92.3% of our total revenue, for the same periods. We expect sale through such third-party e-commerce platforms will continue to contribute the vast majority of our total revenue in the foreseeable future. As such, our profitability, financial performance and financial conditions rely on, among other things, the continued strong business relationships between third-party e-commerce platforms and us, in particular, Amazon or Wish and us. See "Business – Our Business Model – Our Sales Channels" for more details.

We cannot assure you that we will be able to maintain strong business relationships with third-party e-commerce platforms, or there will not be unfavorable changes in our current arrangements. We have entered into standard agreements with Amazon in respect of its Seller Central program, and their respective standard agreements with Wish and other third-party e-commerce platforms. For example, under our agreements with Amazon, either party can terminate the retail business relationship through the Seller Central program by serving notice at any time. There is no assurance that third-party e-commerce platforms will not terminate the agreements with us or there will not be any unfavorable changes in our current arrangements, such as a substantial increase in the service fee charged by third-party e-commerce platforms or a substantial reduction of purchase orders from customers through third-party e-commerce platforms. For example, the GMV generated by China-based sellers on Wish slightly decreased in 2019 according to Frost & Sullivan, and we also recorded decreased sale through Wish in the same year. In particular, as our sale through third-party e-commerce platforms increased during the Track Record Period, third-party e-commerce platforms may have increasing bargaining power. In the case that third-party e-commerce platforms amend the terms of agreements to make them unfavorable to us, the profitability of our products may be materially and adversely affected.

Moreover, third-party e-commerce platforms constantly update their policies without prior notice. Changes in their policies may require us to change our routine operations, which may in turn result in an increase in our costs and expenses. For example, in December 2020, Wish implemented the Advanced Logistics Program, under which orders shall be delivered by WishPost. Extra costs will be charged if the Advanced Logistics Program order fails to arrive at the designated warehouse in seven days within the estimated delivery time. In April 2021, Amazon published its changes on the inventory control policies under FBA delivery model. Under the new policy, Amazon imposes limitation on the quantity of inventories that each seller can store at Amazon's warehouses, instead of the floating limitation previously adopted, under which sellers with better sales performance used to have less restrictions on the quantity of inventories. The new policy was released with the intention to promote all sellers' inventory turnover, in particular, before promotion events. However, the new policy would impose more restriction on sellers with better sales performance than before, which may affect our efficiency to deliver our products under the FBA model as we would have limited quantity of inventories in Amazon's warehouse and it may take some time to replenish. In addition, Amazon has implemented more flexible return policies since August 2021, which may increase the return rate of our products sold through Amazon. Besides, the shipping charges set by Amazon change from time to time, which may affect the selling prices and gross profits of our products sold through Amazon. We cannot assure you that third-party e-commerce platforms will not adopt new policies or change existing policies that may be materially adverse to us.

In addition, third-party e-commerce platforms generally have the discretion to suspend or even terminate a seller's account for reasons such as the way the seller operates and manages its seller stores, and withhold sales proceeds for a period of time under certain circumstances. They also have the rights to interpret how they would implement their policies. We cannot assure you that they will not exercise their discretion to remove the content of seller stores' webpages, delist related products, suspend or terminate our seller stores, or withhold our sales proceeds in the future. Any suspension or termination of the seller stores at their discretion may materially and adversely affect our business, financial condition and results of operations.

We may not be able to identify and respond to changes in fashion trends, consumer preferences and market demand in a timely manner.

Fashion trends, consumer preferences and market demand change from time to time. The success of our business is largely dependent on our ability to predict future fashion trends, consumer preferences and market demand so as to design and launch new products that match the appetites of our target customers and to address the evolving needs and consumer preferences. Consumer preferences differ within and across different countries and regions and among different customer groups, thus are influenced by factors such as changing esthetics and evolving styles. Although we adopt data-driven product design approach and our design database contains massive elements such as pattern and fabric and accessories, our design team may not promptly cater to the changing consumer preferences. Any failure to accurately anticipate fashion trends and react to prevailing consumer preferences in a timely manner could adversely affect our sales performance, result in obsolete inventories and lead to a reduction in our business profitability, which may, in turn, have a material adverse effect on our business, financial condition and results of operations.

Any material shortage or delay in supply by our OEM suppliers or instability of their product quality, and any difficulty in maintaining our current relationships with our OEM suppliers or finding replacements for our OEM suppliers in a timely manner, could materially and adversely affect our business.

We rely on our selected OEM suppliers for the production of our products. We primarily procure our products from various domestic OEM suppliers. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our cost of inventories sold, comprising our cost of procurement from our OEM suppliers, accounted for approximately 88.5%, 87.6%, 80.8%, 85.7% and 74.6%, respectively, of our total cost of sales during the same periods. The operations of our OEM suppliers are vulnerable to business interruptions due to natural disasters, infectious diseases or other catastrophic events, such as storms, fires, floods, earthquakes, typhoons, power shortages and failures, water shortages, hardware failures, outbreak of COVID-19 pandemic, terrorist attacks, wars or such other reasons which may or may not be foreseeable or otherwise within their control. If we fail to timely replace our OEM suppliers affected with qualified substitute under our stringent selection criteria, the occurrence of any such natural disasters or catastrophic events could cause material shortages or delays in the supply of products by our OEM suppliers.

Moreover, although we have strict quality standards for our products, we may not be able to monitor the production quality of our OEM suppliers directly and effectively. If our OEM suppliers fail to supply products in accordance with our quality standards or product specifications, the delivery of suitable products may be delayed, which could harm our reputation and operations.

In addition, we may not be able to identify sufficient numbers of suitable OEM suppliers when we experience significant increases in demand for our products or if we are required to replace our OEM suppliers. If we are unable to retain our current major OEM suppliers or contract new OEM suppliers at terms acceptable to us in a timely manner, our business, financial condition and results of operations could be materially and adversely affected.

Our operations may be subject to risks brought by the power restriction policies of the PRC government from time to time.

We consume electricity for the daily operation of our business and our OEM suppliers rely on electricity in their manufacturing process. From time to time, certain parts of China may be subject to power shortage. Since September 2021, the PRC government has imposed power restriction policies across China, including the regions where we and certain of our OEM suppliers locate, such as Zhejiang Province and Anhui Province. During the Track Record Period and up to the Latest Practicable Date, our electricity consumption and daily operations had not been suspended or restricted at the request of the local government authority. To our best knowledge, a small number of our OEM suppliers had received notice on the restriction on the usage of electricity after September 2021. There is no assurance that the restrictions on the usage of electricity will not become more prevalent. Any power shortage, brownout or blackout that lasts for a significant period of time may adversely impact our business and results of operations.

We may be exposed to risks relating to ESG issues.

We primarily engage in cross-border e-commerce export B2C business and do not manufacture any products. Although the environmental impact directly caused by us is minimal, we still recognize our social responsibilities in monitoring and reducing the environmental risks associated with our operations. In recent years, there are growing concerns from the general public, third-party e-commerce platforms and government authorities on ESG issues relating to the sale of apparel and footwear products, such as encouraging the recycling of clothing and packaging materials, boycotting the use of certain raw materials that may involve the deployment of cheap workforce in certain countries, reducing the waste of clothing and packaging materials and reducing the greenhouse gas emissions caused by sea, air or land transportation during the delivery by logistics service providers. Extreme weather conditions have also raised concerns on environmental protection and social responsibilities of enterprises engaging in the sale of apparel and footwear products. We have also noticed the recent negative news on the ESG issues relating to third-party e-commerce platforms, such as Amazon and AliExpress, which pointed out the relatively high greenhouse gas emissions, hazardous waste emissions and waste of materials during the manufacturing, packaging and delivery of the products sold through such platforms.

Government authorities in multiple countries, including both the PRC and the U.S., have promulgated policies on encouraging the recycling of apparel products and relevant apparel materials, packaging and wrapping materials, to reduce hazardous waste emissions. It is foreseeable that increasingly tightening legislation and regulations aiming at reducing the waste of materials and greenhouse gas emissions may have potential impact on our operations directly or indirectly, as a result of compliance requirement on our OEM suppliers or our logistics service suppliers, and may subject us to additional costs and restrictions, which could adversely impact our financial condition and results of operations. Any implementation of such laws and regulations may also distract the attention of our management and increase our compliance costs. See "Business – Environmental, Social and Governance (The "**ESG**") – Environmental Protection."

Failure to maintain optimal inventory level could increase our operating costs or lead to unfulfilled customer demands, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Optimal inventory level is important to the success of our business. In 2019, 2020 and 2021 and the first half of 2022, our inventories turnover days were 175 days, 177 days, 304 days and 442 days, respectively. Our inventory level is susceptible to various factors which are beyond our control, including, changing fashion trends, consumer needs and market demand, seasonality, and unexpected weather changes. In addition, if we underestimate demand for our products, we may experience inventory shortages which may, in turn, result in unfulfilled customer demands, leading to a negative impact on customer experiences and our reputation. If we fail to accurately anticipate fashion trends and consumer needs and react to prevailing seasonality and unexpected weather changes in a timely manner, there may be obsolete products in our inventories, which in turn may result in impairment of inventories. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we made provisions for impairment of our inventories of RMB54.5 million, RMB24.6 million, RMB36.9 million and RMB51.1 million, respectively. As of the Latest Practicable Date, RMB155.5 million of our inventories as of June 30, 2022 had been subsequently utilized, accounted for approximately 19.2% of our inventories as of June 30, 2022. For further details, see "Financial Information – Selective Items from Consolidated Statements of Financial Position – Inventories." There can be no assurance that we will be able to maintain proper inventory level of our inventories, and any such failure may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business operations may be affected by risks related to logistics services provided by third parties.

We deliver our products from our warehouses primarily to the overseas warehouses of third-party e-commerce platforms or directly to our customers via third-party logistics service providers. In 2019, 2020 and 2021 and the first half of 2021 and 2022, the total logistics service fees, representing the aggregate amount of the inbound and outbound shipping charges and related insurance fees, amounted to RMB412.2 million, RMB546.6 million, RMB634.9 million, RMB287.5 million and RMB366.9 million, respectively. Disputes or terminations in contractual relationships with one or more of our logistics service providers could result in delayed delivery of products or increased costs. In addition, we also cooperated with Amazon with the adoption of FBA fulfilment model, under which Amazon handles receiving, packing, shipping, customer service and returns for orders. During the Track Record Period, all of our products were delivered to our customers via either third-party logistics service providers or through e-commerce platform fulfillment services. We cannot assure you that we will be able to continue our relationships with our current logistics service providers on terms acceptable to us, or we will be able to establish relationships with new logistics service providers. Any failure to maintain or develop good relationships with logistics service providers may inhibit our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our customers.

Further, the overseas delivery of our products under international direct mail method is handled by third-party logistics service providers. All posts through post offices (郵局) would follow the rules and rates set by the Universal Postal Union (the "**UPU**"), the international organization governing the exchange of international mails and packages between national postal operators. The parcel posts (郵政小包) delivered under international direct mail method are handled and delivered by post offices (郵局), thus generally follow the rules and recommendations of the UPU. In September 2019, the terminal fee system adopted by the UPU has been reformed. After the reform, countries with annual inbound letter-post volumes in excess of 75,000 tonnes in 2018 would be able to choose to implement self-declared rates effective from July 1, 2020. The U.S. is the only country that achieved the standard of annual inbound mail volumes. As a result, posts originated from China would be subject to higher terminal delivery rates in the destination country when delivering parcel posts to the U.S. Any additional logistics service fee incurred may inhibit our ability to provide cost-effective products to our customers, and may have an adverse impact on our sale to the customers overseas, further materially and adversely affect our business, financial condition and results of operations.

Moreover, as we do not have any direct control over our logistics service providers, we cannot guarantee the quality of their services. Delay in delivery, damage to products or other issues may cause us to lose customers and sales may be tarnished. Any breakdown in our relationships with our preferred logistics service providers, increase in the logistics service costs, or deficiencies in the services they provide may materially and adversely affect our business, financial condition and results of operations.

We operate in the competitive cross-border e-commerce export B2C apparel and footwear industry in China. If we fail to compete effectively and successfully, our customer base, market share and profit margins may be materially and adversely affected.

We operate in the cross-border e-commerce export B2C apparel and footwear industry in China, which is highly competitive. Participants in this market include international and domestic brands as well as online and offline retailers that compete on, among other things, brand recognition and customer loyalty, product variety, marketing and promotion, retail network coverage, e-commerce operational capabilities, price and the ability to meet delivery commitments to third-party e-commerce platforms and/or our customers. According to Frost & Sullivan, in 2021, the total market share of top five participants of China's cross-border e-commerce export B2C apparel and footwear market in terms of GMV generated through third-party e-commerce platforms was approximately 1.8%, implicating the extremely fragmented and competitive market and continuously emerging customer demand.

We face a variety of competitive challenges from competitors in the cross-border e-commerce export B2C apparel and footwear industry in China. We primarily compete on a few major factors: (i) brand awareness and customer loyalty; (ii) the diversification of product portfolio; (iii) marketing and promotion; (iv) sales network coverage; (v) operation capabilities; (vi) pricing; and (vii) delivery efficiency. See "Industry Overview – China's Cross-Border E-Commerce Export B2C Apparel & Footwear Market." There can be no assurance that we will be able to address these challenges and compete successfully against current and future competitors, and those competitive pressures may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully enhance our market penetration through expanding our sales and marketing channels, and to increase our sales volume.

Our sales and marketing channels, which comprise certain third-party e-commerce platforms and our self-operated online stores, have been a critical factor in driving our business growth and achieving strong operating results. As of the Latest Practicable Date, we have established broad sales channels to sell our products to customers located in over 80% of the countries and regions globally. See "Business – Our Business Process – Our Geographical Coverage." As of June 30, 2022, Amazon and Wish were our two largest third-party e-commerce platforms. In 2019, 2020 and 2021 and the first half of 2022, our revenue generated from sale through these two third-party e-commerce platforms amounted to RMB1,228.6 million, RMB1,456.2 million, RMB1,976.5 million and RMB1,179.2 million, respectively, accounting for 86.0%, 76.7%, 84.2% and 92.3%, respectively, of our total revenue during the same periods. We have also devoted great efforts to developing our self-operated online stores in recent years.

To further increase our market share, we plan to continue with the market penetration in our current sales and marketing channels. The expansion of our sales and marketing channels may put pressure on our managerial, financial, operational and other resources and affect our profitability in the short term. For example, we recorded loss from our sale through self-operated online stores at the early stage of development in 2019. If we are unable to improve our market penetration and customer reach through expanding our sales and marketing channels, our sales volume, our growth potential and profitability could be materially and adversely affected.

Our self-operated online stores are subject to risks in relation to IT infrastructure.

Any system failure or interruption could also cause material damage to the operation, reputation and brand image of self-operated online stores if our systems are perceived to be insecure or unreliable. Our servers for self-operated online stores are located overseas and may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill consumers' orders. However, we cannot assure that our current security mechanisms will be sufficient to protect the IT systems for our self-operated online stores from any third-party intrusions, viruses or hacker attacks, information or data theft or other similar activities. Any such future occurrences may have a material adverse impact on our business, financial condition and results of operation.

Our business operations may be affected by the outbreak of COVID-19.

There has been an outbreak of an infectious disease caused by COVID-19. The disease quickly spread within the PRC and globally, and materially and adversely affected the domestic and global economy. See "Business – Outbreak and Spread of COVID-19."

Although our suppliers in the PRC have generally resumed normal operations, we cannot assure you that such disruption and suspension will not happen again. Further, our operations could be disrupted if any of our employees or employees of our business partners, such as our OEM suppliers and logistics service suppliers, were suspected of contracting an epidemic disease, since this could require us or our business partners to quarantine some or all of these employees or disinfect the facilities used for our operations. Any disruption in the operations of our logistics business partners may materially and adversely affect our operations as we may not be able to maintain sufficient inventories in the United States and Europe for the timely delivery to our customers. For example, certain of our products delivered under international direct mail method encountered delay caused by the continuous spread of COVID-19 in other countries from June 2020 to the first quarter of 2021. See "Business – Outbreak and Spread of COVID-19." Suspension of our suppliers' operations, closure of our production, or disruption of our logistics would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. It also remains uncertain as to when the outbreak of COVID-19 will be contained. In the event that the outbreak of COVID-19 is not effectively controlled within a short timeframe, our business operations and financial condition may be materially and adversely affected as a result of any changes in the outlook for the consumer market, slowdown in economic growth, negative business sentiment or other factors that we cannot foresee. Besides, we may fail to maintain an optimal operating cost, and we cannot estimate how long will our operating cost be adversely affected by the outbreak of COVID-19 in the future.

In addition, during the COVID-19 pandemic, we may be exposed to risks of material shortage or delay in supply by our OEM suppliers, and we may not be able to identify sufficient suitable OEM suppliers timely when we experience significant increases in demand for our products. For example, we encountered shortage or delay in the supply of, or fluctuation in the price of, certain products in a short period from February 2020 to March 2020, primarily due to the suspension of operations of our OEM suppliers in the PRC. We cannot assure you that it will not occur in the future, the occurrence of which may materially and adversely affect our business, financial condition and results of operations.

Our costs may fluctuate and we may not be able to control our costs.

We procure our products from selected domestic OEM suppliers, who procure raw materials before commencing production. Our procurement costs are in turn mainly dependent on the cost of raw materials and our OEM suppliers' labor costs. Therefore, changes in the costs of raw materials or labor may indirectly affect our cost structure. If our cost of inventories sold had been 15% higher with all other variables constant, our net profit for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and

2022 would had been RMB57.1 million, RMB68.3 million, RMB70.4 million, RMB34.2 million and RMB34.5 million lower, respectively. The prices of various raw materials for our products fluctuated during the Track Record Period and may continue to fluctuate in the future. In addition, increases in labor cost directly affect our obligations in employee benefits. If we are unable to control our costs, our business, results of operations and financial condition would be materially and adversely affected.

Our business and financial position may be adversely affected if we are not able to continue servicing the United States market effectively or if there is any adverse change in the macroeconomic situation or economic downturn in the United States.

We have historically relied significantly on the United States market. During the Track Record Period, the United States was our largest market. In 2019, 2020 and 2021 and the first half of 2021 and 2022, revenue derived from our sale to the United States amounted to approximately RMB840.2 million, RMB1,310.0 million, RMB2,007.2 million, RMB876.3 million and RMB1,213.2 million, respectively, accounting for 58.8%, 69.0%, 85.5%, 79.6% and 95.0%, respectively, of our total revenue for the same periods. However, we cannot assure you that we will be able to continue to maintain our sales to the United States in the future. Our sale to customers are made on an order-by-order basis, and susceptible to the economic factors which affect the spending power of our customers. In order to mitigate the recent downturn in the overall economy of the United States, measures may be introduced to tighten the credit policy for controlling inflation in the United States, and unfavorable policies may be imposed on the import of goods into the United States, thus increasing the uncertainty on our sale to the United States and deteriorating the financial conditions and spending powers of our customers in the United States.

Our profit for the period decreased from RMB114.2 million for the six months ended June 30, 2021 to RMB61.3 million for the six months ended June 30, 2022, which was partially caused by the decreased spending power and the increase of product return rate during the period of high inflation in the United States in the first half of 2022. See "Financial Information – Description of Key Items of Consolidated Statement of Comprehensive Income" and "Financial Information – Year to Year/Period to Period Comparison of Results of Operations" for more details. Such continued uncertainty in the economy will adversely affect the business environment in the United States and unwind the prospect of our sale to the United States. We believe that our geographical sales contribution is expected to, in the near term, remain focused significantly on the United States market. If there are significant changes in consumers' spending patterns and if we are unable to respond effectively to the United States market or offer competitive prices to our customers in the United States, our business and financial performance could be adversely affected.

Our operating results are heavily dependent on the macro-economic situations of the United States. Macro-economic factors, such as changes in global or local economic and political conditions, general market sentiment, the effect of epidemic or natural disasters, changes in the regulatory environment, fluctuations in interest rates, consumer preferences, and employment levels, may affect the overall performance of the economies of the United States and may cause significant changes in consumers' spending patterns or our costs of doing business.

Changes in international trade policies and the ongoing conflict and emergence of a trade war between the U.S. and China may have an adverse effect on our business.

Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect our operations, our financial condition and results of operations. There have been political matters which resulted in increased tensions between the U.S. and China. The U.S. implemented several rounds of import tariffs on products of Chinese origin in hundreds of categories in the Harmonized Tariff Schedule of the U.S. and, the PRC government has also been imposing tariffs on certain products imported from the U.S. into the PRC responding to the U.S. tariffs. All of our products sold to the U.S. are subject to additional tariffs, with the vast majority of them subject to a tax rate of 7.5% while the remaining subject to a tax rate of 25.0% since 2018. It is uncertain whether any further tariff restrictions will be implemented and whether our products sold to the U.S. will be imposed such additional tariff. In addition, according to the U.S. Customs' statutes and regulations, third-party logistics service providers are generally responsible for the tariff declaration and other responsibilities associated with the importation and ensures the compliance of our tariff declaration. If they fail to timely and adequately complete the tariff declaration, we may be subject to penalties in certain cases, and hence adversely affect our financial conditions and business performance.

In addition, as such additional trade restrictions imposed may further escalate the tensions between the countries, it may lead to further escalation in trade tensions between China and the U.S. or even to a trade war, or the perception that such escalation or trade war could occur. Thus it may have negative impact on the economies of not only the two countries concerned, but the global economy as a whole. As a result, our business, financial condition, results of operations and prospects would be adversely affected. While our sale to the U.S. have not been adversely affected, if there were any further escalation of tensions between the U.S. and China or if any further restrictions on internet companies from China were imposed by the U.S., we cannot assure you that our export business will not be affected in the future. From time to time, the U.S. government may also impose restrictions that may adversely affect our industry and/or cause changes of the policies of third-party e-commerce platforms, and/or affect the entry of our products into the U.S., the occurrence of which may adversely affect our business, results of operations and financial condition.

Our business generates and possesses a large amount of overseas customers' shipment information, and the improper collection, storage, use or disclosure of such information could materially and adversely affect our business and reputation.

Security Breaches and Attacks

During our business operations, the data collected by us is mainly the mailing address used by our overseas customers. It is probable that some of the customers overseas may be Chinese citizen. The customer data are transmitted to our ERP system in the PRC for the use of subsequent shipments. We face multiple risks in securing and protecting customer data during our business operations, including: (i) techniques used to gain unauthorized access to data and systems, disable or degrade service or sabotage systems are constantly evolving, and we may be unable to anticipate, deter or prevent such techniques or otherwise implement adequate preventive measures to avoid unauthorized access to data collected by us or our ERP system; and (ii) our service may be vulnerable to cybersecurity breaches and attacks, which could lead to system interruptions, delays or shutdowns and cause the loss or leakage to our overseas customers' data.

Regulatory Requirements on Security and Privacy of Data and Cybersecurity

In recent years, the PRC government has enacted a series of laws, regulations and governmental policies for the protection of personal data. Since we need to process certain data of our customers in the ERP system within the territory of the PRC, we are subject to the PRC laws and regulations for the protection of personal data. Such regulatory requirements on data privacy are constantly evolving and can be subject to varying interpretations, or significant changes, resulting in uncertainties on the scope of our responsibilities in this regard.

On June 10, 2021, the Data Security Law was adopted by the SCNPC and became effective on September 1, 2021. The Data Security Law provides a security review procedure for the data activities that may affect national security. On August 20, 2021, the PIPL was adopted by the SCNPC and became effective on November 1, 2021, which reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances. The PIPL clarifies the scope of application, the definition of personal information and sensitive personal information, the legal basis of personal information processing and the basic requirements of notice and consent. On July 10, 2021, the CAC published the Draft Cybersecurity Review Measures, which further restates and expands the applicable scope of the cybersecurity review. Pursuant to the draft measures, critical information infrastructure operators that intend to purchase internet products and services and data processors engaging in data processing activities that affect or may affect national security must be subject to the cybersecurity review. The draft measures further stipulate that if an operator possesses personal information of over one million users and intends for "foreign listing," it must be subject to the cybersecurity review. However, the Draft Cybersecurity Review Measures provides no further explanation or interpretation for "foreign listing."

On November 14, 2021, the CAC published the Draft Data Security Regulations, which further elaborated a listing in Hong Kong should not be treated as "foreign listing," which was mentioned in the Draft Cybersecurity Review Measures. According to Draft Data Security Regulations, seeking a listing in Hong Kong that have or could have influence on the national security should be reported and undergo the cybersecurity review. According to *National Security Law of the PRC* (《中華人民共和國國家安全法》) issued by the SCNPC on July 1, 2015 and became effective on the same date, national security refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other major interests of the state are relatively not faced with any danger and not threatened internally or externally and the capability to maintain a sustained security status. As advised by our PRC Legal Advisors, the criteria for determining "affect or may affect national security," as stipulated in the Draft Data Security Regulations, is still subject to uncertainty and further observation and further elaboration by the competent authorities.

Given the uncertainty on the interpretation and application of the Draft Data Security Regulations, we cannot assure that we will not be deemed as "affect or may affect national security" in the future. We may be subject to cybersecurity review by the competent government authority after the draft regulations become effective even upon completion of our [**REDACTED**]. If the data processing activities of a Hong Kong listed company or a company that is in the process of applying for listing in Hong Kong are deemed as "affecting or may affect national security" and such company has failed to conduct cybersecurity review according to the relevant laws and regulations, such company will be requested to take rectification actions, subject to disciplinary warning, and/or imposed an administrative penalty ranging from RMB50,000 to RMB500,000 for a single violation incident. Furthermore, if such violation causes material impact or such company refuses to rectify the violation, such company may be subject to more severe penalties, such as revocation of relevant practicing licenses and permits. Therefore, if our business is deemed as "affecting or may affect national security" when the Draft Data Security Regulations become effective and we fail to conduct cybersecurity review according to the relevant laws and regulations and/or take rectification actions as required by the relevant competent government authority, we might be subject to more severe penalties, warnings or revocation of our practicing licenses and permits, which could materially and adversely affect our business, reputation as well as financial performance.

On December 28, 2021, the CAC publicly promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022, and further clarifies and expands the scope of application of cybersecurity review. According to the Cybersecurity Review Measures, (i) on the basis of the currently effective Cybersecurity Review Measures, in addition to network products and services acquired by critical information infrastructure operators, network platform operators are also subject to cybersecurity review if they carry out data processing activities that affect or may affect national security; and (ii) network platform operators with personal information of more than one million users will be required to apply to the Cybersecurity Review Office for a cybersecurity review in the event of a "foreign listing." Our PRC Legal Advisors are of the view that listing in Hong Kong does not fall within the scope of "foreign listing" under the Cybersecurity Review Measures and thereby would not trigger the cybersecurity review. However, there are still uncertainties regarding the interpretation and implementation of the Cybersecurity Review Measures. Our PRC Legal Advisors have advised us that, up to the Latest Practicable Date, the Cybersecurity Review Measures had no material and adverse impact on our results of business operations.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Outbound Data Transfer, which became effective on September 1, 2022. These measures shall apply to the security assessment of the outbound data transfer. Where there are other provisions in laws and administrative regulations, such other provisions shall prevail. These Measures specify that an outbound data transfer by a data processor that falls under any of the following circumstances, the data processor shall apply to the CAC for the security assessment via the local provincial-level cyberspace administration authority: (i) outbound transfer of important data by a data processor; (ii) outbound transfer of personal information by a critical information infrastructure operator or a personal information processor who has processed the personal information of more than 1,000,000 people; (iii) outbound transfer of personal information by a personal information processor who has made outbound transfers of the personal information of 100,000 people cumulatively or the sensitive personal information of 10,000 people cumulatively since January 1 of the previous year; or (iv) other circumstances where an application for the security assessment of an outbound data transfer is required as prescribed by the CAC. Since the identification of important data as stipulated under circumstance (i) is still subject to the formation of specified catalogue of important data by relevant government authorities, and the implementation under circumstance (iv) is still subject to elaboration by relevant government authorities, there remains uncertainty as to how the new regulation will be implemented.

These laws and regulations are continually evolving, are not always clear and the measures we take to comply with these laws, regulations and industry standard requirements may not always be effective. We may be subject to litigation or enforcement action, or to provide adequate notice and/or obtain consent from end users. Any proceeding or perception of concerns relating to our collection, use of data, including our security measures applicable to the data we collect, whether or not valid, could adversely affect our reputation, force us to spend significant amounts on defense of these proceedings, distract our management, increase our costs of doing business, which could materially and adversely affect our business, results of operations and prospects.

With the continuous expansion of our business and growth of our customer base, there can be no assurance that we will not be subject to national security review, or that the recent tightening of regulations on the collection and use of personal information by relevant government authorities in the PRC and other jurisdictions will have no material adverse effect to our business operations in the future. If we cannot meet relevant requirements under the evolving applicable laws or regulations relating to data privacy, data protection or information security or any additional tax related requirements relating to data, or any compromise of security that results in unauthorized access, use or leakage of our overseas customers' shipment information, we could face damage in our reputation or other negative consequences, such as investigations, or fines, any of which could materially and adversely affect our business, financial condition and results of operations. In addition, complying with various laws and regulations on cybersecurity and data security could cause us to incur additional costs or require us to change our business practices, including our data practices, which may significantly distract our management's attention and adversely affect our business.

Our sales are subject to seasonality, which could cause our results of operations and financial condition to fluctuate.

As advised by Frost & Sullivan, our industry typically experiences seasonality. We typically achieve higher revenue from the sale of our autumn and winter collections due to the higher average unit selling price of our autumn and winter apparel, as the materials for producing our autumn and winter apparel are comparatively more costly. In addition, we typically carry out more sales and marketing activities before and during holiday seasons, such as Black Friday, Christmas and New Year. We also actively participate in shopping events and promotion activities launched by third-party e-commerce platforms, such as Amazon Prime Day (亞馬遜會員日) and Wish Express Day, to capture more sales opportunities. On the other hand, our businesses are vulnerable to extreme or unusual weather conditions. For example, the extended period of warm weather during the winter season could render a portion of our products incompatible with such unseasonable conditions, and thus may affect our sales and inventories. The historical seasonal fluctuations in our results of operations and financial condition are likely to continue to fluctuate due to the same factors in the future.

We recorded negative cash flows from operating activities during the Track Record Period, which may have an adverse effect on our business, financial condition, results of operations and prospects.

We recorded net cash used in operating activities of RMB103.3 million and RMB207.0 million for the six months ended June 30, 2021 and the year ended December 31, 2021, respectively, primarily as we used more cash to procure inventories. For further details, see "Financial Information – Liquidity and Capital Resources – Cash Flows." Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements.

While we believe we have sufficient working capital to fund our current operations, we may, however, experience net cash outflows from our operating activities in the foreseeable future. If we are unable to maintain adequate working capital, we may default in our payment obligations and may not be able to meet our capital expenditure requirements or pursue our growth strategies, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to collect all of our trade receivables thus being exposed to credit risk.

Our trade receivables primarily represent outstanding balances due from third-party e-commerce platforms. As of December 31, 2019, 2020 and 2021 and June 30, 2022, our trade receivables were RMB189.7 million, RMB166.5 million, RMB119.2 million and RMB180.7

million, respectively. We recognize the allowance for expected credit losses for trade receivables, which is calculated based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. At the end of each year during the Track Record Period, we assess whether the credit risk of a financial instrument has increased significantly since its initial recognition. When making the assessment, we compare the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition and consider reasonable and supportive forward-looking information. We cannot assure you that we will be able to collect our trade receivables from third-party e-commerce platforms in full, or at all, in the future, despite our efforts to conduct credit assessment on them.

We are uncertain about the recoverability of our deferred tax assets, which may adversely affect our financial condition in the future.

We are required to make judgments, estimates and assumptions about the carrying amounts of our deferred tax assets. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had net deferred tax assets of RMB13.3 million, RMB13.5 million, RMB11.5 million and RMB13.0 million, respectively. See Note 28 in Appendix I to this document for details of the movements of our deferred tax assets during the Track Record Period. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and tax losses. This requires judgment on the tax treatments of certain transactions and assessment on the probability, timing and adequacy of future taxable profits available for the deferred tax to be recovered. These judgment and assessment are mainly based on historical experience and other relevant factors. As a result, actual results may differ from these accounting estimates.

The realization of deferred tax assets depends primarily on our estimate of whether sufficient future profits will be available. If sufficient future taxable profits are not expected to be generated or if taxable profits are lower than expected, we may fail to recover our deferred tax assets, which may materially and adversely affect our financial condition.

We are uncertain about the recoverability of our receivables from payment platforms, which may adversely affect our financial condition in the future.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded receivables from payment platforms of RMB20.2 million, RMB46.6 million, RMB59.4 million and RMB22.8 million, representing the largest component of our prepayments and other receivables as of the relevant dates, respectively. Our receivables from third-party payment platforms may continue to increase with the continuous increase of our sale through third-party e-commerce platforms as well as our self-operated online stores. We may encounter difficulties in collecting payments from payment platforms. We cannot guarantee the recoverability of our receivables from payment platforms or the accurate prediction of the future movement of such receivables. If we fail to recover such receivables, this may have an adverse impact on our working capital and may adversely affect our financial condition and results of operations.

We may incur impairment losses on prepayments and other receivables.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded current prepayments and other receivables of RMB31.2 million, RMB86.8 million, RMB89.1 million and RMB39.7 million, respectively. We measure impairment of other receivables as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions. Therefore, there is uncertainty on the prediction of the movement of impairment of prepayments and other receivables. Significant impairment losses on prepayments and other receivables may have a material adverse effect on our financial condition and results of operations.

We are exposed to fair value changes of financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain.

During the Track Record Period, we had purchased non-principal guaranteed wealth management products and may, from time to time, invest in such products in the future. We recorded financial assets at fair value through profit or loss of RMB5.8 million as of December 31, 2020. We redeemed such products in January 2021. We utilize our cash resources in an effective manner by making appropriate investments in short-term financial instruments that generate income without interfering with our daily operations or capital expenditures. The underlying financial instruments mainly include wealth management products.

Since the fair value of our financial assets is subject to all of the risks associated with those underlying financial instruments, including the possibility of a default by, or bankruptcy of, the issuers of such assets, any potential realized or unrealized losses in our investments in the future resulting from the changes in the fair value of our financial instruments may materially and adversely affect our business, financial condition and results of operations.

The details on the fair value measurement of the financial assets at fair value through profit or loss, particularly the fair value hierarchy and valuation techniques used to determine fair values are disclosed in Note 3.3 in Appendix I to this document. Factors beyond our control, including but not limited to, general economic conditions, changes in market interest rates, credit risks and stability of the capital markets, may significantly influence and cause adverse changes to the estimates and thereby affect the fair value. The valuation may involve a significant degree of judgement and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our business, financial condition and results of operations.

We are exposed to fair value changes in our redeemable convertible preferred shares and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain.

We recorded fair value loss of redeemable convertible preferred shares of RMB2.3 million, RMB0.3 million and RMB2.3 million for the year ended December 31, 2021 and the six months ended June 30, 2021 and 2022, respectively. Fair value loss of our redeemable convertible preferred shares, which affects our financial position, represents the changes in fair value of various rights associated with our redeemable convertible preferred shares. In addition, the fair value of the redeemable convertible preferred shares is determined by using the applicable valuation techniques, including the discounted cash flow method, the option-pricing method and equity allocation model. Such valuation is based on key parameters about risk-free interest rate and volatility, which are subject to uncertainty and might materially differ from the actual results.

Although our redeemable convertible preferred shares will be automatically converted into our ordinary shares upon the [**REDACTED**], to the extent we need to revalue the redeemable convertible preferred shares prior to the completion of the [**REDACTED**], any change in fair value of these redeemable convertible preferred shares may materially and adversely affect our financial condition and results of operations.

Any discontinuation or change in preferential tax treatment that currently are or may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, certain of our subsidiaries enjoyed preferential tax treatment. We recorded preferential tax of certain subsidiaries of RMB7.1 million, RMB7.0 million, RMB12.5 million, RMB4.0 million and RMB2.4 million for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively, and our effective income tax rate was 13.3%, 15.2%, 15.6%, 16.6% and 14.1% for the same periods, respectively. Zhejiang Zibuyu and Hangzhou Xingzezhi enjoy a preferential EIT rate of 15% for their high-tech enterprises status until 2023 and 2022, respectively. Wuxi Zibuyu, Guangzhou Zibuyu, Anhui Yueyu, Hangzhou Junbuqi, Anqing Zibuyu, Hangzhou Chengyusi, Dongguan Zibuyu, Shenzhen Zibuyu, Xiamen Zibuyu and Guangzhou Xingzezhi, with a small and micro enterprises status under the *Enterprise Income Tax Law of the PRC* (《企業所得稅法》), enjoy an EIT rate of 2.5% to 10%. See Note 10 to the Accountant's Report set out in Appendix I to this document.

There can be no assurances that we would continue to enjoy these preferential tax treatments at historical levels, or at all. Any change, suspension or discontinuation of these preferential tax treatment could adversely affect our business, financial condition and results of operations.

Our business relies on the proper operation of our IT infrastructure, any protracted malfunction of which could materially and adversely affect our business.

Our business relies on the proper functioning of our IT infrastructure, such as ERP system and SCM system. We use and operate the ERP system, through which we retrieve and analyze operational data, including sales and inventories, from our sales and marketing network. We also utilize our SCM system to achieve efficient management of our suppliers, through which we are able to allocate orders to our OEM suppliers leveraging our digitalized system based on their previous performance as well as monitor the progress on an ongoing basis. As our IT infrastructure is critical to our business operation, we need to constantly upgrade and improve our IT systems to support the continuous growth of our business. Although we did not experience any material IT system breakdown during the Track Record Period and up to the Latest Practicable Date, we cannot assure you that our IT systems will always operate without interruption. Moreover, we cannot guarantee that the information security measures we currently maintain are adequate or that our IT systems can withstand intrusions from or prevent improper usage by third parties.

In addition, we may not always be successful in developing, installing, running or implementing new software or advanced IT systems as required by our business development. Even if we are successful in this regard, significant capital expenditure may be required, and we may not be able to benefit from the investment immediately. All of these factors may have a material adverse impact on our business, financial condition and results of operation.

We are subject to risks in relation to IP infringement or misappropriation, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Due to the similarity of certain fashion elements and our diversified product portfolio, we may, from time to time, be involved in IP disputes where third parties claiming infringement of our products to their IP rights, which we believe is common in the industry. See "Business – Intellectual Property."

We may also be subject to litigation involving claims of patent infringement or violation of other IP rights of third parties. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties or redesign our products, or subject us to injunctions prohibiting the development and sale of our products. Protracted litigation could also result in our customers or potential customers deferring, reducing or canceling their purchases of our products. In addition, we could face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, if our competitors or other persons send notices of alleged IP infringement to third-party e-commerce platforms, the alleged products may be exposed to the risks of being removed from our seller stores, or we may suffer from relevant penalty. If third parties bring up any legal proceedings against us for alleged IP infringement, the court will issue preliminary injunction orders requesting third-party e-commerce platforms to seize the fund of the relevant seller store or suspend the relevant seller store account until a settlement agreement is reached. Generally, we negotiate with such complaining third parties with the intention to reach settlement agreement with them before the commencement of legal proceedings, taking into account our diversified SKU portfolio, the efficiency, legal costs and our brand reputation. In 2019, 2020 and 2021 and the six months ended June 30, 2022, we incurred total settlement fees of RMB3.0 million, RMB1.0 million, RMB1.7 million, RMB1.3 million and RMB0.1 million in relation to our settlement with complaining third parties. We cannot assure you that such situations will not occur in the future. Our potential loss could include, but are not limited to, loss of revenue, decline in market share and reputational damage, which could have a material adverse effect on our business, results of operations and financial condition.

If we are not able to manage our expansion successfully, our growth potential, results of operations and business could be materially and adversely affected.

We intend to further expand our business in the future. For example, we intend to utilize the [**REDACTED**] from the [**REDACTED**] to enhance our product research and development and sales and branding capabilities, as well as enhance our IT system and supply chain management system. See "Business – Our Strategies." The implementation of our expansion plan will incur additional costs and expenses and put pressure on our managerial, financial, operational and other resources. See "Future Plans and Use of [**REDACTED**]." We cannot assure you that we will be able to implement in accordance with our expansion plan, or to recruit qualified staff to support our expansion plan. If we are unable to manage our expansion, or to effectively control expansion-related expenses, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our multinational operations may be adversely affected if we failed to comply with laws and regulations of various jurisdictions where we operate, for which could be costly and time-consuming.

We operate in the PRC and Hong Kong and sell products to customers located in over 80% of countries and regions globally. As we continue our global expansion, we will compete with companies who have an established local presence or are more familiar with the local regulatory and business practices, which may give them a competitive advantage over us.

We are also subject to the laws and regulations of various jurisdictions. Multiple aspects of our business will be adversely affected if we fail to ensure compliance with those laws and regulations, mainly including regulation and standards in relation to the sale of our products and our tax liabilities, privacy laws and regulations and import and export requirements, as well as instability or changes in our tax treatment as a foreign company. Our multinational operations may be adversely affected if we failed to comply with such laws and regulations, for which could be costly and time-consuming.

We may be subject to fines and penalties as a result of our non-compliance with applicable indirect tax rules during the Track Record Period.

We have been primarily focusing on the sale of a wide range of self-designed apparel, footwear and other products through major third-party e-commerce platforms and our self-operated online stores to customers located in over 80% of the countries and regions globally, with majority sales to the United States and Europe which collectively accounted for approximately 98.6% of the total revenue for the six months ended June 30, 2022. As global and local laws and regulations concerning online sales continue to evolve, we may be subject to potential indirect tax exposure where we are required to collect and remit relevant tax in respect of other jurisdictions where our customers are located. In particular, it has become increasingly common for relevant tax authorities to impose value-added tax/sales and use tax (collectively, "**indirect tax**") collection and payment obligations on product vendors which do not have physical presence in their respective jurisdictions over time. See "Business – Taxation and Related Arrangements." As a result, our Group has provided an accumulated provision balance of RMB4.8 million, RMB18.9 million, RMB11.3 million and RMB1.9 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, based on the revenue from self-operated online stores, for the unpaid indirect tax, and an accumulated provision balance of RMB0.2 million, RMB8.4 million, RMB1.2 million and RMB0.1 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, for the interest and penalties for late payments of such taxes, if applicable. There is no assurance that we will not be subject to indirect tax payments, penalties or fines imposed by the relevant government authorities as a result of other potential non-compliance incidents which have not been reviewed by our tax consultants on indirect taxes, or any other non-compliance incidents which may arise due to the lack of familiarity with the evolving tax laws and regulations in the future. In addition, we sometime rely on third parties in respect to our tax obligations. For example, we have engaged a tax agency company to handle our tax filings in Europe. We may also rely on third-party e-commerce platforms to withhold and remit certain consumption tax for our sale through such platforms. However, during the Track Record Period, we had a potential underpayment of VAT (plus interest and potential penalties) of less than RMB15,000 in countries in Europe which are immaterial to our operations, which was primarily caused by our misinterpretation of the contract terms with our logistics service providers for our sale to the United Kingdom with respect to the payment of sales VAT in relation to such sales, all of which had been settled by April 30, 2022. We cannot assure you that we will be fully compliant with the relevant tax rules and regulations should any of those third parties fail to perform their obligations. Failure to fully comply with tax rules and regulations in the jurisdictions we operate would subject us to certain surcharges and other penalties or liabilities which may have a material adverse effect on our business, results of operations and financial condition.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position.

Our contract liabilities represent advanced payments from our customers on our self-operated online stores and certain third-party e-commerce platforms while the underlying products are yet to be delivered. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had contract liabilities of approximately RMB24.7 million, RMB132.6 million, RMB29.7 million and RMB11.2 million, respectively. See "Financial Information – Selective Items from Consolidated Statements of Financial Position – Contract Liabilities."

There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities as the completions of existing and future orders from our customers are subject to various factors, including the supplies from our OEM suppliers and logistics service suppliers, and normal operations of our business. If we were not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the advanced payments made by our customers or provide alternative compensation for the deferred revenue due to the customers. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

We may be involved in legal or other proceedings arising from our business operations.

We may occasionally be involved in disputes with various parties involved in our business operations, including our OEM suppliers, employees, logistics service providers and customers. These disputes may lead to legal, arbitration or other proceedings, which may be both costly and time-consuming, and could significantly divert the efforts and resources of our management and technical personnel.

In addition, we may encounter compliance issues in the course of our business operations, which may lead to administrative proceedings, and may materially and adversely affect our business, financial condition and results of operations. We cannot assure you that we will not be involved in legal or other proceedings in the future, any negative outcome of such proceedings may materially and adversely affect our business, financial condition and results of operations.

We are subject to risks associated with data protection, information security, and consumer protection.

We believe that our ability to compile and analyze sales statistics is critical to our success. Over the years, leveraging our privacy protection measures and the development of IT system, we did not experience any material information leakage or loss of customer data during the Track Record Period and up to the Latest Practicable Date. See "Business – Data Privacy and Protection." In order to optimize production planning and react promptly to market trends and consumer demands, we need to access and analyze sales statistics. As a result, we are subject to governmental regulations and other legal obligations related to the protection of confidential and sensitive data (including personally identifiable information and personal data), privacy, information security and consumer protection in certain countries where we conduct business and there has been and will continue to be a significant increase globally in such laws that restrict or control the use of personal data.

In addition, cloud bases that collect and retain sensitive and confidential information are under increasing attack by cybercriminals around the world, and our protection measures may not detect, prevent or control all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, Trojan horses, malicious software, break-ins, phishing attacks, third-party manipulation, security breaches, employee misconduct or negligence or other attacks, risks, data leakage and similar disruptions that may jeopardize the security of data stored in and transmitted by our systems or that we otherwise maintain. Further, there is no assurance that our employees would not disclose such data intentionally or negligently and as a result our customers' confidential information might be leaked. Such data breaches may also expose us to regulatory investigations, fines and penalties, and may also harm our credibility with customers. In addition, third-party e-commerce platforms that we cooperate with and our other business partners could also be a source of security risk to us in the event of a failure of their own products or services, networks, security systems, and infrastructure. A security breach, such as hacking or any other attempt to harm our systems, that leads to leakage of confidential information could adversely affect our reputation.

Additionally, the law relating to liabilities of cross-border e-commerce companies is currently unsettled. Any actual or perceived failure of us to comply with the existing and evolving government regulations and other legal obligations relating to data privacy could adversely affect our business.

We are subject to laws, guidelines or rules in the United States for the collection, distribution, use and storage of information.

In the United States, federal and various state governments have adopted or are considering, laws, guidelines or rules for the collection, distribution, use and storage of information collected from or about users or their devices. For example, the California Consumer Privacy Act (the "**CCPA**") became effective on January 1, 2020 which introduced substantial changes to privacy law for businesses that collect personal information from California residents. The CCPA creates individual privacy rights for California consumers and increases the privacy and security obligations of entities handling certain personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. Additionally, the U.S. Federal Trade Commission and many state attorneys general are applying federal and state consumer protection laws, to impose standards for the online collection, use and dissemination of data.

Unfavorable regulations, laws, decisions, or interpretations by the U.S. government or regulatory authorities applying those laws and regulations, or inquiries, investigations, or enforcement actions threatened or initiated by them, could cause us to incur substantial costs, expose us to unanticipated civil and criminal liability or penalties (including substantial monetary fines), increase our cost of doing business, require us to change our business practices that might have a material and adverse effect on our business, financial condition and results of operations.

We are subject to laws, guidelines or rules in Germany in the area of e-commerce and data protection.

In Germany, there are various legal regulations in the area of e-commerce and data protection, to which a company selling goods within the German market from outside of Germany must adhere. Data protection is fundamentally regulated in the provisions of the EU General Data Protection Regulation (EU) 2016/679 (**GDPR**) and the German Federal Data Protection Act. According to the so-called market place principle in Article 3 (2) of the GDPR, the GDPR also applies to foreign companies for the processing of personal data of persons located in the EU, insofar as the processing is related to the offer of goods and services or the observation of the data subjects. The relevant connecting factor is the targeting of certain sales and advertising measures to persons located in the EU. The GDPR generally addresses the controller of the data processing regarding the obligations and duties in relation to the processed data, as the data controller is the main legally responsible entity in the context of the GDPR. In the case of an e-commerce platform where a platform operator offers on his platform to sellers and providers of goods and services the possibility to sell, platform operator and sellers usually are either independent controllers (each responsible for their own processing of data) or so-called joint controllers (together responsible for the data processing). Either way – joint or independent controller – the controller must in particular adhere to the GDPR principles for data processing and must ensure the existence of adequate legal bases for data processing as well as the availability of transparent information on the data processing from the customer's/user's point of view. Additional obligations and data protection relationships may exist depending on the individual case, for example data processing agreements may exist with payment service providers involved on behalf and according to the data processing directions by any one controller. Unfavorable regulations, laws, decisions, or interpretations by the Germen government or regulatory authorities applying those laws and regulations, or inquiries, investigations, or enforcement actions threatened or initiated by them, could cause us to incur substantial costs, expose us to unanticipated civil and criminal liability or penalties (including substantial monetary fines), increase our cost of doing business, require us to change our business practices that might have a material and adverse effect on our business, financial condition and results of operations.

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities.

The United States and other jurisdictions or organizations, including the European Union, the United Nations and Australia, have, through executive orders, passing of legislations or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries.

During the Track Record Period, we had sold our non-U.S. origin fashion apparel and footwear products to the Relevant Regions through our online platform and third party online platforms. The revenue generated from such transactions related to the Relevant Regions (excluding Hong Kong) was approximately RMB13.14 million, RMB10.10 million, RMB11.39 million and RMB1.30 million, representing approximately 0.92%, 0.53%, 0.49% and 0.10% of our total revenue for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. As advised by our International Sanctions Legal Advisor, 266 payments in an aggregate amount of approximately US$2,432.16 received from our online platform or through third party online platforms with respect to our fashion apparel and footwear products sold to customers in Crimea (or who may be located in Crimea but we could not definitely confirm their location based on the address we have for them) and two customers who may be SDNs (whose first and last name match persons on the SDN list but for whom we do not have enough identifying information to conclusively determine whether our customers are actually SDNs) are potential violations of the U.S. sanctions regulations that are applicable to transactions with Crimea and SDNs, respectively. As advised by our International Sanctions Legal Advisors, we did not engage in other Primary Sanctioned Activity or any Secondary Sanctionable Activities during the Track Record Period and we do not believe that we are subject to sanctions risks that could have a material adverse effect on our business from our past sale to Crimea and two potential SDNs due to the minimal value compared with the total revenue during the Track Record Period and the nature of the sales. For further details and our potential risk exposure, please refer to the section headed "Business – Business Activities with Customers in Relation to Countries Subject to International Sanctions" in this document. Our Directors confirm we do not have present intention to undertake new business involving the Comprehensively Sanctioned Countries. We had ceased all sales involving the Comprehensively Sanctioned Countries since June 2021. Further, we will not knowingly and intentionally conduct any future business with persons, entities or organizations designated on the SDN List, or any business in any Comprehensively Sanctioned Countries and we will not use the [**REDACTED**] from the [**REDACTED**] to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Comprehensively Sanctioned Countries or Sanctioned Targets.

While we have implemented internal control measures to minimize our risk exposure to International Sanctions, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. We cannot provide any assurance that our future business will be free of sanctions risks or our business will conform to the expectations and requirements of the authorities of the U.S. or any other jurisdictions. Our business and reputation could be adversely affected if the authorities of the U.S., the EU, the UN, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of us. For details of our business operations in the countries subject to International Sanctions and our undertakings to the Hong Kong Stock Exchange and its related group companies, please refer to the section headed "Business – Business Activities with Customers in Relation to Countries Subject to International Sanctions" in this document.

We are subject to risks associated with foreign exchange rate fluctuations.

The fluctuation in the value of RMB against Hong Kong dollar, the U.S. dollar and other currencies, is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market factors or government policies may impact the exchange rates between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals. With the development of foreign exchange markets and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further reforms to the exchange rate regime.

For the year ended December 31, 2019 and the six months ended June 30, 2022, we recorded foreign exchange gains of RMB3.6 million and RMB8.9 million, respectively. For the years ended December 31, 2020 and 2021 and the six months ended June 30, 2021, we recorded currency exchange losses of RMB3.9 million, RMB8.6 million and RMB4.6 million, respectively, due to appreciation of Renminbi. We cannot assure you that we will not incur similar losses in the future.

In addition, there are limited instruments available to us for the reduction of our foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

We may be adversely affected by any significant disruption to the warehouses where we store our products.

We primarily store our products in warehouses operated by us and Amazon. As of the Latest Practicable Date, we leased 12 warehouses located in the PRC. See "Business – Our Business Process – Delivery and Warehousing – Warehousing" for details of our warehouses. Amazon's warehousing facilities are located globally. Any significant downtime arising from major and unexpected repairs or servicing of any of these warehouses that results in major disruptions to our operations could cause us to be unable to store our products for an extended period and require us to make significant unanticipated capital expenditures and/or delay our delivery of products. Though we currently maintain insurance to cover our inventory loss and damages, the coverage may not be sufficient and the delay in delivery may not be recoverable under our existing insurance policies, and prolonged business disruptions could result in a loss of end customers. If any one or more of the above risks were to materialize, our financial condition and results of operations may be adversely affected. The warehouses where we store our products are also subject to a number of risks, such as fires, floods, explosions, natural disasters, third-party interference, disruptions in the power supply or power outages, war, terrorism and communal unrest, which could lead to a significant disruption to our operations or result in significant damages to our warehouses or inventories. These hazards could also result in personal injury or wrongful death claims and other damage to our warehouses. These disruptions may materially and adversely affect our business, financial condition and results of operations.

We may incur losses resulting from product liability claims or product recalls.

We are subject to product liability claims with respect to products sold by us. Such claims may arise if any such products are deemed or proven to be unsafe, defective or contaminated or unintentional distribution of counterfeits. In the event that the use or misuse of any products sold by us results in personal injury or death, product liability and/or indemnity claims may be brought against us, in addition to our product recalls, and the relevant regulatory authorities may close down some of our seller stores and impose penalty against us.

If any products sold by us are alleged to be harmful, we may experience reduced sale of the relevant products and may have to recall them from the market. Although during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material product recall, nor had we experienced any material product liability claim, we cannot guarantee that such recalls will not occur or such claims will not be filed against us in the future. A substantial claim or a substantial number of claims against us, if successful, would have a material adverse effect on our reputation, business, financial condition and results of operations. Any product recalls or any claims against us, regardless of merit, can strain our financial resources and consume the time and attention of our management. If any claims against us are successful, we may incur monetary liabilities, and our reputation may be severely damaged.

There are legal defects regarding some of our leased properties.

We lease properties in the PRC for various purposes. As of the Latest Practicable Date, we had not registered 12 leasing agreements with the relevant housing administrative authorities in the PRC. According to the *Administrative Measures for Commercial Housing Leases* (《商品房屋租賃管理辦法》), failure to complete the relevant lease registration may subject the parties to the lease agreement a fine between RMB1,000 to RMB10,000. As a result, if we fail to complete or timely complete such lease registration upon the housing authorities' request, we may face a total maximum fine up to RMB120,000 assuming a maximum fine of RMB10,000 is imposed on each unregistered lease agreement. Besides, we also failed to obtain the consents from the landlord for the sub-lease of two properties with an aggregate GFA of 25,750 sq.m., from the existing leasees to us. For details of our leased properties, see "Business – Properties." We cannot assure you that we will be able to renew such leases on terms acceptable to us upon their expiration. If any of our leases is terminated as a result of challenges by third parties or if we fail to renew them upon expiration timely, we may be forced to relocate and incur additional costs associated therewith, and our business, financial condition and results of operations may be adversely affected.

Our insurance coverage may be insufficient to cover potential losses arising as a result of business interruption, damage to our property or third-party liabilities.

We maintain limited insurance policies covering certain potential liabilities. See "Business – Insurance" for details of insurances we purchased. In line with the industry practice, we have elected not to maintain certain types of insurance, such as business interruption insurance. There can be no assurance that our insurance coverage will be available or sufficient to cover all our risk exposures. Our existing insurance contains exclusions and limitations on coverage. If insurance coverage is unavailable or insufficient to cover any such exposures, we may incur substantial costs and diversion of our resources which, in turn, could materially and adversely affect our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC and other countries where we sell products could prevent us from effectively serving our customers and thus adversely affect our results of operations.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, SARS, Ebola, Zika, COVID-19 or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in the PRC or elsewhere in the world we sell our products to could materially disrupt our business and operations. For risks in association with COVID-19, see "– Our business operations may be affected by the outbreak of COVID-19."

Besides, the international situation remains uncertain and sometimes tense, which may adversely affect the market sentiment and the financial conditions of the local and surrounding area and in turn our sale to such countries or regions. These events could also significantly impact our industry and cause a temporary suspension or closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our staff were suspected of contracting an epidemic disease, since this could require us to quarantine some or all of these personnel or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the PRC and global economy in general. Our operations could also be severely disrupted if our customers were affected by natural disasters, health epidemics or other outbreaks.

Any loss of our senior management and failure to attract and retain qualified personnel could affect our operations and growth prospects.

The talent, experience and leadership of our senior management team are critical to the success of our business. In particular, Mr. Hua, the founder of our Group, the chairman of the Board and the chief executive officer of our Company, has been pivotal to our success. Other members of our senior management team also have substantial experience and expertise in our business and have made significant contributions to our growth and success.

In addition, our future success also depends substantially on our ability to recruit, train and retain qualified management, designers and other qualified personnel. For example, our business is dependent on our designers to create appealing and fashionable products. The departure of any of these individuals could have an adverse effect on our business and prospects. We may not be able to easily or quickly replace lost personnel and we may incur additional expenses to recruit, train and retain new hires. The unexpected loss of services of one or more of these individuals could also have a material adverse effect on us.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the [**REDACTED**], our Controlling Shareholders will retain substantial control over our Company. Subject to our Articles of Association and the Cayman Companies Act, the Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and they are free (other than on any matters that they are required to abstain from voting) to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

PRC laws and regulations require us to participate in various government sponsored employee benefit plans. These benefit plans include social insurance, housing provident fund and other welfare-oriented payment obligations. According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts and pay social insurance premiums and housing provident fund contributions for employees. PRC laws require that we contribute to the plans in amounts equal to certain percentages of salaries, including bonus and allowances, of our employees up to the maximum amounts specified by the local government at locations where we operate our business. Local governments in China have not consistently implemented requirements regarding employee benefit plans.

During the Track Record Period, we did not make housing provident fund contributions for certain of our employees, and we failed to make full social insurance and housing provident fund contributions for certain of our employees, as required by relevant laws and regulations, primarily due to (i) inconsistent implementation of the PRC laws and regulations by local authorities; and (ii) the relevant personnel who did not fully understand the relevant requirements under the PRC laws and regulations. We made provisions for all of our employees in a total amount of RMB23.6 million, RMB25.4 million, RMB26.0 million, RMB26.3 million and RMB21.7 million, respectively, in respect of the outstanding amount of our social insurance and housing provident fund contributions arising from our non-compliance concerning social insurance and housing provident fund contributions in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022. As of the Latest Practicable Date, we had made full social insurance and housing provident fund contributions for all employees.

However, if we are still required to make additional payments in relation to such social insurance and housing provident funds contributions, our operating expenses will increase, which could consequently adversely affect our financial condition and results of operations.

Some of our transfer pricing arrangements may be subject to scrutiny by the relevant tax authorities in the PRC and Hong Kong and additional tax may be imposed which may reduce our revenue and adversely affect our business, financial condition and results of operation.

Under the laws and regulations in the PRC and Hong Kong, arrangements and transactions among related parties may be subject to audit or challenge by the relevant tax authorities. During the Track Record Period, we conducted our operations primarily through our subsidiaries in the PRC and Hong Kong. We primarily conducted our sales activities through Zibuyu HK, our subsidiary in Hong Kong. During the Track Record Period, our subsidiaries in China are responsible for the logistics, technical services, e-commerce operations, supply chain management, warehousing and IT support. Zibuyu HK then sold the products to our overseas customers through third-party e-commerce platforms or our self-operated online stores. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the relevant intra-Group transactions amounted to RMB537.5 million, RMB580.3 million, RMB680.5 million and RMB248.6 million, respectively. See "Regulatory Overview" and "Business – Transfer Pricing Arrangement" for details. We could face material and adverse tax consequences if the relevant tax authorities determine that the certain intra-Group transactions of us do not represent arm's length negotiations and consequently adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. If we fail to rectify such incident within the limited timeframe required by the relevant tax authorities, the relevant tax authorities may impose late payment interest or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer pricing arrangement may give rise to tax recoverable in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operation may therefore be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

A severe or prolonged downturn in the PRC's or global economy could materially and adversely affect our business, results of operations and financial condition.

The global macroeconomic environment is facing challenges. For example, the growth of the PRC's economy has shown slower growth compared to the previous decade and the trend may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of leading economies in the world, including the United States and the PRC. There have also been concerns on the relationship between the PRC and other countries, including the surrounding Asian countries, which may potentially result in foreign investors exiting the PRC market and other economic effects. Economic conditions in the PRC are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate.

Any severe or prolonged slowdown or instability in the global economy, the PRC's economy, the industries in which we operate or the industries which have material influence over the industries in which we operate, may materially and adversely affect our business, financial condition and results of operations.

PRC economic, political and social conditions as well as government policies could adversely affect our business and prospects.

Substantially all of our businesses, assets, operations and revenues are located in or derived from our operations in the PRC and, as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC government regulates the economy and the industries by imposing industrial policies and regulating the PRC's macro economy through fiscal and monetary policies.

The PRC economy has undergone a transition from a planned economy to a market-oriented economy. The PRC government has, in recent years, taken various actions to introduce market forces for economic reform, to reduce State ownership of productive assets and to promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in the PRC are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the economy and the industries by issuing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, monetary policies and preferential treatments to particular industries or enterprises.

Our performance has been and will continue to be affected by the PRC's economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact the PRC's economic growth. While the PRC's economy has experienced significant growth in the past few decades, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained. The global economic slowdown and the turmoil in the global financial markets that began in the second half of 2008, continued weakness in the U.S. economy and the sovereign debt crisis in Europe have collectively added downward pressure to economic growth in the PRC. The growth rate of the PRC's real GDP has decreased from 7.3% in 2014 to 6.1% in 2019.

On December 24, 2021, the CSRC published the *Administrative Provisions of the State Council on the Overseas Issuance and Listing of Securities by Domestic Enterprises* (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草稿徵求意見稿)》) (the "**Draft Administrative Provisions**"), and the *Administrative Measures for Record-filings of the Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments)* (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the "**Draft Measures for Record-filing,**" together with the Draft Administrative Provisions, the "**Drafts relating to Overseas Listings**"), which are open for public comments until January 23, 2022. Pursuant to the Drafts relating to Overseas Listings, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC joint stock companies; and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. The Drafts relating to Overseas Listings also stipulate certain circumstances in which overseas listing should not be allowed. Failure to complete the filing under the Draft Administrative Provisions may subject a PRC domestic company to a warning and a fine of RMB1 million to RMB10 million. Under serious circumstances, the PRC domestic company may be ordered to suspend its business or suspend its business until rectification, or its permits or businesses license may be revoked. As of the Latest Practicable Date, the Drafts relating to Overseas Listings have not been formally adopted. The provisions and anticipated effective date of the Drafts relating to Overseas Listings are subject to changes and interpretation, and its implementation remains uncertain.

We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social, and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business and operations as well as our financial performance.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of the PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in the PRC.

The *Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》)*, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the *Anti-Monopoly Law (《反壟斷法》)* requires that the relevant anti-monopoly authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the *Rules of Ministry of Commerce on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》)* issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or other competent government authorities, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Our operations are subject to the uncertainties and particularities associated with the legal system in the PRC, which could adversely affect our business, or limit the legal protection available to us or to existing or potential investors.

We conduct our business primarily through our operating subsidiaries in the PRC, which are governed by the PRC laws and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court of the PRC and may not be as comprehensive or developed as that of other jurisdictions. Prior court decisions may be cited for reference but have limited precedential value. Accordingly, the outcome of dispute resolutions may not be consistent or predictable.

Although efforts have been made by the PRC government to enhance protection of foreign investment in the PRC, the PRC has not yet developed a fully integrated legal system. Newly enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC and there is much uncertainty in their application, interpretation and enforcement. Furthermore, the PRC legal system is partly based on government policies and administrative rules that may take effect retrospectively. As a result, we may not be aware of our violations of certain policies or rules in a timely manner.

The legal protection available to us under the PRC laws and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted, which may result in the diversion of our resources and management attention. In addition, the outcome of dispute resolutions may not be consistent or predictable and it may be difficult to enforce judgments and arbitration awards in the PRC.

These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to you and may adversely affect the value of your investment.

Meanwhile, laws, regulations or enforcement policies in the PRC, including those regulating cross-border e-commerce industry, are evolving and subject to frequent changes. Further, regulatory agencies in the PRC may periodically, and sometimes abruptly, change their enforcement practices. Therefore, prior enforcement activity, or lack of enforcement activity, is not necessarily predictive of future actions. Any enforcement actions against us could have a material adverse effect on us. Any litigation or governmental investigation or enforcement proceedings in the PRC may be protracted and may result in substantial cost and diversion of resources and management attention, negative publicity, and damage to reputation. In addition, such changes may be applied retroactively and thus subject our business and operations to increased uncertainties and risks.

We, including but not limited to our HK subsidiary, may be deemed to be a PRC tax resident enterprise under the EIT Law, which could result in unfavorable tax consequences to us, and may materially and adversely affect our profitability and the value of your investments.

We are a company incorporated under the laws of the Cayman Islands. Pursuant to the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" within the PRC, such enterprise would generally be deemed a "PRC resident enterprise" for tax purposes and be subject to an EIT rate of 25% on its global income. "De facto management bodies" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, July 2011 and January 2014, the SAT issued several circulars, as amended from time to time, to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by the PRC enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises not controlled by the PRC enterprises (including companies like ourselves). We believe that we should not be regarded as a PRC tax resident enterprise. Nevertheless, if we are regarded as a PRC tax resident enterprise by the PRC tax authorities, we would have to pay the PRC EIT at a rate of 25% for our entire global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders.

You may be subject to the PRC withholding tax on dividends from us and the PRC income tax on any gain realized on the transfer of our Shares.

Under the EIT law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, the PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are "non-resident enterprises," which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

Under the PRC EIT Law and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under "– We, including but not limited to our HK subsidiary, may be deemed to be a PRC tax resident enterprise under the EIT Law, which could result in unfavorable tax consequences to us, and may materially and adversely affect our profitability and the value of your investments," dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within the PRC and as a result be subject to the PRC income taxes described above. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected.

The heightened scrutiny over acquisitions from the PRC tax authorities may have a material and adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us.

On February 3, 2015, the SAT issued the *Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》)* (the "**Circular 7**"), which abolished certain provisions in the *Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (《關於加強非居民企業股權轉讓企業所得稅管理的通知》)* (the "**Circular 698**"), which was previously issued by the SAT on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the "**PRC Taxable Assets**").

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Circular 7, transfers of the PRC taxable property under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the value of the overseas enterprise is directly or indirectly from the PRC taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in the PRC at any time during the year prior to the indirect transfer of the PRC taxable property, or more than 90% of the income of the overseas enterprise is directly or indirectly from the PRC during the year prior to the indirect transfer of the PRC taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold the PRC taxable property and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of the PRC taxable property payable abroad is lower than the income tax in the PRC that may be imposed on the direct transfer of such PRC Taxable Assets.

Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to "a non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market" (the "**Public Market Safe Harbor**"), which is determined by whether the parties and number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to one implementing rule for Circular 698. In general, transfers of the Shares by Shareholders on the Stock Exchange or other public markets would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in the section headed "Information about this Document and the [**REDACTED**]," potential investors should consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has in the past been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the economy, including tighter bank lending policies and increases in bank interest rates. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that unfolded in 2008 may have contributed to the occurrence of, and continuing increase in, inflation in the PRC. If such inflation is allowed to proceed without mitigating measures by the PRC government, our cost of sales would likely increase, and our profitability would be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers. If the PRC government implements new measures to control inflation, these measures may also slow economic activity and reduce demand for services and products provided by us and severely hamper our growth.

The PRC government's control of foreign currency conversion and restrictions on the remittance of RMB out of the PRC may limit our foreign exchange transactions and our ability to pay dividends and meet other obligations, and affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. We receive substantially all of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any. Shortage in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency out of the PRC, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows of the PRC in 2016 due to the weakening of the RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movements. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant government authorities in the PRC.

According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions by us to our PRC subsidiaries are subject to the requirement of making necessary filings in the Enterprise Registration System and registration with other government authorities in the PRC. In addition, any foreign loan provided by us to our PRC subsidiaries is required to be registered with the SAFE, or its local counterparts. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the [**REDACTED**] of this [**REDACTED**] and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the *Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》)* (the "**SAFE Circular 19**"), which took effect on June 1, 2015 and was amended on December 30, 2019. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises and allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using RMB funds converted from their foreign exchange capital for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the *Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》)* (the "**SAFE Circular 16**"). SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope, investment and financing (except for securities investment or non-guaranteed bank products), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to and use in the PRC the [**REDACTED**] from this [**REDACTED**], which may materially and adversely affect our business, financial condition and results of operations.

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

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local counterparts of the SAFE in connection with their direct or indirect offshore investment activities.

The *Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》)* (the "**SAFE Circular 37**") was promulgated by the SAFE in July 2014 and requires PRC residents or entities to register with SAFE or its local counterparts in connection with their establishment or control of an offshore entity, for the purpose of overseas investment or financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle." Further, on February 13, 2015, SAFE promulgated the *Notice on Further Simplifying and Improving the Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接*

投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), which came into effect on June 1, 2015 and was partially abolished on December 30, 2019. SAFE Circular 13 cancels two administrative approval items: foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment. Instead, banks shall directly examine and handle foreign exchange registration under both domestic direct investment and overseas direct investment, and SAFE and its local counterparts shall indirectly regulate the foreign exchange registration of direct investment through banks. These regulations apply to our Shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local counterpart of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division.

If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including but not limited to (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into the PRC and deemed to have been evasive or illegal; and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested PRC residents that to our knowledge hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. As advised by our PRC Legal Advisors, (i) 76 individual beneficial owners who are required to complete the initial registration; and (ii) 61 individual beneficial owners who are required to complete the change or the cancellation of registration under SAFE Circular 37 and SAFE Circular 13 have duly completed the foreign exchange registrations in relation to their offshore investments as PRC residents. However, there can be no assurance that the subsequent amendment of registration, when required, can be successfully completed in a timely manner. Failure by any Shareholders to comply with SAFE Circular 37, SAFE Circular 13 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may materially and adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could materially and adversely affect our business and prospects.

You may experience difficulties in effecting service of legal process and seeking recognition and enforcement of foreign judgments in the PRC.

Substantially all of our assets and current operations are located or conducted in the PRC. In addition, substantially all of our current Directors and senior management members are nationals and residents of the PRC with substantially all of their assets are located in the PRC. It may not be possible for investors to effect service of process upon us or those persons in the PRC for disputes brought in courts outside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions.

On July 14, 2006, Hong Kong and the PRC entered into the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》)* (the "**Arrangement**"), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against us, certain of our assets, our Directors and senior management members in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC. On January 18, 2019, Hong Kong and the PRC entered into the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的*

安排》) (the "**New Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court of the PRC and the completion of the relevant legislative procedures in Hong Kong. The New Arrangement will, upon its effectiveness, supersedes the Arrangement. Therefore, before the New Arrangement becomes effective, it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

RISKS RELATING TO THE [REDACTED]

No public market currently exists for our Shares; the market price of our Shares may be volatile and an active trading market for our Shares may not develop.

No public market currently exists for our Shares. The initial [**REDACTED**] for our Shares to the public will be the result of negotiations between our Company, the [**REDACTED**] and the [**REDACTED**] (on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the market price of the Shares following the [**REDACTED**]. We have applied to the Stock Exchange for the [**REDACTED**] of, and permission to deal in, the Shares. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the market price of the Shares will not decline following the [**REDACTED**].

In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including:

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in the PRC affecting us, our customers or our competitors;
- investors' perception of us and of the investment environment globally;
- developments in the markets we operate;
- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;

- the depth and liquidity of the market for our Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock up or other transfer restrictions on our Shares;
- sale or anticipated sale of additional Shares; and
- the general economy and other factors.

Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of the [**REDACTED**] is [higher than] the net tangible asset value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an [immediate] dilution in pro forma consolidated net tangible asset value to HK$[1.71] per Share, based on the mid-point of the [**REDACTED**] of HK$[**REDACTED**]. There can be no assurance that if we were to immediately liquidate after the [**REDACTED**], any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Future sale or perceived sale of our Shares in the public market by major Shareholders following the [REDACTED] could materially and adversely affect the price of our Shares.

Prior to the [**REDACTED**], there has not been a public market for our Shares. Future sales or perceived sales by our existing Shareholders, or issuance by us of significant amounts of our Shares after the [**REDACTED**], could result in a significant decrease in the prevailing market prices of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the [**REDACTED**] due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sale of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price for our Shares and our ability to raise equity capital in the future.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may utilize the [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the [**REDACTED**] from the [**REDACTED**], including but not limited to: (i) to enhance our product research and development capabilities; (ii) to enhance our sales and branding capabilities; (iii) to enhance our IT system; (iv) to enhance our supply chain management system; and (v) to explore suitable opportunities to acquire targets along the industry chain to explore synergies, horizontally and vertically; and (vi) for working capital and general corporate purposes. See "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**]." However, our management will have discretion as to the actual application of our [**REDACTED**]. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the [**REDACTED**] from this [**REDACTED**].

There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the [REDACTED].

The initial price to the public of our Shares sold in the [**REDACTED**] is expected to be determined on the [**REDACTED**]. However, the Shares will not commence trading on the Stock Exchange until the [**REDACTED**], which is expected to be [**REDACTED**]. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the [**REDACTED**] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

We may not pay any dividends on the Shares.

We cannot guarantee when, if, or in what form, dividends will be paid on the Shares following the [**REDACTED**]. A declaration of dividends must be proposed by our Board and will be based on, and limited by, various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. Furthermore, we may not have sufficient profits to make dividend distributions to Shareholders in the future, even if our financial statements prepared under IFRSs indicate that our operations have been profitable. See "Financial Information – Dividends" for more details on our dividend policy.

Facts, forecasts and statistics in this document relating to the PRC economy and cross-border e-commerce export industry may not be fully reliable.

Facts, forecasts and statistics in this document relating to the PRC, the PRC economy and cross-border e-commerce export industry in which we operate are obtained from various sources including official government publications that we believe are reliable. However, we cannot guarantee the quality or reliability of these sources. Neither we, the [**REDACTED**], the [**REDACTED**] nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this document relating to the PRC economy and cross-border e-commerce export industry may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations, the market price and trading volume may decline.

The trading market for our Shares will be influenced by research or reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our Shares or publish negative opinions about us, the market price for our Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume of our Shares to decline.

Our future results could differ materially from those expressed or implied by the forward-looking statements.

The forward-looking statements included in this document are based on various assumptions. There are also uncertainties, risks and other unforeseen factors which may cause our actual performance or achievements to be materially different from those expressed or implied by such forward-looking statements. See "Forward-looking Statements" for details of these statements and the associated risks.

You should only rely on the information included in this document to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the [**REDACTED**].

There had been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**]. We have not authorized the disclosure of any information concerning the [**REDACTED**] in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this document only and should not rely on any other information.

In preparation for the [**REDACTED**], our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since substantially all of our business operations are managed outside Hong Kong, and all of our executive Directors currently reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed Mr. Xu Shijian ("**Mr. Xu**") and Ms. Yu Anne as our authorized representatives pursuant to Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Stock Exchange. We have provided the Stock Exchange with their contact details, and they will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

(b) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives will have means to contact all of our Directors promptly. We will implement measures such that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to our authorized representatives and the Stock Exchange; and (ii) in the event that a Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to our authorized representatives. We have provided the Stock Exchange with the contact details of each Director to facilitate communication with the Stock Exchange;

(c) each Director who is not an ordinary resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time, if required;

(d) we have appointed Red Solar Capital Limited as our compliance advisor pursuant to Rules 3A.19 of the Listing Rules, who will act as our additional and alternative channel of communication with the Stock Exchange for a period commencing on the [**REDACTED**] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [**REDACTED**], and its representative(s) will be fully available to answer enquiries from the Stock Exchange. Our compliance advisor will advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the [**REDACTED**], and will have access at all times to our authorized representatives, our Directors and the other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company; and

(e) any meeting between the Stock Exchange and our Directors will be arranged through our authorized representatives or compliance advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and compliance advisor.

WAIVER IN RELATION TO APPOINTMENT OF JOINT COMPANY SECRETARIES

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

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

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

(a) length of employment with the listing applicant and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Hong Kong Code on Takeovers and Mergers;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Zheng Huanxin ("**Ms. Zheng**") as one of the joint company secretaries. Ms. Zheng joined our Group in September 2017 and has served as the legal counsel of our Group since then. Ms. Zheng has extensive knowledge about our business operations and corporate culture and has extensive experience in matters concerning the Board and our corporate governance. However, Ms. Zheng does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules. Therefore, we have also appointed Ms. Yu Anne, who meets the requirements under Rule 3.28 of the Listing Rules, to act as the other joint company secretaries. For more details of Ms. Zheng's and Ms. Yu Anne's biographies, see the section headed "Directors and Senior Management."

Over the initial period of the three years from the [**REDACTED**], we will implement the following measures to assist Ms. Zheng to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

(a) Ms. Yu Anne will assist Ms. Zheng to enable her to discharge her duties and responsibilities as one of the joint company secretaries of our Company. Given Ms. Yu Anne's relevant experience, Ms. Yu Anne will be able to advise both Ms. Zheng and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;

(b) Ms. Zheng will be assisted by Ms. Yu Anne for an initial period of three years commencing from the [**REDACTED**], which should be sufficient for Ms. Zheng to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

(c) we will ensure that Ms. Zheng has access to the relevant trainings and support to enable her to familiarize herself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Ms. Zheng has undertaken to attend such trainings;

(d) Ms. Yu Anne will communicate with Ms. Zheng on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to our operations and affairs. Ms. Yu Anne will work closely with, and provide assistance to Ms. Zheng with a view to discharging her duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders' meetings; and

(e) pursuant to Rule 3.29 of the Listing Rules, Ms. Zheng and Ms. Yu Anne will also attend no less than 15 hours of relevant professional training courses in each financial year to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Ms. Zheng and Ms. Yu Anne will be advised by our legal advisors as to Hong Kong laws and our compliance advisor as and when appropriate and required.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules for an initial period of three years from the [**REDACTED**], in accordance with HKEX-GL108-20, on the conditions that (i) we engage Ms. Yu Anne as one of our joint company secretaries, who possesses the qualifications and experience as required under Rule 3.28 of the Listing Rules and will provide assistance to Ms. Zheng during this period, and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. Prior to the expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Ms. Zheng to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will liaise with the Stock Exchange to assess whether Ms. Zheng, having had the benefit of Ms. Yu Anne's assistance for three years, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that there is no need to further apply for a waiver.

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Hua Bingru (華丙如)	7-6, Building 7, Jinchongfu Lanting Community Yuhang Economic Development Zone Hangzhou, Zhejiang Province the PRC	Chinese
Mr. Wang Shijian (王詩劍)	Room 2101, Unit 2, Building 4 Zanchengtanfu, Xinyan Road Meiyan Community Donghu Street, Yuhang District Hangzhou, Zhejiang Province the PRC	Chinese
Mr. Wang Weiping (汪衛平)	Room 802, Unit 3, Building 6 Junlin Tianxia City Community Shidai Community Nanyuan Street, Yuhang District Hangzhou, Zhejiang Province the PRC	Chinese
Mr. Dong Zhenguo (董振國)	Paiwu 39-2 Jindu Xiagong Community Maoshan Community Donghu Street, Yuhang District Hangzhou, Zhejiang Province the PRC	Chinese
Mr. Xu Shijian (徐石尖)	Room 702, Unit 2, Building 7 Mingshiyuan Baozhangqiao Nanyuan Street, Linping District Hangzhou, Zhejiang Province the PRC	Chinese

Name	Address	Nationality
Non-executive Director		
Ms. Hua Hui (華慧)	Room 101, Unit 1, Building 25 Beizhuyuan, Xiagong Huayuan 156 Beisha West Road Maoshan Community Linping Street, Yuhang District Hangzhou, Zhejiang Province the PRC	Chinese
Independent non-executive Directors		
Mr. Yu Kefei (俞可飛)	Room 1201, Unit 1, Building 5 Binjiang Huadu No. 1 Jibei Road Zhuji, Zhejiang Province the PRC	Chinese
Mr. Shen Tianfeng (沈田豐)	Building 30, Dongfangyuan Liusi Road Zhuantang Street Xihu District Hangzhou, Zhejiang Province the PRC	Chinese
Dr. Lau Kin Shing Charles (劉健成)	1706, Block C, Sunway Gardens 898 King's Road Quarry Bay Hong Kong	Chinese (Hong Kong)

For further information regarding our Directors, see the section headed "Directors and Senior Management."

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors, [REDACTED] and [REDACTED]

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

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

[REDACTED]

Legal Advisors to Our Company

As to Hong Kong laws
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Suites 3304-3309, 33/F
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One Connaught Place Central
Hong Kong

As to PRC laws
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Xuhui District, Shanghai
the PRC

As to Cayman Islands laws
Harney Westwood & Riegels
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Hong Kong

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Lippo Centre, 89 Queensway
Admiralty,
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Japan

	As to International Sanctions law **Hogan Lovells** 11th Floor One Pacific Place 88 Queensway Hong Kong
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong laws* **Wilson Sonsini Goodrich & Rosati** Suite 1509, 15/F Jardine House 1 Connaught Place Central Hong Kong
	As to PRC laws **Commerce and Finance Law Offices** 12-14th Floor, China World Office 2 No. 1 Jianguomenwai Avenue Beijing, the PRC
Auditor and Reporting Accountant	**PricewaterhouseCoopers** Certified Public Accountants Registered Public Interest Entity Auditor 22/F, Prince's Building Central Hong Kong
Compliance Advisor	**Red Solar Capital Limited** Unit 402B, 4/F China Insurance Group Building No.141 Des Voeux Road Central Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504 Wheeklock Square 1717 Nanjing West Road Shanghai the PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office	ICS Corporate Services (Cayman) Limited 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands
Headquarters in the PRC	Room 410, No. 108, Xincheng Road Nanyuan Street Linping District Hangzhou, Zhejiang Province the PRC
Principal place of business in Hong Kong	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	**www.zbycorp.com** *(the information contained on the website does not form part of this document)*
Joint Company Secretaries	**Ms. Zheng Huanxin (鄭歡欣)** Room 410, No. 108, Xincheng Road Nanyuan Street Linping District Hangzhou, Zhejiang Province the PRC **Ms. Yu Anne (余安妮)** *(Associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)* 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

Authorized Representatives	**Mr. Xu Shijian (徐石尖)** Room 702, Unit 2, Building 7 Mingshiyuan Baozhangqiao Nanyuan Street, Linping District Hangzhou, Zhejiang Province the PRC
	Ms. Yu Anne (余安妮) 40/F, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. Yu Kefei *(Chairman)* Mr. Shen Tianfeng Dr. Lau Kin Shing Charles
Remuneration Committee	Mr. Shen Tianfeng *(Chairman)* Mr. Yu Kefei Dr. Lau Kin Shing Charles
Nomination Committee	Dr. Lau Kin Shing Charles *(Chairman)* Mr. Hua Bingru Mr. Yu Kefei Mr. Shen Tianfeng

[**REDACTED**]

Principal Banks

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road
Central
Hong Kong

Hangzhou United Bank Shanxian Branch
No. 116, Shenban Road
Gongshu District
Hangzhou, Zhejiang Province
the PRC

Certain information and statistics set out in this section and elsewhere in this document are derived from various government and other publicly available sources and from the market research report prepared by Frost & Sullivan. Frost & Sullivan is an independent industry consultant engaged by us, and we commissioned Frost & Sullivan to prepare a market research report. The information from official governmental sources has not been independently verified by our Company, the Joint Sponsors, the [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**] *and the* [**REDACTED**]*, any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**]*, and no representation is given as to the accuracy.*

For discussions of risks relating to our industry, please see "Risk Factors – Risks Relating to Our Business and Industry."

SOURCE AND RELIABILITY OF INFORMATION

In connection with the [**REDACTED**], we engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare an industry report on the markets we operate in with a commission fee of RMB850,000. Founded in 1961 in New York, Frost & Sullivan provides market research on a variety of industries, among other services. The information from Frost & Sullivan disclosed in this document is extracted from the Frost & Sullivan Report with its consent.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan used the following key methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent's information and views against those of others: (i) secondary research, which involved reviewing published official statistical sources including company reports, independent research reports and data based on Frost & Sullivan's in-house research database; and (ii) primary research, which involved in-depth interviews with the industry experts and competitors, and in-house analysis using appropriate models and indicators to arrive at an estimate.

Frost & Sullivan adopted the following primary assumptions while making projections for preparing the Frost & Sullivan Report: (i) global social, economic and political environment is likely to remain stable in the forecast period; (ii) purchasing power is expected to continue to grow rapidly in emerging regions and to grow steadily in developed regions; and (iii) related industry key drivers are likely to drive the market in the forecast period.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

CHINA'S CROSS-BORDER E-COMMERCE EXPORT B2C MARKET

Overview

Driven by the increase of internet users and penetration rate of internet, cross-border e-commerce, as one of the international trade activities, digitalizes the whole process of trade by breaking the time and space constraints in the conventional offline trade and connecting companies and customers from different countries across the world. Leveraging the unrestrained geographical coverage, convenience and promptness, cross-border e-commerce has been attracting massive industry participants and become one of the most significant factors affecting people's daily life in the past years from global perspective.

In general, cross-border e-commerce exports are categorized into two major categories: (i) cross-border e-commerce export business to business; and (ii) cross-border e-commerce export business to customer (the "**Cross-border e-commerce export B2C**"). Cross-border e-commerce export B2C in China refers to a trading activity where overseas customers visit Chinese sellers' self-operated online stores or their seller stores on third-party e-commerce platforms, to select goods, make payments, and receive goods from Chinese sellers via overseas logistics. According to Frost & Sullivan, there were over 16,000 sellers in China's cross-border e-commerce export market in 2021, amongst whom over 5,000 sellers focuses on B2C business. Participants of China's cross-border e-commerce export B2C market typically comprise Chinese sellers, third-party e-commerce platforms, self-operated online stores operated by Chinese sellers, third-party payment service providers, logistics service providers and overseas customers.

By the nature of business model, Chinese sellers of cross-border e-commerce export B2C market is categorized into two major categories: platform-based sellers and self-operated online store sellers.

Platform-based sellers refer to the individuals or enterprises who establish online stores on and sell products to customers through various third-party e-commerce platforms, including among others, Amazon, eBay, AliExpress and Wish. In line with the industry norm, platform-based sellers rely on third-party e-commerce platforms, for their large customer base, vast user traffic and the infrastructure of such e-commerce platforms to carry out business including sales and marketing, online order processing, warehousing, delivery and most of the after-sales services. Therefore, platform-based sellers can efficiently scale their business and reach more customers across the world and limit their works to product designs, procurement and display, order processing, and after-sales services. Leveraging the vast user traffic visiting leading third-party e-commerce platforms, platform-based sellers enjoy more exposure of their products to customers.

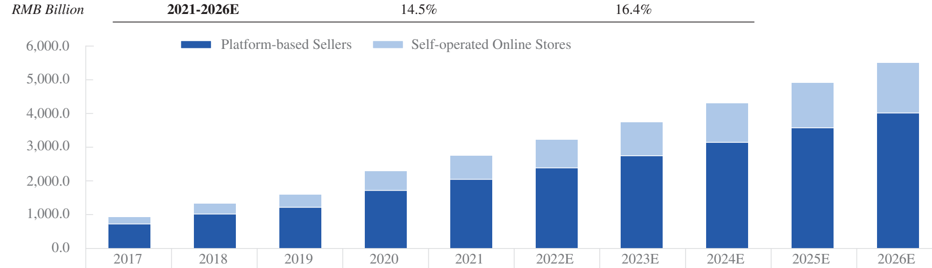
Self-operated online stores refer to enterprises that sell their products to overseas customers through their proprietary websites or mobile applications. Generally, self-operated online stores have sufficient SKU to satisfy customer demands and are responsible for the whole transaction process, with their services covering product procurement, sales and marketing, online transactions, product delivery and after-sales services to customers. Compared to platform-based sellers, sellers who are at the early stage to sell products through self-operated online stores generally incur higher customer acquisition cost and devote more time and efforts in warehousing arrangement, delivery arrangement and customer data analytics. However, with the development of self-operated online stores, sellers can enjoy their economies of scale with accumulated customer base and enhanced bargaining power, and in turn reduce their cost of sales. Meanwhile, sellers who sell products through self-operated online stores typically have easier access to customers and are able to build and enhance their own brand awareness and influence, which is essential for their sustainable long-term development.

Market Size

China has a sizable and steadily expanding cross-border e-commerce export B2C market. According to Frost & Sullivan, the overall market size of China's cross-border e-commerce export B2C market, as measured by GMV in 2021, was approximately RMB2,738.4 billion, of which 74.5% was attributable to platform-based sellers and 25.5% was attributable to self-operated online stores. The total market share of the top five participants in China's cross-border e-commerce export B2C market was approximately 6.5% in 2021. The market size of China's cross-border e-commerce export B2C market attributable to platform-based sellers increased from RMB721.1 billion in 2017 to RMB2,040.1 billion in 2021, and is forecasted to increase constantly and steadily, reaching RMB4,013.9 billion by 2026, representing a CAGR of 14.5% from 2021 to 2026, according to Frost & Sullivan. The market size of China's cross-border e-commerce export B2C market attributable to self-operated online stores increased from RMB203.4 billion in 2017 to RMB698.3 billion in 2021, and is forecasted to further increase to RMB1,491.0 billion by 2026, representing a CAGR of 16.4% from 2021 to 2026, according to Frost & Sullivan. The following diagram sets forth the historical and forecasted market size of China's cross-border e-commerce export B2C market by type of participants from 2017 to 2026:

Cross-border E-commerce Export B2C Market in China – Platform-based Sellers & Self-operated Online Stores (2017 – 2026E)

CAGR	Platform-based Sellers	Self-operated Online Stores
2017-2021	29.7%	36.1%
2021-2026E	14.5%	16.4%



	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Self-operated Online Stores	203.4	303.2	383.4	571.7	698.3	840.8	998.0	1,162.6	1,328.9	1,491.0
Platform-based Sellers	721.1	1,015.1	1,214.0	1,715.2	2,040.1	2,384.6	2,741.6	3,135.9	3,572.4	4,013.9
Total	924.5	1,318.3	1,597.4	2,287.0	2,738.4	3,225.3	3,739.5	4,298.6	4,901.3	5,504.9

Note: The market size refers to the total GMV generated by platform-based sellers (exports) and self-operated online stores (exports) in cross-border e-commerce export B2C market.

Source: Frost & Sullivan Analysis and Estimates

Major Sales Channels of China's Cross-border E-commerce Export B2C Market

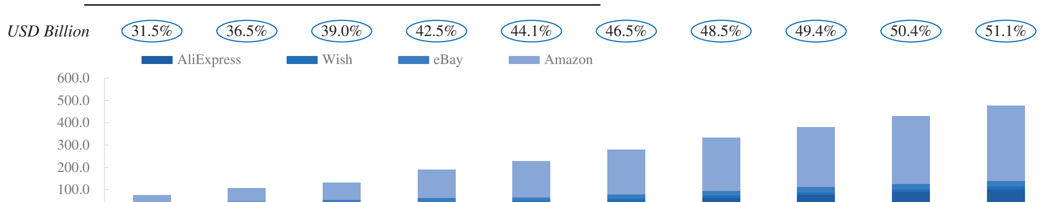
To reach the vast online customers and sell products efficiently, a large number of sellers in China's cross-border e-commerce export B2C market choose to sell products through third-party e-commerce platforms. As a cross-border sales channel, the main function of third-party e-commerce platforms is to provide a virtual platform and extend services to assure and facilitate the trading process between global sellers and customers.

Major third-party cross-border e-commerce platforms include Amazon, eBay, AliExpress and Wish. In 2021, the total market share of these four platforms as measured by GMV amongst that of all e-commerce platforms in the world was approximately 10.6%, according to Frost & Sullivan. The total GMV generated by third-party platform business of these four platforms increased steadily from US$240.1 billion in 2017 to US$518.8 billion in 2021, and is expected to reach US$935.2 billion in 2026 at a CAGR of 12.5% from 2021 to 2026. Amongst those four platforms, Amazon has been bearing the largest market share and accounted for approximately 70.9% of the total GMV generated by third-party platform business of these four third-party e-commerce platforms in 2021, followed by eBay, AliExpress and Wish, which accounted for approximately 16.8%, 9.3% and 3.0%, respectively.

As one of the most active participants on major third-party cross-border e-commerce platforms, China-based sellers generated GMV of US$228.7 billion on major third-party cross-border e-commerce platforms, namely, Amazon, eBay, AliExpress and Wish, in the year of 2021, accounting for 44.1% of the total GMV generated by all platform-based sellers on such e-commerce platforms in the same year. The following diagram sets forth the historical and forecasted GMV generated by China-based sellers in major third-party e-commerce platforms from 2017 to 2026:

GMV Generated by China-based Sellers on Major Third-Party E-commerce Platforms (2017 – 2026E)

CAGR	Amazon	eBay	Wish	AliExpress
2017-2021	36.2%	8.0%	2.7%	67.2%
2021-2026E	15.7%	6.5%	2.0%	23.3%



	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Amazon	47.5	62.0	78.4	128.4	163.7	200.6	238.1	270.5	305.5	339.6
eBay	13.1	15.5	15.7	19.2	17.8	19.5	21.4	22.5	23.6	24.5
Wish	10.6	15.8	15.0	16.9	11.7	12.0	12.3	12.5	12.8	13.0
AliExpress	4.5	14.8	22.0	25.7	35.4	47.1	60.6	74.9	87.7	100.8
Total	75.7	108.1	131.1	190.2	228.7	279.2	332.4	380.4	429.6	477.8

Note: The market size refers to the GMV generated by China-based sellers on Amazon, Wish, eBay and AliExpress.

Source: Frost & Sullivan Analysis and Estimates

CHINA'S CROSS-BORDER E-COMMERCE EXPORT B2C APPAREL & FOOTWEAR MARKET

Overview

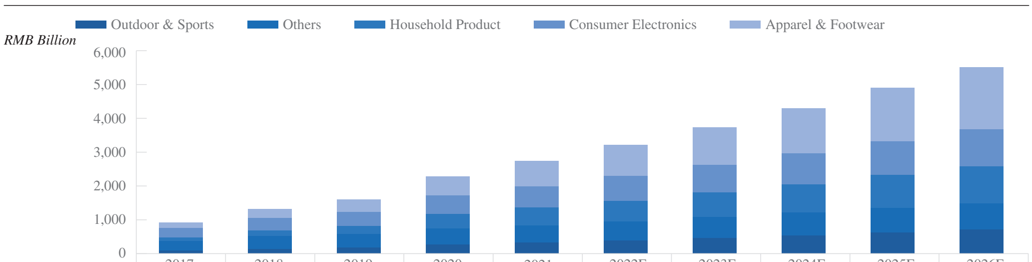
China's cross-border e-commerce export B2C industry is segmented by product categories, including consumer electronics market, apparel and footwear market, household product market, outdoor and sports goods market and others. Amongst these markets, consumer electronics market, apparel and footwear market and household product market are the three largest markets. China's cross-border e-commerce export B2C apparel and footwear industry, comprising apparel market and footwear market, is a significant component of China's cross-border e-commerce export B2C market. Typical apparel products include overcoats, dresses, skirts, trousers, vests, jackets, tops and blouses. Typical footwear products include athletic footwear, outdoor footwear, casual footwear, dress or formal footwear and footwear accessories.

Market Size

Driven by the development of online sales channels and rising income level of customers, the market share of apparel and footwear in cross-border e-commerce export B2C market, as measured by GMV, increased steadily from 17.4% in 2017 to 27.4% in 2021, becoming the largest component of cross-border e-commerce export B2C market in China in 2021, which is forecasted to further increase to 33.2% in 2026, according to Frost & Sullivan. The following diagram sets forth the historical and forecasted total GMV generated from cross-border e-commerce export B2C market and its components by product category from 2017 to 2026:

China's Cross-border E-commerce Export B2C Market Breakdown by Category (2017 – 2026E)

CAGR	Consumer Electronics	Apparels & Footwear	Household Products	Outdoor & Sports Goods	Others
2017-2021	22.6%	47.0%	49.7%	40.2%	14.5%
2021-2026E	11.7%	19.5%	16.2%	16.8%	8.4%



	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Apparel & Footwear	160.9	263.7	369.0	576.3	750.3	932.1	1,118.1	1,332.6	1,573.3	1,827.6
Consumer Electronics	280.1	374.4	412.1	537.4	632.6	728.9	815.2	911.3	1,004.8	1,101.0
Household Product	103.5	158.2	241.2	430.0	520.3	619.3	725.5	842.5	970.5	1,101.0
Others	294.9	383.6	396.2	473.4	506.6	551.5	617.0	670.6	725.4	759.7
Outdoor & Sports	85.1	138.4	178.9	269.9	328.6	393.5	463.7	541.6	627.4	715.6
Total	924.5	1,318.3	1,597.4	2,287.0	2,738.4	3,225.3	3,739.5	4,298.6	4,901.3	5,504.9

Note: The market size refers to the total GMV generated by platform-based sellers (exports) and self-operated online stores (exports).

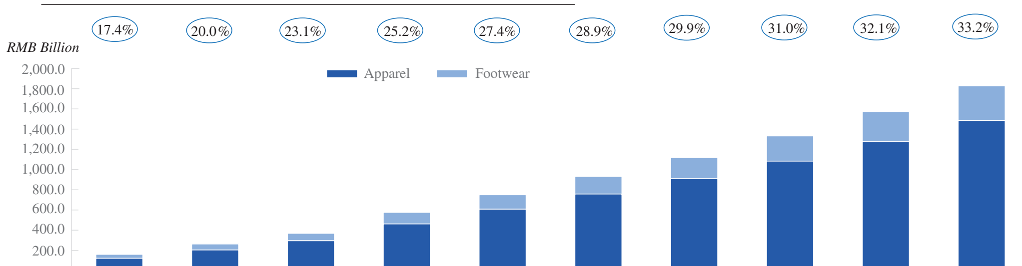
Source: Frost & Sullivan Analysis and Estimates

Cross-border e-commerce export B2C apparel and footwear market in China has achieved significant growth in the past several years and is expected to maintain its growth trend in the next few years. The market size of cross-border e-commerce export B2C apparel industry in China increased from RMB122.0 billion in 2017 to RMB607.9 billion in 2021, and is forecasted to reach RMB1,486.3 billion by 2026, representing a CAGR of 19.6% from 2021 to 2026, according to Frost & Sullivan. Meanwhile, the market size of cross-border e-commerce export B2C footwear industry in China increased significantly from RMB38.8 billion in 2017 to RMB142.4 billion in 2021, and is forecasted to reach RMB341.3 billion by 2026, representing a CAGR of 19.1% from 2021 to 2026. The following diagram sets forth the historical and forecasted GMV of apparel and footwear products generated from cross-border e-commerce export B2C market in China from 2017 to 2026:

GMV of Apparel & Footwear Generated from Cross-border E-commerce Export B2C Platforms in China (2017 – 2026E)

CAGR	Total	Apparels	Footwear
2017-2021	47.0%	49.4%	38.4%
2021-2026E	19.5%	19.6%	19.1%

X.X% Market Share of Apparel & Footwear in Gross-border E-commerce (Exports, B2C) Market in Terms of GMV



	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Footwear	38.8	59.3	73.5	114.3	142.4	174.2	209.4	249.3	294.1	341.3
Apparel	122.0	204.3	295.5	462.0	607.9	757.9	908.7	1,083.2	1,279.2	1,486.3
Total	160.9	263.7	369.0	576.3	750.3	932.1	1,118.1	1,332.6	1,573.3	1,827.6

Note: The market size refers to the GMV of apparel and footwear products generated from cross-border e-commerce export B2C platforms.

Source: Frost & Sullivan Analysis and Estimates

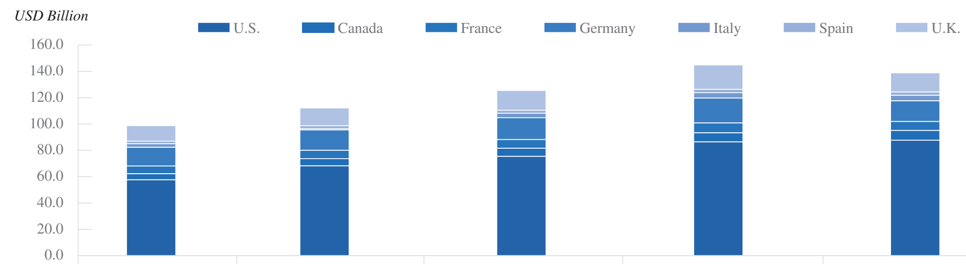
Geographical Distribution

Driven by the continuous development of IT and the penetration of third-party payment, customers across different countries in the world are able to visit the e-commerce platforms and online stores, and search for their ideal products according to the massive product information displayed online. The United States, Canada, Germany, France, the United Kingdom, Italy and Spain have been the major markets of China's cross-border e-commerce export B2C apparel and footwear industry, as measured by the retail sales value.

From 2017 to 2021, the retail sales value of apparel products to these major countries through e-commerce channels increased from US$98.8 billion to US$138.9 billion, according to Frost & Sullivan. Amongst these major countries, the United States contributed the highest retail sales value, followed by Germany and the United Kingdom. In particular, retail sales value of apparel products to the United States through e-commerce channels increased from US$57.6 billion in 2017 to US$87.7 billion in 2021.

Retail Sales Value of Apparel Products through E-commerce Channels to Major Countries (2017 – 2021)

CAGR	U.S.	Canada	France	Germany	Italy	Spain	U.K.
2017-2021	11.1%	12.6%	3.7%	2.5%	12.1%	5.4%	5.6%



	2017	2018	2019	2020	2021
U.K.	11.8	13.5	15.0	18.6	14.6
Spain	2.0	2.2	2.3	2.5	2.5
Italy	2.7	3.0	3.4	4.1	4.2
Germany	14.2	15.5	16.6	18.9	15.7
France	5.9	6.3	6.6	7.5	6.8
Canada	4.6	5.5	6.2	6.9	7.4
U.S.	57.6	68.2	75.4	86.4	87.7
Total	98.8	114.2	125.6	144.9	138.9

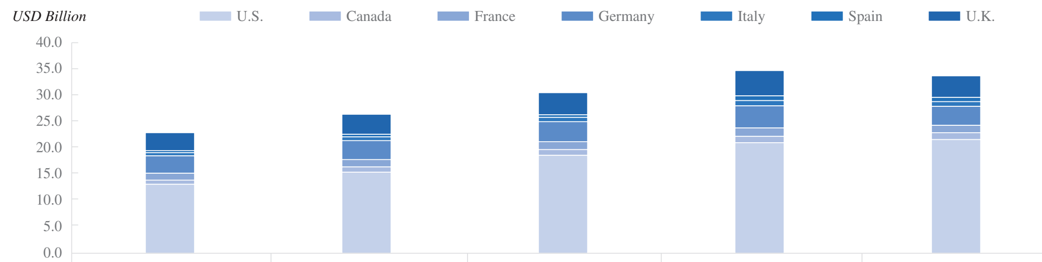
Note: The market size refers to the online retail sales value of apparel products.

Source: Frost & Sullivan Analysis and Estimates

From 2017 to 2021, the retail sales value of footwear products to these major countries through e-commerce channels increased from US$22.9 billion to US$33.7 billion. Similar to the apparel product market, amongst these major countries, the United States also contributed the highest retail sales value, followed by the United Kingdom and Germany, according to Frost & Sullivan. In particular, retail sales value of footwear products to the United States through e-commerce channels increased from US$13.1 billion in 2017 to US$21.6 billion in 2021.

Retail Sales Value of Footwear Products through E-commerce Channels to Major Countries (2017 – 2021)

CAGR	U.S.	Canada	France	Germany	Italy	Spain	U.K.
2017-2021	13.2%	11.9%	2.6%	2.7%	10.6%	17.6%	4.9%



	2017	2018	2019	2020	2021
U.K.	3.4	3.8	4.2	4.8	4.1
Spain	0.4	0.5	0.5	0.9	0.8
Italy	0.6	0.7	0.8	1.0	0.9
Germany	3.3	3.6	3.8	4.2	3.6
France	1.3	1.4	1.5	1.6	1.4
Canada	0.8	1.0	1.1	1.2	1.3
U.S.	13.1	15.4	18.6	21.0	21.6
Total	22.9	26.3	30.6	34.6	33.7

Note: The market size refers to the online retail sales value of footwear products.

Source: Frost & Sullivan Analysis and Estimates

Key Drivers of Cross-border E-commerce Export B2C Apparel and Footwear Industry

Cross-border e-commerce export B2C apparel and footwear industry is driven by the following factors:

- ***Diversified demands promote market proliferation.*** With the increasing e-commerce penetration in the U.S., which is the main export destination for cross-border e-commerce export B2C business, as well as the diversified product offering through online channels, global customers' demand for apparel and footwear products has been transitioning from price-driven and basic need oriented to personalized, diversified and fashion oriented. The diversified demands for apparel and footwear products vary in occasions, from meeting functional requirements to implicating social identities, which result in the considerate growth in customers' purchasing frequency and product price, thereby promoting market prosperity. Generally, customers' purchasing frequency on apparel and footwear products is much higher than non-essentials, indicating the increasingly vast demand from customers and a prosperous market prospect. As the competitive landscape of apparel and footwear industry is extremely fragmented, apparel and footwear sellers can capture emerging opportunities and achieve rapid growth in their respective market segments through providing products of high-quality and good design.

- ***Customers' purchasing behaviors are well-cultivated by digitalization.*** Attributable to the increasing internet penetration, particularly on the mobile terminal, apparel and footwear sellers can reach more potential customers. In line with the increased number of sellers utilizing e-commerce sales channels to carry out cross-border apparel and footwear business, more and more customers are getting used to shopping online and enjoying the convenient shopping experience. The cultivation of customers' online shopping habits has been accelerated by the digitalization of payment process and product display. Through providing abundant information and enabling vivid interaction with customers, the emergence and popularization of the live videos and short videos gradually replace the conventional face-to-face sale, solving the pain points of online sale of apparel and footwear products. In addition, a growing number of people have been getting used to online payment method, which further increases the penetration of e-commerce sales.

- ***Matured and specialized supporting services lower the operating, product procurement and fulfilment costs.*** In line with the increasingly specialized supporting services provided, such as warehousing, logistics and operating services, sellers can improve their operating efficiency and enhance the profit margin through outsourcing certain non-core procedures and focusing on their core competitiveness. Leveraging the accumulated domestic production resources for apparel and footwear products, and the matured and localized warehousing and delivery services in those developed countries, sellers in China are able to integrate resources both domestic and abroad, from upstream to downstream.

Key Entry Barriers of Cross-border E-commerce Export B2C Apparel and Footwear Industry

New entrants into China's cross-border e-commerce export B2C apparel and footwear industry primarily face the following entry barriers:

- ***Capability to acquire customers (獲客力) – efficient utilization and conversion of user traffic:*** Customer acquisition capability is essential for business expansion and achieving economies of scale. Leveraging their strong market analysis capabilities, platform-based sellers are able to capture customer preference and timely launch products to satisfy the preference of and demand from customers on third-party e-commerce platforms. Sellers who sell products through self-operated online stores attract and retain customers through strengthening the infrastructure of their stores, diversifying their product portfolio and gradually establishing brand awareness amongst customers.

- ***Capability of operation (運營力) – managing product portfolio across various platforms and attracting customers through multiple channels:*** Numerous factors affect market participants' operating capability, including among others, efficient mechanism of operation and management, accumulated operating experience in the apparel and footwear industry, in-depth observation and understanding of customers' preferences. To satisfy customers' diversified preferences, sellers in the cross-border e-commerce export B2C apparel and footwear industry constantly capture new fashion features, such as decoration details or color, and add them into their product designs to better cater for evolving needs of different groups of customers across regions.

- ***Capability of supply chain management (供應力) – integrating and managing the supply chain:*** With the penetration of e-commerce business model in the apparel and footwear industry, more and more offline sellers attempt to sell products to overseas customers through online sales channels, implicating increasing participants in the cross-border e-commerce export B2C apparel and footwear industry. To control cost and realize profitability, new market entrants need to streamline the supply chain by integrating their resources efficiently. Existing market participants in the industry are also required to further optimize the cost structure of their products through outsourcing production to OEM suppliers and further integrate the upstream of the industry. Some of the market participants in the industry sell through their self-operated online stores, striving to establish brand awareness and enhance their market influence.

- ***Capability to strengthen the product portfolio (產品力) – upgrading and optimizing product portfolio:*** With the development of cross-border e-commerce export B2C apparel and footwear industry, categories of apparel and footwear products sold through online sales channels have been largely increased. Meanwhile, customers' demands and preferences are diversified and evolving. The ability to timely identify and forecast the latest fashion trends, customer preferences and market demand, and timely reflect in their products is one of the core factors that affect the competitive landscape of the industry participants. Generally, new entrants have less industry expertise in capturing the latest trends, predicting the future sales performance of new products thus are less likely to survive or achieve sustainable growth.

- ***Capability to fulfill the contractual obligation (履約力) – localization of service offering:*** Online customers generally focus more on delivery efficiency and the convenience of product return. As a result, the capability of market entrants to provide the localized service is essential for their competitiveness. Apart from restrictions in financial resources and product supply, new market entrants are more likely to face difficulties in providing localized customer service in the overseas market.

Key Market Challenges for Cross-border E-commerce Export B2C Apparel and Footwear Industry

Key market challenges for China's cross-border e-commerce export B2C apparel and footwear industry can be primarily summarized as follows:

- ***Difficulties in differentiating from other competitors***. There are numerous players in China's cross-border e-commerce export B2C apparel and footwear market, which makes the market highly fragmented. Market players are likely to face difficulties to differentiate themselves from other competitors due to the relatively homogeneous nature of apparel and footwear products. Due to the low switching cost, it is difficult for market participants to maintain customer loyalty and repurchase rate at a relatively high level.

- ***High requirements on after-sales services and supply chain management***. Compared with other types of products, apparel and footwear products generally have a relatively high return rate, which places high requirements for the market participants on the after-sales services as well as their capabilities to manage the overall supply chain. Lengthy logistics transportation and complex supply chain structure also create challenges for their business operations.

- ***Reliance on third-party e-commerce platforms***. In order to benefit from the brand influence and customer traffic of renowned third-party e-commerce platforms such as Amazon and Wish, platform-based sellers in the cross-border e-commerce export B2C industry rely on third-party e-commerce platforms in multiple aspects, such as customer acquisition, logistics and after-sales services, which may pose a challenge to the subsequent business expansion of such platform-based sellers.

Future Trends of Cross-border E-commerce Export B2C Apparel and Footwear Industry

Future trends of China's cross-border e-commerce export B2C apparel and footwear industry can be primarily summarized as follows:

- ***The increasingly mature products and customer service of cross-border e-commerce business make the strong players stronger***. At early stage, in order to enter into overseas markets and attract foreign customers, China-based sellers used to provide high quality products at low prices leveraging the benefit of economy of scale, which constituted a highly homogeneous characteristic of cross-border e-commerce export B2C apparel and footwear market. In the long run, China-based sellers strive to enhance efficiency at each stage of the industry chain and enhance self-design capability based on their deep understanding of customer preference and diversified customer demand, and consistently launch new products to meet the evolving demands in the changing market. It is foreseeable that small and medium sized market participants with lower efficiency and limited industry expertise will be eliminated from the market thus further increasing the market concentration.

- ***Both marketing effectiveness and supply chain management are essential to the market participants***. In recent years, customers in cross-border e-commerce export B2C apparel and footwear industry have been focusing more on quality, design and cost-effectiveness of the products. It is expected that top players in the industry to have deep insights in the market trends and customer preferences. In addition, market players must also have efficient management on the supply chain, integrating relevant resources while managing the cost, such as labor costs and raw material costs, to achieve high operating efficiency and gain competitive strength.

- ***The development of integrated platforms will enhance industry centralization and cultivate quality e-commerce market participants***. The increasing penetration of sale of apparel and footwear products through online channels stimulates the diversification of products categories. Leveraging their user traffic, third-party e-commerce platforms are able to achieve mutual complementarity with quality platform-based sellers providing diversified product offering. Meanwhile, increasing market participants with strong product design capability and high operating efficiency choose to establish self-operated online stores to cultivate their brand awareness and accumulate their own customer base.

- ***Enhance the integration of global resources and localized customer service through capital investment***. With the maturity of cross-border e-commerce export B2C apparel and footwear market, it is foreseeable that overseas customers tend to have higher expectation on customer services and thus the ability to provide enjoyable shopping experience and localized customer service would be increasingly important for industry participants. Meanwhile, integration of the resources along the supply chain, such as raw materials, labor, warehousing and delivery, imposed intense requirement on their capital investment. It can be increasingly difficult for new market entrants to integrate the above-mentioned resources without collaboration with third-party e-commerce platforms.

COMPETITIVE LANDSCAPE AND RANKING

Competitive Landscape of Cross-border E-commerce Export B2C Apparel and Footwear Market in China

As the largest component of China's cross-border e-commerce export B2C market, China's cross-border e-commerce export B2C apparel and footwear market took a market share of approximately 27.4% in terms of GMV in 2021. The total market share of the top five participants in China's cross-border e-commerce export B2C apparel and footwear market was approximately 1.8% in terms of GMV generated through third-party e-commerce platforms in 2021.

We are one of the leading players in China's cross-border e-commerce export B2C apparel and footwear market, according to Frost & Sullivan. Market participants in this market primarily compete on (i) brand awareness and customer loyalty; (ii) the diversification of product portfolio; (iii) marketing and promotion; (iv) sales network coverage; (v) operation capabilities; (vi) pricing; and (vii) delivery efficiency.

In 2021, the total market share of the top five participants in China's cross-border e-commerce export B2C apparel and footwear market in terms of GMV generated through third-party e-commerce platforms in North America market was approximately 2.1%, indicating a highly fragmented market. We ranked first in terms of GMV generated through North America amongst all platform-based sellers in China's cross-border e-commerce export B2C apparel and footwear market in 2021, holding a market share of 0.7% in the RMB303.0 billion market. Amongst these top five participants, all of them are platform-based sellers who also operate their self-operated online stores. The chart below sets forth the top five participants in China's cross-border e-commerce export B2C apparel and footwear market in terms of GMV generated through third-party e-commerce platforms in North America market in 2021:

Top Five Participants in China's Cross-border E-commerce Export B2C Apparel and Footwear Market – by GMV Generated Through Third-party E-commerce Platforms in North America Market (2021)

Ranking	Company	GMV	Market Share
		(RMB in millions)	%
1	Our Group	2,204	0.7
2	Competitor C	2,100	0.7
3	Competitor A	1,200	0.4
4	Competitor B	690	0.2
5	Competitor E	195	0.1

Note: The GMV of apparel and footwear products generated through third-party e-commerce platforms in North America by platform-based sellers in China was RMB303.0 billion in 2021.

We ranked third amongst China's platform-based sellers in cross-border e-commerce export B2C apparel and footwear market in terms of GMV of apparel and footwear products sold through third-party e-commerce platforms in 2021, holding a market share of 0.4% in the RMB596.5 billion market. Amongst the top five participants in China's cross-border e-commerce export B2C apparel and footwear market in terms of GMV generated through third-party e-commerce platforms in 2021, all of them are platform-based sellers who also operate their self-operated online stores. The chart below illustrates the competitive landscape of these top five participants.

Top Five Participants in China's Cross-border E-commerce Export B2C Apparel and Footwear Market – by GMV Generated Through Third-party E-commerce Platforms (2021)

Ranking	Company	GMV	Market Share
		(RMB in millions)	%
1	Competitor C	2,800	0.5
2	Competitor A	2,700	0.5
3	Our Group	2,462	0.4
4	Competitor B	2,300	0.4
5	Competitor D	480	0.1

Note: The GMV of apparel and footwear products generated through third-party e-commerce platforms by platform-based sellers in China was RMB596.5 billion in 2021.

Meanwhile, we ranked second in terms of GMV generated through Amazon amongst all platform-based sellers on Amazon in China's cross-border e-commerce export B2C apparel and footwear market in 2021. We have gradually expanded our business focuses to include Amazon since 2019 and our sale through Amazon grew rapidly. Amongst the top five participants in China's cross-border e-commerce export B2C apparel and footwear market in terms of the GMV generated through Amazon in 2021, all of them are platform-based sellers who also operate their self-operated online stores. The below chart illustrates the competitive landscape of these top five participants.

Top Five Participants in China's Cross-border E-commerce Export B2C Apparel and Footwear Market – by GMV Generated Through Amazon (2021)

Ranking	Company	GMV	Market Share
		(RMB in millions)	%
1	Competitor C	2,380	1.0
2	Our Group	2,211	1.0
3	Competitor A	1,500	0.6
4	Competitor B	800	0.3
5	Competitor D	190	0.1

Note: The GMV of apparel and footwear products generated through Amazon by platform-based sellers in China was RMB231.4 billion in 2021.

The table below sets forth background information of the top competitors listed above:

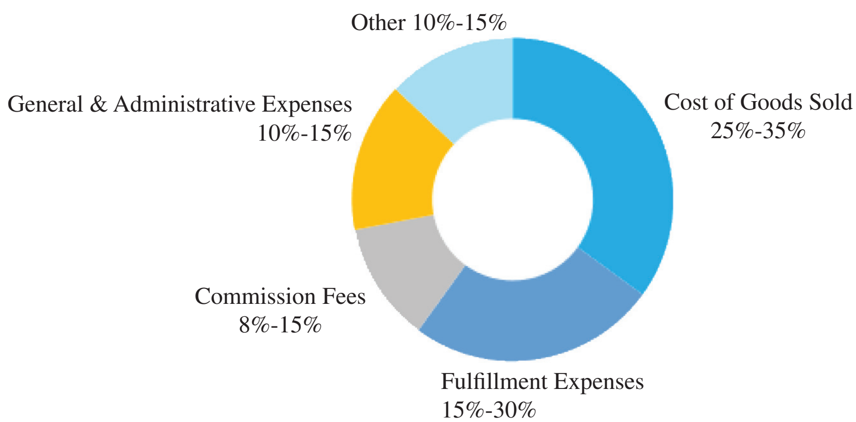
Competitors	Background
Competitor A	A cross-border e-commerce B2C platform-based seller incorporated in Shenzhen in 2011, possessing more than 100 self-owned brands on eBay, Amazon, AliExpress, Wish, Shopee, Walmart and Lazada, and selling numerous categories of products, including apparel and footwear products, cosmetics, 3C products and baby and maternal products. It is a subsidiary of a public company listed on the Shanghai Stock Exchange in China.
Competitor B	A cross-border e-commerce export B2C company incorporated in Guangzhou in 2009, mainly operating its comprehensive self-operated online stores and selling products through eBay, Amazon, AliExpress and Wish. The company sells over 300,000 products in 25 categories and has established stable and sustainable cooperative relations with over 300,000 suppliers.
Competitor C	A cross-border e-commerce export B2C company incorporated in Shenzhen in 2012, selling numerous categories of products, including apparel and footwear products, sports and entertainment products and household supplies through Amazon, Walmart, eBay and Wish, as well as its self-operated online stores. The company is in the process of application for an initial public offering on the Growth Enterprise Market of Shenzhen Stock Exchange in China.
Competitor D	A cross-border e-commerce export and import company incorporated in Taiyuan in 2003, focusing on the sale of maternal and baby products, electronics, apparel products and household supplies. It is a public company listed on the Shenzhen Stock Exchange in China.
Competitor E	A cross-border e-commerce export B2C company incorporated in Shenzhen in 2011, focusing on data analysis, brand marketing and selling electronics and women's apparel products.

COST ANALYSIS OF CROSS-BORDER E-COMMERCE INDUSTRY AND APPAREL INDUSTRY

Cost Analysis of Cross-border E-commerce Industry

The cost for platform-based sellers in cross-border e-commerce business mainly consists of five categories, namely (i) cost of goods sold; (ii) fulfillment expense; (iii) commission fees; (iv) general and administrative expenses; and (v) others. Amongst them, cost of goods sold accounts for the largest proportion with a share of approximately 25% to 35%. It is foreseeable that the increase of labor cost will continuously increase the cost of goods sold and general and administrative expenses of platform-based sellers in cross-border e-commerce business.

Cost Structure of Cross-border E-commerce Business



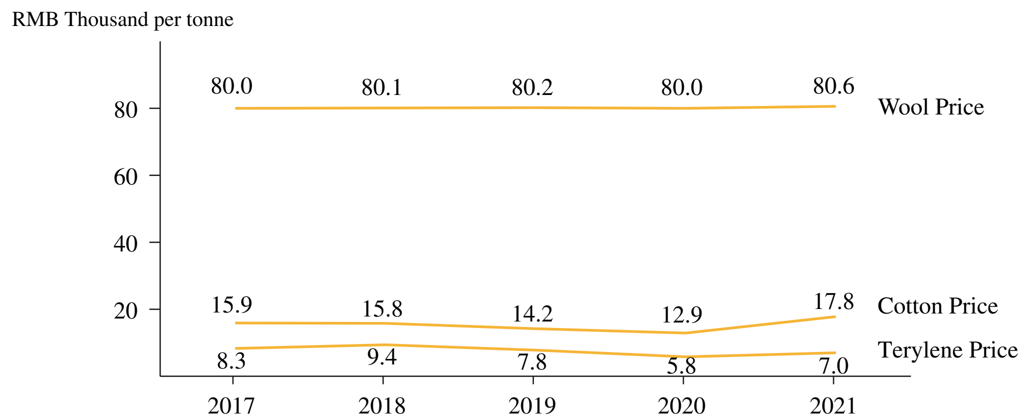
Note: Others mainly comprise marketing and advertising expenses and custom clearance tax.

Source: Frost & Sullivan Analysis and Estimates

Cost Analysis of Apparel Industry

Raw materials are essential for the cost management of production process of apparel products. Typically, raw materials for the apparel products can be categorized into natural fibers, such as cotton, flax, wool and silk, and artificial fibers, such as rayon and nylon. In the past five years, the price of main raw materials such as cotton, wool and terylene has been relatively stable. The price of cotton experienced a decrease from approximately RMB15.9 thousand per tonne in 2017 to approximately RMB12.9 thousand per tonne in 2020, then increased to RMB17.8 thousand per tonne in 2021. The price of wool slightly increased from RMB80.0 thousand per tonne in 2017 to RMB80.6 thousand per tonne in 2021. The price of terylene experienced fluctuation during the past five years. It increased from RMB8.3 thousand per tonne in 2017 to RMB9.4 thousand per tonne in 2018, but decreased from RMB9.4 thousand per tonne in 2018 to RMB5.8 thousand per tonne in 2020. Subsequently, the price of terylene increased to RMB7.0 thousand per tonne in 2021.

The Price of Wool, Cotton and Terylene in China (2017-2021)



Source: Frost & Sullivan Analysis and Estimates

IMPACT OF COVID-19 ON CROSS-BORDER E-COMMERCE EXPORT B2C INDUSTRY

Since early 2020, COVID-19 pandemic has demonstrated its adverse impact on the global economy and the cross-border e-commerce export B2C industry. The cancellation of international flight and lock down measures of foreign countries, especially the United States and European countries, negatively affected the cross-border delivery of products.

However, in the long term, the outbreak of COVID-19 is not expected to adversely and severely impact the overall development of cross-border e-commerce export B2C industry. In particular, COVID-19 pandemic has influenced the cross-border e-commerce export B2C industry in the following metrics:

- ***Changes in customers' consumption habits***. Due to strict restrictions on travel and offline business operations during the spread of COVID-19, customers tend to spend more time online and their consumption habits and purchasing behaviour have changed, implicating large growth potential for cross-border e-commerce export B2C industry in the long run.

- ***Development in supply chain***. The supply chain of cross-border e-commerce export industry experienced disruption due to the interruptions to logistics services and the suspension of operations of OEM suppliers in regions exposed to high infection risks. In particular, the delivery volume of international direct mail decreased by 46.1% in the first quarter of 2020 compared with that in the first quarter of 2019. To reduce the adverse impact caused by COVID-19, some logistics service providers have been positively improving their logistics infrastructure and expanding the coverage of their overseas warehouses, indicating the sustainable development of supply chain for the cross-border e-commerce export B2C industry.

- ***Rapid expansion of overseas market***. Considering the success of the anti-pandemic efforts in China, China's macro economy has recovered at a higher rate comparing to most of the foreign countries. Currently, logistics service providers and OEM suppliers in China have resumed normal operations. Chinese sellers of cross-border e-commerce export B2C industry are seizing this emerging opportunity to diversify their export product offerings and expand their overseas business coverage.

- ***Favorable government policies***. During the COVID-19 pandemic, multiple government policies favorable to cross-border e-commerce export B2C industry have been promulgated, such as *Guideline on further Stabilizing International Trade Business* (《關於進一步做好穩外貿穩外資工作的意見》) and *Reply of the State Council on Agreeing to Establish Comprehensive Cross-border E-commerce Pilot Zones in 46 Cities and Regions including Xiong'an New District* (《國務院關於同意在雄安新區等46個城市和地區設立跨境電子商務綜合試驗區的批復》). These policies have brought and will continue to bring long-term benefits to cross-border e-commerce export B2C industry in China. Recently, the government further promulgated rules and regulations to support the development of cross-border e-commerce export industry, supporting the establishment of logistics infrastructure and expansion of the coverage of overseas warehouses.

This section sets forth a summary of certain laws and regulations that are relevant to our business operations.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE PRC

Regulations on Import and Export Goods

Pursuant to the *Foreign Trade Law of the PRC* (《中華人民共和國對外貿易法》) which was promulgated by the SCNPC on May 12, 1994 and implemented on July 1, 1994, and subsequently revised on April 6, 2004 and November 7, 2016, and the *Measures for the Record and Registration of Foreign Trade Operators* (《對外貿易經營者備案登記辦法》) which was promulgated by the MOFCOM on June 25, 2004 and implemented on July 1, 2004, and subsequently revised on August 18, 2016, November 30, 2019 and May 10, 2021, foreign traders engaging in import and export of goods or technology shall complete the filing and registration with the MOFCOM or its delegated agencies. Where a foreign trade operator fails to complete the filing and registration, the customs will refuse to handle customs declaration and the clearance of goods imported or exported by the operator.

Pursuant to the *Customs Law of the PRC* (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 and amended on July 8, 2000, June 29, 2013, December 28, 2013, November 7, 2016, November 4, 2017 and April 29, 2021, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws.

Pursuant to the *Administrative Provisions of the Customs of the PRC on the Filing of Customs Declaration Entities* (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs on November 19, 2021 and taking effect from January 1, 2022, the consignees and consignors for imported or exported goods and the customs brokers engaged in customs declarations shall undergo recordation formalities at the relevant administration department of customs in accordance with the laws.

Laws and Regulations relating to Foreign Investment

Pursuant to the *Special Management Measures (Negative List) for the Access of Foreign Investment (2021 version)* (《外商投資准入特別管理措施(負面清單)(2021年版)》) promulgated by the NDRC and MOFCOM on December 27, 2021 and came into effect on January 1, 2022, limitations were stipulated for foreign investments in different industries in the PRC and foreign investments shall be classified into two categories, namely "Catalog of Encouraged Industries for Foreign Investment" and "Special Management Measures (Negative List) for the Access of Foreign Investment." The "Special Management Measures (Negative

List) for the Access of Foreign Investment" is further classified into "Catalog of Industries Limited for Foreign Investment" and "Catalog of Industries Prohibited for Foreign Investment." Industries which do not fall within the "Special Management Measures (Negative List) for the Access of Foreign Investment" are industries permitted for foreign investment.

On December 30, 2019, the MOFCOM and the SAMR issued the *Measures for the Reporting of Foreign Investment Information* (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the Interim Administrative Measures. Since January 1, 2020, for carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

The *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》), (the "**Foreign Investment Law**"), was formally adopted by the 2nd session of the Thirteenth National People's Congress on March 15, 2019 and became effective on January 1, 2020. The Foreign Investment Law is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The negative list management system means that the state implements special management measures for the access of foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields.

Foreign investors' investment, earnings and other legitimate rights and interests within the territory of the PRC shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises. The State guarantees that foreign-invested enterprises participate in the formulation of standards in an equal manner. The State guarantees that foreign-invested enterprises participate in government procurement activities through fair competition in accordance with the law. The State shall not expropriate any foreign investment except under special circumstances. In special circumstances, the State may levy or expropriate the investment of foreign investors in accordance with the law for the needs of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures and timely and reasonable compensation shall be given. In carrying out business activities, foreign-invested enterprises shall comply with relevant provisions on labor protection, social insurance, tax, accounting, foreign exchange and other matters stipulated in the PRC laws and regulation.

Upon taking effect on January 1, 2020, the Foreign Investment Law replaced the *Sino-Foreign Equity Joint Venture Enterprise Law* (《中華人民共和國中外合資經營企業法》), the *Sino-Foreign Cooperative Joint Venture Enterprise Law* (《中華人民共和國中外合作經營企業法》) and the *Wholly Foreign-Owned Enterprises Law* (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC.

On December 26, 2019, the State Council issued the *Regulations on Implementing the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020 and replaced the *Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law* (《中華人民共和國中外合資經營企業法實施條例》), *Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law* (《中外合資經營企業合營期限暫行規定》), the *Regulations on Implementing the Wholly Foreign-Owned Enterprise Law* (《中華人民共和國外資企業法實施細則》) and the *Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law* (《中華人民共和國中外合作經營企業法實施細則》).

Regulations Relating to Merger and Acquisition of Domestic Enterprises by Foreign Investors and Overseas Listing

According to the *Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") which were jointly adopted by the MOFCOM, the SAFE and other four ministries on August 8, 2006, took effect on September 8, 2006 and amended on June 22, 2009, "mergers and acquisitions of domestic enterprises by foreign investors" refers to: (a) a foreign investor converts a non-foreign invested enterprise (domestic company) to a foreign invested enterprise by purchasing the equity interest from the shareholder of such domestic company or the increased capital of the domestic company (the "**Equity Merger and Acquisition**"); or (b) a foreign investor establishes a foreign invested enterprise to purchase the assets from a domestic enterprise by agreement and operates the assets therefrom; or (c) a foreign investor purchases the assets from a domestic enterprise by agreement and uses these assets to establish a foreign invested enterprise for the purpose of operation of such assets (the "**Assets Merger and Acquisition**").

M&A Rules provides that mergers and acquisitions of domestic enterprises by foreign investors shall be subject to the approval of the MOFCOM or its delegates at provincial level. In the event that any domestic company, enterprise or natural person merges or acquires a domestic company that has affiliated relationship with it through an overseas company legally established or controlled by such domestic company, enterprise or natural person, the merger and acquisition applications shall be submitted to the MOFCOM for approval. Any circumvention on the requirement including domestic re-investment of a foreign invested enterprise is not allowed.

On December 24, 2021, the CSRC published the Draft Administrative Provisions, and the Draft Measures for Record-filing, which are open for public comments until January 23, 2022. Pursuant to the Drafts relating to Overseas Listings, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC joint stock companies; and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. The Drafts relating to Overseas Listings also stipulate certain circumstances in which overseas listing should not be allowed. Failure to complete the filing under the Administrative Provisions may subject a PRC domestic company to a warning and a fine of RMB1 million to RMB10 million. Under serious circumstances, the PRC domestic company may be ordered to suspend its business or suspend its business until rectification, or its permits or businesses license may be revoked. As of the Latest Practicable Date, the Drafts relating to Overseas Listings have not been formally adopted. The provisions and anticipated effective date of the Drafts relating to Overseas Listings are subject to changes and interpretation, and its implementation remains uncertain.

Foreign Exchange Regulation

The principal regulations governing foreign currency exchange in China are the *Regulations on Foreign Exchange Administration of the PRC* (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29,1996 and amended on January 14,1997 and August 5, 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiary.

In November 2012, SAFE promulgated the *Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Direct Investment* (《關於進一步改進和調整直接投資外匯管理政策的通知》), as amended in May 2015, which substantially amends and simplifies the foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the *Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents* (《關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》) in May 2013, as amended, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the *Circular of Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Circular 13, which became effective on June 1, 2015. Under SAFE Circular 13, the foreign exchange procedures are further simplified, and foreign exchange registrations of direct investment will be handled by the banks designated by the foreign exchange authority instead of SAFE and its branches. However, the foreign invested enterprises were still prohibited by SAFE Circular 13 to use the RMB converted from foreign currency-registered capital to extend entrustment loans, repay bank loans or inter-company loans.

On June 9, 2016, SAFE issued the *Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts* (《關於改革和規範資本項目結匯管理政策的通知》), or Circular 16, which took effect on the same day. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding Renminbi obtained from foreign exchange settlement are not restricted from extending loans to related parties or repaying the inter-company loans (including advances by third parties).

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, SAFE issued *Circular on Further Facilitating Cross-border Trade and Investment* (《關於進一步促進跨境貿易投資便利化的通知》), or Circular 28, which took effect on the same day. Circular 28 allows noninvestment foreign-invested enterprises to use their capital funds to make equity investments in China, provided that such investments do not violate the negative list and the target investment projects are genuine and in compliance with laws. Since Circular 28 was issued only recently, its interpretation and implementation in practice are still subject to substantial uncertainties.

To use our offshore foreign currency to fund our PRC operations, we will apply to obtain the relevant approvals of SAFE and other PRC government authorities as necessary. Our PRC subsidiary's distributions to their offshore parents and our cross-border foreign exchange activities are required to comply with the various requirements under the relevant foreign exchange rules.

SAFE Circular 37

SAFE promulgated the *Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles* (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with their legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiary of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. On February 13, 2015, SAFE released SAFE Circular 13, under which qualified local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, from June 1, 2015. There exist substantial uncertainties with respect to its interpretation and implementation by government authorities and banks.

Regulation of Dividend Distribution

Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from our PRC subsidiary, which is a wholly foreign-owned enterprise incorporated in the PRC, to fund any cash and financing requirements we may have. The principal laws, rules and regulations governing dividend distribution by wholly foreign-owned enterprise in the PRC are the PRC Company Law, as amended, and the 2019 PRC Foreign Investment Law. Under these laws, rules and regulations, wholly foreign-owned enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A wholly foreign-owned enterprise is required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations Related to Tax

EIT

Under the *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得税法》) (the "**EIT Law**"), which was first promulgated on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, and its implementing rules, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in the PRC should pay an enterprise income tax in connection with their income from the PRC at the tax rate of 10%. An enterprise established outside of the PRC with its "de facto management bodies" located within the PRC is considered a "resident enterprise," meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The implementing rules of the EIT Law define a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise.

The EIT Law and the implementation rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are "non-resident enterprises," and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and other jurisdictions.

Pursuant to the EIT Law, the expenses of an enterprise for the research and development of new technologies, new products and new process may be additionally calculated and deducted when calculating the taxable amount of incomes. The implementation rules of the EIT Law specifies that, the term "additional deduction of research and development expenses" means that, where the research and development expenses that are actually incurred for the purpose to develop new technologies, new products and new crafts and do not constitute intangible assets are recorded into the current profit or loss, such expenses shall be deducted from the taxable income for the current year at 50% of the actual amount incurred in the current year and on an actual basis as required; if intangible assets are constituted, such expenses shall be amortized at 150% of the costs of the intangible assets before tax.

Pursuant to the *Notice on Increasing the Ratio of the Additional Deduction of Research and Development Expenses* (《關於提高研究開發費用稅前加計扣除比例的通知》), which was promulgated by the Ministry of Finance of the PRC, the SAT and the Ministry of Science and Technology of the PRC on September 20, 2018 and became effective on the same day, with respect to the research and development expenses that are actually incurred in the research and development activities of the enterprise, an extra 75% of the actual amount of expenses is deductible before tax, in addition to other actual deductions, during the period from January 1, 2018 till December 31, 2020, provided that the said expenses are not converted into the intangible asset and balanced into the enterprise's current gains and losses; however, if the said expenses have been converted into the intangible asset, such expenses may be amortized at a rate of 175% of the intangible asset's costs before tax during the above-said period.

According to the EIT Law, certain high-tech enterprises are entitled to a reduced EIT rate of 15%. The *Administrative Measures for Certification of High and New Technology Enterprises* (《高新技術企業認定管理辦法》) which was amended on January 29, 2016 and became effective on January 1, 2016, provides that, an enterprise legally certificated as a High and New Technology Enterprise is entitled to apply for preferential income tax policies according to EIT law and relevant regulations. A qualified enterprise will be issued the High and New Technology Enterprise Certificate (高新技術企業證書) and the qualification of a certificated enterprise shall be valid for a term of three years from the issuance date of the certificate.

Pursuant to the *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Double Tax Avoidance Arrangement**") and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in charge tax authority. However, based on the *Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《關於執行稅收協定股息條款有關問題的通知》) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. On February 3, 2018, the SAT issued the *Announcement on Certain Issues Concerning the Beneficial Owners in a Tax Agreement* (《關於稅收協定中"受益所有人"有關問題的公告》) (the "**Circular 9**"), effective as of April 1, 2018, which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under China's treaties and similar arrangements. According to Circular 9, a beneficial owner generally must be engaged in substantive business activities and an agent will not be regarded as a beneficial owner and, therefore, will not qualify for these benefits.

Transfer Pricing

Pursuant to the EIT Law and its implement rules and the *Law of the People's Republic of China on the Administration of Tax Collection* (《中華人民共和國稅收徵收管理法》), which was first promulgated on September 4, 1992 by the SCNPC and amended on February 28, 1995, April 28, 2001, June 29, 2013 and April 24, 2015, related party transactions should comply with the arm's length principle. In the event that the related party transactions fail to comply with the arm's length principle resulting in the reduction of the enterprise's taxable income, the tax authority has power to make adjustments with reasonable methods within ten years from the tax paying year that the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority.

Based on the *Announcement of the State Administration of Taxation on Matters Relating to the Improvement of Affiliated Declaration and Contemporaneous Document Management* (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》) promulgated and became effective on June 29, 2016, enterprises which have related-party transactions shall prepare their contemporaneous documentation of related-party transactions (同期資料) per tax year and submit to the tax authority if required by the same. Contemporaneous documentation includes the master file (主體文檔), local file (本地文檔) and special issue file (特殊事項文檔), each of which is applied to different circumstances in relation to the related-party transactions of the PRC company.

According to the *Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures* (《國家稅務總局關於發佈特別納稅調查調整及相互協商程序管理辦法的公告》) which partially repealed the *Implementation Regulations for Special Tax Adjustments (Trial)* (《特別納稅調整實施辦法(試行)), and was issued on March 17, 2017 and became effective on May 1, 2017 and was amended on June 15, 2018, if an enterprise receives a special tax adjustment risk warning from tax authorities or detects in itself any special tax adjustment risk, the enterprise may carry out voluntary adjustments regarding tax payment matters and the relevant tax authority may still proceed with special tax investigation adjustment procedures according to the relevant provisions.

VAT and Business Tax

Pursuant to the *Provisional Regulations on Value-Added Tax of the PRC (2017 Revision)* (《中華人民共和國增值稅暫行條例》(2017年修訂)) as amended on November 19, 2017 by the State Council, and its implementation regulations, unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate is 17%. According to provisions in the *Notice on Adjusting the Value added Tax Rates (Caishui [2018] No. 32)* (《關於調整增值稅稅率的通知(財稅[2018]32號)》) issued by MOF and the SAT on April 4, 2018, where taxpayers make VAT taxable sales or import goods, the applicable tax rates shall be adjusted from 17% to 16% and from 11% to 10%, respectively. The Notice takes effect on May 1, 2018, and the adjusted VAT rates take effect at the same time according to the Notice.

Pursuant to provisions in the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform (Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs [2019] No. 39)* (《關於深化增值稅改革有關政策的公告》) (財政部、稅務總局、海關總署公告2019年第39號) issued by Ministry of Finance, SAT and General Administration of Customs on March 20, 2019, with respect to VAT taxable sales or imported goods of VAT general taxpayers, the applicable tax rates shall be adjusted from 16% to 13% and from 10% to 9%, respectively. The Announcement took effect on April 1, 2019, and the adjusted VAT rates has come into effect at the same time according to the Announcement.

According to *The Notice of the Ministry of Finance and the State Administration of Taxation on VAT and Consumption Tax Policies for Exported Goods and Services* (《財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知》), which was promulgated on May 25, 2012 by the Ministry of Finance of the PRC and SAT, of which some terms became effective from January 1, 2011, and other terms became effective from July 1, 2012, exported goods and services of export enterprises are eligible for VAT exemption and refund policy. Except for the export VAT refund rate (hereafter referred to as the "tax refund rate") otherwise provided for by the Ministry of Finance and SAT according to the decision of the State Council, the tax refund rate for exported goods shall be the applicable tax rate. SAT shall promulgate the tax refund rate through the Tax Refund Rate Catalogue of Exported Goods and Services according to the aforesaid provisions for the implementation of the tax authorities and taxpayers. In the event of adjustment to the tax refund rate, the implementing date shall be subject to the export date as indicated in the Customs Declaration of Goods for Export (specifically for export tax refund) (including the goods under process, repair and fitting) except as otherwise provided.

Labor, Social Insurance and Housing Accumulation Funds

Labor Contract

Pursuant to the *Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》) released by the SCNPC on June 29, 2007 with effect from January 1, 2008, which was then amended and released on December 28, 2012 and came into force on July 1, 2013, the principle of lawfulness, fairness, equality, free will, negotiation for agreement and good faith shall be observed in the formation of a labor contract. An employer shall establish a sound system of employment rules in accordance with the laws so as to ensure that its employees enjoy the labor rights and perform the employment obligations.

Social Insurance and Housing Accumulation Funds

As required under the *Regulation of Insurance for Labor Injury* (《工傷保險條例》) first implemented on January 1, 2004 and amended in 2010, the *Provisional Measures for Maternity Insurance of Employees of Corporations* (《企業職工生育保險試行辦法》) came into effect on January 1, 1995, the *Decisions on the Establishment of a Unified Programme for Basic Old-Aged Pension Insurance of the State Council* (《國務院關於建立統一的企業職工基本養老保險制度的決定》) issued on July 16, 1997, the *Decisions on the Establishment of the Medical Insurance Programme for Urban Workers of the State Council* (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on December 14, 1998, the *Unemployment Insurance Measures* (《失業保險條例》) promulgated on January 22, 1999, the *Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) amended by the State Council and coming into effect on March 24, 2019 and the *Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) which was released by the SCNPC on October 28, 2010, came into force on July 1, 2011 and was then amended on December 29, 2018, enterprises are obliged to provide their employees in the PRC with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

Pursuant to the *Regulation on the Administration of Housing Accumulation Funds* (《住房公積金管理條例》) released by the State Council on April 3, 1999 and came into force on the same day, which latest amended by the State Council and coming into effect on March 24, 2019, an employer shall pay the housing accumulation funds for its employees in accordance with the relevant provisions of the state.

On September 18, 2018, the general meeting of State Council announced that the policies for social insurance shall remain unchanged until the reform has been completed for the transfer of the authority for social insurance from the Ministry of Human Resources and Social Security to the SAT on January 1, 2019. On September 21, 2018, the Ministry of Human Resources and Social Security released an *Urgent Notice on Notice of Certain Measures on Further Supporting and Serving the Development of Private* (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) and required that the policies for both the rate and basis of social insurance contributions shall remain unchanged until the reform on the transfer of the authority for social insurance has been completed. On November 16, 2018, the SAT released the *Notice of Certain Measures on Further Supporting and Serving the Development of Private* (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), which provided that the policy for social insurance shall remain stable and the SAT will pursue to lower the social insurance contribution rates with the relevant authorities, and ensure the overall burden of social insurance contribution on enterprises will be lowered.

Intellectual Property

According to the *Regulations for the Protection of Computer Software* (《計算機軟件保護條例》) which was promulgated by the State Council on June 4, 1991 and implemented on October 1, 1991, and subsequently revised on December 20, 2001, January 8, 2011 and January 30, 2013, and the *Measures for Computer Software Copyright Registration* (《計算機軟件著作權登記辦法》) which was promulgated and implemented by the Ministry of Machine Building and Electronics Industry (currently known as the Ministry of Industry and Information Technology (the "**MIIT**")), on April 6, 1992 and subsequently revised by the National Copyright Administration on February 20, 2002, the software copyright holder can register the software copyright registration to the Copyright Protection Center of China, which is the software registration agency identified by the State Copyright Administration.

Trademark

Pursuant to the *Trademark Law of the PRC* (《中華人民共和國商標法》) released by the SCNPC on August 23, 1982 with effect from March 1, 1983, which was newly amended on April 23, 2019 and implemented on November 1, 2019, and the *Implementation Regulations on the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》) which was amended by the State Council on April 29, 2014 and became effective from May 1, 2014, any enterprise which needs to acquire the right to exclusively use a trademark on the goods or services thereof in the course of its business operation shall apply to the Trademark Office for trademark registration. The period of validity of a registered trademark shall be ten years from the day the registration is approved. When it is necessary to continue using the registered trademark upon expiration of period of validity, an application for renewal shall be made within 12 months before the expiration. If such an application cannot be filed within that period, an extension period of six months may be granted. The period of validity for each renewal of registration shall be ten years as of the next day of the previous period of validity. If the formalities for renewal have not been handled upon expiration of period of validity, the registered trademarks will be deregistered. Without the authorization of the owner of the registered trademark, using a trademark that is identical with or similar to a registered trademark on the same goods or that is identical with or similar to a registered trademark on the similar goods which could possibly cause confusion, constitutes an infringement of the exclusive right of a registered trademark. The infringer shall, in accordance with the regulations, cease the infringement, take remedial action and pay damages, etc.

Patent

Patents in the PRC are principally protected under the *Patent Law of the PRC* (《中華人民共和國專利法》), or the Patent Law. The Patent Law and its implementation rules provide for three types of patent: "invention," "utility model" and "design." The protection period is 20 years for invention patents and 10 years for utility model patents and design patents, commencing from their respective application dates. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, utility model or design, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use of said patent constitutes an infringement of the patent rights, and shall pay compensation to the patentee and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law. On October 17, 2020, the SCNPC promulgated the newly amended Patent Law, or the New Patent Law, which became effective on June 1, 2021. The New Patent Law introduced, among the others, a patent protection period compensation system in the event of unreasonable delay, and punitive damages for willful patent infringement under severe circumstances.

Domain Name

Pursuant to the *Administrative Measures for Internet Domain Names* (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and coming into effect on November 1, 2017, the establishment of any domain name root server and institution for operating domain name root servers, managing the registration of domain name and providing registration services in relation to domain name within the territory of China shall be subject to the approval of the Ministry of Industry and Information Technology or provincial, autonomous regional and municipal communications administration. The registration of domain name shall follow the principle of "first apply first register." The *Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services* (《工業和信息化部關於規範互聯網信息服務使用域名的通知》) promulgated by the Ministry of Industry and Information Technology on November 27, 2017 and coming into effect on January 1, 2018 specifies the obligation of anti-terrorism and maintaining network security of internet information service providers.

REGULATIONS RELATING TO CYBERSECURITY

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law, which became effective on June 1, 2017. The Cybersecurity Law requires network operators to comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. The Cybersecurity Law further requires network operators to take all necessary measures in accordance with applicable laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to cybersecurity incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data.

On April 13, 2020, the CAC, NDRC and several other administrations jointly promulgated the Cybersecurity Review Measures, which became effective on June 1, 2020. The Cybersecurity Review Measures establish the basic framework for national security reviews of network products and services, and provide the provisions for undertaking cybersecurity reviews. The Cybersecurity Review Measures requires that where critical information infrastructure operators purchase network the product or service, which affects or may affect national security, a cybersecurity review is required. The Cybersecurity Review Office, responsible for developing the related rules and procedures on cybersecurity review and organizing cybersecurity reviews, is located at the CAC.

On July 30, 2021, the State Council of the PRC published the Security Protection Regulations on the CII Regulations, which was passed by the State Council on April 27, 2021 and took effect on September 1, 2021. The CII Regulations offer a more detailed definition of the critical information infrastructure than that in the Cybersecurity Law, and add "national defense and technology industries" to the scope of the important industries and sectors. The CII Regulations further impose the compliance obligations of critical information infrastructure operators as: (i) establishing comprehensive cybersecurity protection systems and accountability systems; (ii) setting up a specified security management function to security protection works; (iii) carrying out cybersecurity inspections and risk assessments; (iv) undertaking cybersecurity reviews and entering into confidentiality agreements when purchasing network products and services; and (v) reporting cybersecurity incidents or threats to authorities.

On November 14, 2021, the CAC promulgated the Draft Data Security Regulations which further expands the scope of the application for security review, establishes the data classification and protection system, and defines the relevant rules for cross-border data management. It provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests that affects or may affect national security; (ii) "foreign listing (國外上市)" of data processors processing over one million people's personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. The Draft Data Security Regulations also provides that operators of large internet platforms that set up headquarters, operation centers or R&D centers offshore (境外) shall report to the national cyberspace administration and competent authorities. In addition, the Draft Data Security Regulations requires data processors processing over one million people's personal information to comply with the regulations on important data processors, including, among others, appointing a person in charge of data security and establishing a data security management organization, filing with the competent authority within fifteen working days after identifying its important data, formulating data security training plans and organizing data security education and training for all staff every year, and that the education and training time of data security related technical and management personnel shall not be less than 20 hours per year.

During our business operations, the data we collect is mainly the mailing address used by our overseas customers, in particular, it is not excluded that such customers may be Chinese people. The data will be transmitted to our ERP system in the PRC for the use of subsequent shipments. Such processing may be interpreted as the possibility that we use the internet to carry out data processing activities in the PRC, and thus need to comply with the Draft Data

Security Regulations. The criteria for determining "affect or may affect national security," as stipulated in the Draft Data Security Regulations, are uncertain, remain to be observed and are subject to further elaboration by the CAC.

As of the Latest Practicable Date, the Draft Data Security Regulations had not come into effect and the public comment period of the Draft Data Security Regulations ended on December 13, 2021. There is no timetable as to when the Draft Data Security Regulations will be enacted.

On December 28, 2021, the CAC promulgated the Cybersecurity Review Measures and became effective on February 15, 2022, which provides that (i) operators of "critical information infrastructure" that intend to purchase network products and services that will or may affect national security shall apply for a cybersecurity review, and (ii) network platform operators with personal information of more than one million users will be required to apply to the Cybersecurity Review Office for a cybersecurity review in the event of a "foreign listing." Our PRC Legal Advisors are of the view that listing in Hong Kong does not fall within the scope of "foreign listing" under the Cybersecurity Review Measures and thereby would not trigger the cybersecurity review. The Cybersecurity Review Measures replaced the Cybersecurity Review Measures promulgated on April 13, 2020. The PRC government authorities have wide discretion in the interpretation and enforcement of these laws and regulations, including the interpretation of "national security" or identifying any entity to meet any of the above cybersecurity review criteria.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Outbound Data Transfer, which became effective on September 1, 2022. These measures shall apply to the security assessment of the outbound data transfer. Where there are other provisions in laws and administrative regulations, such other provisions shall prevail. These Measures specify that an outbound data transfer by a data processor that falls under any of the following circumstances, the data processor shall apply to the CAC for the security assessment via the local provincial-level cyberspace administration authority: (i) outbound transfer of important data by a data processor; (ii) outbound transfer of personal information by a critical information infrastructure operator or a personal information processor who has processed the personal information of more than 1,000,000 people; (iii) outbound transfer of personal information by a personal information processor who has made outbound transfers of the personal information of 100,000 people cumulatively or the sensitive personal information of 10,000 people cumulatively since January 1 of the previous year; or (iv) other circumstances where an application for the security assessment of an outbound data transfer is required as prescribed by the CAC. The data processing entities need to carry out a self-assessment before they can apply through provincial CACs for a security assessment to be carried out and approved by the CAC at the central level. These measures also include a six-month grace period. For outbound data transfers that are carried out prior to the implementation of these Measures but are not in compliance with the Measures, the rectification must be completed within six months.

REGULATIONS RELATING TO PERSONAL INFORMATION OR DATA PROTECTION

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law, which became effective on June 1, 2017. The Cybersecurity Law requires network operators to comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. Pursuant to the Cybersecurity Law, the "personal information" refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify individuals' personal information including but not limited to: individuals' names, dates of birth, ID numbers, biologically identified personal information, addresses and telephone numbers, etc.

The Cybersecurity Law provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data are gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data are gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data are collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception. Furthermore, under the Cybersecurity Law, network operators of critical information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC.

Pursuant to the *Ninth Amendment to the Criminal Law of the PRC* (《中華人民共和國刑法修正案(九)》), issued by the SCNPC in August 2015, which became effective in November 2015, any internet service provider that fails to fulfill its obligations related to internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty. In addition, on May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate issued the *Interpretations on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information* (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) (the "**Interpretations**"), which became effective on June 1, 2017 and stipulates that the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

On June 10, 2021, the SCNPC passed the Data Security Law, which became effective as of September 1, 2021. The Data Security Law is broadly applicable to and will impact all operators that engage in the processing of all types of data. The Data Security Law defines "data" as any record of information in electronic or other forms, and "data processing" includes the collection, storage, use, processing, transmission, availability and disclosure of data and others. The Data Security Law shall apply to data processing activities and security supervision of such activities within the territory of the People's Republic of China; where data processing activities outside the territory of the PRC damage the national security, public interests or the legitimate rights and interests of citizens and organizations, it shall also be subject to the Data Security Law.

The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data are tampered with, destroyed, leaked, or illegally acquired or used, and provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information.

On August 20, 2021, the SCNPC passed the PIPL, which became effective on November 1, 2021. The PIPL defines personal information as all kinds of information, recorded by electronic or other means, related to identified or identifiable natural persons, not including information after anonymization. The PIPL shall apply to the processing of the personal information of natural persons within the territory of the PRC; the PIPL shall also apply to the processing of the personal information of Chinese people outside the territory of the PRC when: (i) where the purpose is to provide Chinese people with products or services; (ii) where the activities of Chinese people are analyzed and evaluated; and (iii) other circumstances as prescribed by laws and regulations.

The PIPL further supplements the existing data protection regime previously established by the Cybersecurity Law. Instead of relying only on "notification and consent" as established in the Cybersecurity Law, the PIPL expands the legal bases for processing personal information by adding the following bases: where it is necessary to conclude or perform a contract or carry out human resources management; where it is necessary to perform statutory responsibilities or statutory obligations; where it is necessary to respond to a public health emergency or protecting individual's interest or safety in an emergency; where it is necessary to carry out activities in the public interest; where the relevant personal information that has either been disclosed by the relevant individual or otherwise been legally disclosed, is processed within a reasonable scope according to law; and other circumstances as provided by laws or administrative regulations.

Pursuant to the PIPL, processors shall take necessary measures to ensure the security of the personal information processed. The PIPL provides the rights of data subjects, including right to information, right to object and right to restriction of processing, right of access, right to portability, right to rectification, right to erasure, right to explain processing rules, right for close relatives of a dead person.

The PIPL requires that critical information infrastructure operators, as well as processors who process personal information that reaches a certain threshold, must store personal information within the territory of China. Where cross-border transfer of personal information is indeed necessary, such transfer must pass a security assessment organized by the CAC. Other personal information processors may conduct cross-border transfer of personal information upon satisfying one of the following requirements: (i) passing the security assessment by the CAC; (ii) obtaining certification of data security by a professional body recognized by the CAC; (iii) entering into an agreement with the overseas recipient with provisions governing the rights and obligations of the parties based on a template contract to be released by the CAC; or (iv) other requirements as provided by relevant laws and regulations.

Processors shall also conduct personal information protection impact assessment in advance when processing sensitive personal information, using personal information to conduct automated decision-making, entrusting personal information processing, providing personal information to other personal information processors, or disclosing personal information, providing personal information abroad, and conducting other personal information handling activities with a major influence on individuals.

The Draft Data Security Regulations also regulates other specific requirements in respect of the data processing activities conducted by data processors through the internet in view of personal data protection, important data safety, cross-border data safety management and obligations of internet platform operators. Pursuant to the Draft Data Security Regulations, data processors processing personal information of more than one million people shall also comply with the provisions for processing of important data, and specific requirements for the processing of important data shall be complied with. For example, processors of important data shall specify the responsible person of data safety, establish a data safety management department and make filing to the cyberspace administration at the districted city level within 15 business days after the identification of their important data.

Data processors dealing with important data or offshore listing (including Hong Kong) should carry out an annual data security assessment by themselves or by entrusting data security service agencies, and each year before January 31, data security assessment report for the previous year shall be submitted to the districted city level cyberspace administration department. When data collected and generated within the PRC are provided by the data processors overseas, if such data includes important data, or if the relevant data processor is a critical information infrastructure operator or processes personal information of more than one million people, the data processor shall go through the security assessment of cross-border data transfer organized by the CAC.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE UNITED STATES

Businesses operating in the United States are subject to a variety of federal, state and local laws and regulations (the "**U.S. Regulations**"). The U.S. Regulations expected to be material to our operations are those relating to, among others, product safety, product liability, data privacy and customs and imports procedures as described below.

Product Safety

The law of product safety is primarily under the jurisdiction of the U.S. Consumer Product Safety Commission (the "**CPSC**"), an administrative agency of the United States federal government that regulates certain classes of products sold to the public. The CPSC was established pursuant to the 1972 Consumer Product Safety Act (as amended, the "**CPSA**"). The CPSA is the umbrella statute at the federal level with respect to product safety for consumer products.

The CPSA was amended by the U.S. Consumer Product Safety Improvement Act of 2008 (the "**CPSIA**") in 2008. The implementation of CPSIA was a significant overhaul of consumer product safety laws in the United States and was designed to enhance federal and state efforts to improve the safety of all products imported into and distributed in the United States. Products imported into the United States which fail to comply with CPSIA's requirements are subject to confiscation and the importer and/or distributor in the United States is subject to civil penalties and fines, as well as possible criminal prosecution.

Under the CPSIA, a "general conformity certification" is required for any consumer product imported into the United States that is subject to a consumer product safety rule, standard, regulation, or ban pursuant to the CPSA or issued by the CPSC. The requirement applies to all subcontractors and importers of goods. Those parties must certify that their products comply with all applicable consumer product safety rules and laws such as the CPSA, the Flammable Fabrics Act, the Federal Hazardous Substance Act, and the Poison Prevention Act. The CPSA specifies that certification must be based on a "test of each product or a reasonable testing program." The certificate must accompany the product or shipment of products, and a copy must be furnished to each distributor or retailer and U.S. Customs and Border Protection (the "**CBP**"). The CPSC may also request a copy of the certification.

The CPSA also contains several reporting requirements for subcontractors and sellers of consumer products sold in the U.S. Section 15 of the CPSA requires a manufacturer or a seller to inform the CPSC immediately in the event it obtains information that any of its products: (1) creates a substantial risk of injury to consumers; (2) creates an unreasonable risk of serious injury or death; or (3) fails to comply with an applicable consumer product safety rule or with any other rule, regulation, standard, or ban under the CPSA or any other statute enforced by the CPSC. The CPSC may require the manufacturer or the seller to cease distribution of the product, and notify each person to whom the manufacturer or the seller knows such product was sold of such noncompliance, defects or risk. In certain circumstances, the CPSC may require the manufacturer or the seller to bring the product into conformity with the applicable product safety rules, repair the defect in the product, replace the product with an equivalent product that complies with the applicable product safety rules, issue a product recall and/or refund the purchase price of the product.

Proposition 65

Proposition 65, officially known as the Safe Drinking Water and Toxic Enforcement Act of 1986 (the "**Prop 65**"'), is a California law that requires that California consumers receive warnings regarding the presence of more than 800 chemicals known to cause cancer and/or reproductive toxicity. The law is highly technical, constantly evolving, and actively enforced by the government and private enforcement action. Under Prop 65, any person in the course of doing business must provide a "clear and reasonable warning" before exposing individuals to listed carcinogens and reproductive toxins in their products. Prop 65 provides detailed requirements for the form, content, and placement of the required warning.

The probability that a company will be subject to Prop 65 regulations is high because of how broadly the statute is worded. If a company manufactures, imports, distributes or sells a product that will be sold in California either through brick and mortar or online stores, or if a company has a physical presence of any kind in California (retail, office, warehouse, facility, factory, plant, etc.), then that company must abide by Prop 65 requirements. Recently, the California Office of Environmental Health Hazard Assessment (OEHHA) adopted a significant amendment to the Prop 65 warning requirement allowing companies to provide notice of the potentially toxic product either to the authorized agent for the business to whom they are selling or transferring the product, i.e., the next business in line, or to the authorized agent for the retail seller. Although this amendment appears to minimize the burden on companies, paying careful attention to Prop 65 requirements is encouraged. Auditing Prop 65 compliance well in advance could mean avoiding costly lawsuits, the loss of valuable business opportunities or relationships, large monetary penalties, serious financial or reputational damage, or even product recalls.

Product Liability Law

U.S. state law generally imposes liability on all subcontractors and retailers (and parties in the supply chain) for injuries that result from unsafe, defective and dangerous products sold to consumers. Product liability claims in the United States are typically based on three theories of law: (1) strict liability, (2) negligence and (3) breach of warranty. In addition, as noted above, U.S. laws and regulations can also obligate subcontractors and retailers (and parties in the supply chain) to remedy product defects, which can include safety recall campaigns.

Parties involved in manufacturing, distributing or selling a product may be subject to liability for harm caused by a defect in that product. There are three types of product defects, namely, design defects, manufacturing defects and defects in marketing. In a negligence claim, a defendant may be held liable for personal injury or property damage caused by the failure to use due care. Strict liability claims, however, do not depend on the defendant's level of care. Instead, a defendant is liable when it is shown that an injury (personal or to property) occurred as the result of a product's defect. Breach of warranty is also a form of strict liability in the sense that a showing of fault is not required. The plaintiff need only establish the warranty was breached, regardless of how that came about. Companies that manufacture, distribute or sell a product in a particular state may be subject to the jurisdiction of such state's product liability laws, whether the company's jurisdiction of incorporation or principal place of business is in that state, in another U.S. state or in a non-U.S. jurisdiction.

Product liability legal actions and recall campaigns in the United States could involve personal injury and property damage and could involve claims for substantial monetary damages. The results of any future litigation and claims involving product liability in the United States are inherently unpredictable. Based on our past experience, we do not anticipate that, in the aggregate, the outcome of any such litigation and claims involving us will have a material effect on our consolidated financial position or liquidity; however, such outcome could be material to our results of operations in particular period in which costs, if any are recognized by us.

Data Privacy

We are subject to a variety of laws and regulations in the United States that involve privacy, data protection and personal information, data security, and data retention and deletion. In particular, we are subject to federal, state, and foreign laws regarding privacy and protection of people's data. U.S. federal and state laws and regulations, which in some cases can be enforced by private parties in addition to government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from state to state and country to country and inconsistently with our current policies and practices.

Import Tariffs and Customs Regulations

United States customs regulations (the "**Customs Regulations**"), administered by CBP apply to any products entering the United States. Those regulations cover, among other areas, valuation of goods, classification, recordkeeping requirements, entry formalities, and laws related to duties and tariffs. The United States imposes tariffs on certain goods imported from various countries. Tariff rates are generally set forth in the Harmonized Tariff Schedules of the United States (the "**HTSUS**"). Note that embargoes, antidumping duties, countervailing duties, and other specific matters administered by the United States executive branch are not contained in the HTSUS and that various regulations or administrative actions could result in modification of these duties. Section 201 of the Trade Act of 1974, 19 USC §2101 et. seq. (the "**Trade Act**") permits the President of the United States to grant temporary import relief by raising import duties or imposing non-tariff barriers (e.g., quotas) on goods entering the United States that injure or threaten to injure domestic industries producing similar goods. Section 301 of the Trade Act authorizes the President of the United States to take all appropriate action, including retaliation, to obtain the removal of any act, policy, or practice of a foreign government that violates an international trade agreement or is unjustified, unreasonable, or discriminatory, and that burdens or restricts U.S. commerce. The law does not require that the U.S. government wait until it receives authorization from the World Trade Organization to take such enforcement actions.

Currently, U.S. and China trade policy has given rise to the imposition of significant additional tariffs on products imported into the United States from China, and vice versa, under Sections 201 and 301 of the Trade Act. To date, four lists of products imported from China, identified by HTSUS codes, have been issued with various tariff impositions. Most recently, on September 1, 2019, the U.S. government imposed additional tariffs on specific products on List 4 (the "**Product List**") to be imported from China to the U.S. (the "**Additional Tariffs**"). Certain Additional Tariffs that were intended to go into effect in December 2019 were reduced in half.

Depending on the latest development of the trade negotiations between the U.S. and China, the level and number of products subject to additional tariffs may change over time.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN GERMANY

Product Compliance

As a general rule it can be stated that each product, which is put into the German market must be designed, manufactured and being provided with appropriate user information (manuals, warning messages as well as safety signs and labels) in a way that any hazardous situation in course of the product use will be avoided. This rule is reflected by rules and regulations within the Law on Product Safety and the Product Liability Law in Germany. Furthermore, a product may be subject to further legal requirements imposing formal requirements on the economic operators (manufacturers, importer and distributors) such as a specific certification or documentation of the product quality. Before entering the German market a proper product compliance organization must be managed to ensure the fulfilment of the aforementioned requirements. In detail the legal framework on which the product compliance shall apply consists for the scope of products in question of:

Law on Product Safety

The Law on Product Safety of Germany consists of a framework of general rules such as the Law on Product Safety ("Produktsicherheitsgesetz – ProdSG"), as well as the 14 German product safety regulations, depending on the specific nature of the product ("*Produktsicherheitsverordnungen*"), the Law on Market Surveillance ("Marktüberwachungsgesetz – MüG") as well as European Regulation on Market Surveillance EU 2019/2020, specific regulations dealing with specific products mainly based on EU law and general rules applicable to any kind of products. Products that do not comply with the Law on Product Safety cannot be distributed in Germany nor the EU. These rules and regulations do apply automatically when the product enters the German market. All these rules and regulations are compulsory and cannot be excluded nor modified by a contractual agreement.

The market surveillance authorities are entitled and obliged to take appropriate measures to enforce the Law on Product Safety, when they have reason to suspect that a product does not comply with the requirements stipulated therein. Such measures include, but are not limited to issuing a warning with regard to the use of the products, prohibiting the trade of the products, ordering that such products be withdrawn or recalled, and/or seizing of non-compliant products, as well as destroying or having them destroyed or otherwise rendered unusable. In practise such measures could have an immense impact on distributing the products. The measures can be imposed by the market surveillance authorities on any economic operators having a business seat in Germany and being part of the supply chain to the end consumer (also internet service provider are deemed as economic operators). Furthermore, non-compliance with product safety regulations is subject to fines and the forfeiture of profits earned by the relevant products.

For the products in question, the following rules and regulations have to be observed:

- Textile products are subject to the "**European Regulation (EU) 1007/2011 on textile fibre names and related labelling and marking of the fibre composition of textile products**." This regulation contains the general requirement to label textile products composed of textile fibres and to mark or accompany the same with specific "commercial documents." For Germany the content of this regulation has been transferred to a specific Law – the Law on Execution of the Regulation (EU) No. 1007/2011.

- Textile products may be made of material which is treated with chemicals or substances. Those may be absorbed by such material as for example leather absorbing Chrome VI as substance used in course of tanning the leather. Consequently the restrictions applicable to hazardous substance apply to textile products – the Regulation (EC) 1907/2006 of European Parliament and of the Council of December 18, 2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (**REACH**) has to be observed. REACH addresses in the first instance manufactures and importers of substances and mixtures as such but states as well a general rule, saying that restricted substances or mixtures contained within an article must not be placed on the market. Consequently those restrictions defined in REACH must be monitored as well by manufacturers and distributors of textiles. Currently so called nanomaterials which can be used in textile materials to improve the characteristics such as water resistance are a big issue. Some of these are substances under observation and could be restricted in use in the nearest future. In addition to a large number of adaptations and additions to the existing legal framework, the current year 2022 is dominated by the upcoming amendment of the Regulation. In particular, the so-called authorisation candidate list was extended by four entries. The list now comprises 223 entries, which must be taken into account directly both for communication in the supply chain according to Art. 33 REACH and for notifications in the SCIP database. For the newly included substances, there is initially a transitional period of six months. However, the most far-reaching changes will certainly be associated with the revision of the REACH Regulation. The goal is still to have a Commission draft for the implementation of the adjustments by the end of 2022. In the course of the year, there will be a multitude of opportunities and necessities for the participation of industry representatives. The main objectives of an adaptation of the REACH Regulation follow the "Chemicals Strategy for Sustainability," Consequently, the focus will be on measures for the targeted implementation of requirements for so-called "safe and sustainable by design chemicals," the introduction of "non-toxic material cycles" and the establishment of an "essential use concept." In addition, the most hazardous substances as well as endocrine disruptors will be considered, as will assessment criteria for mixtures. As a cross-cutting issue, the "one substance, one assessment" approach will receive special attention for a series of product law requirements. It should also be noted that the chemicals strategy also envisages a "zero tolerance" policy for violations of existing requirements. To this end, enforcement measures are to be strengthened, both at the external borders of the EU and at the level of the individual Member States.

- Textile products for which a specific functionality applies such as for Personal Protective Equipment such as working garment could be object of the Regulation (EU) 2016/425 of the European Parliament and of the Council of March 9, 2016 on personal protective equipment (**PPR**). The PPR applies to a wide range of personal protective equipment, which provides protection amongst others against superficial mechanical injury, contact with hot surfaces or damage to the eyes due to exposure of sunlight. PPR products need a CE-marking which is based on a CE conformity assessment conducted by the manufacturer and in some cases approved by a notified body.

- If the textile products are intended to be used by children, these products could be deemed as Toys in the meaning of Directive 2009/48/EC of the European Parliament and of the Council of June 18, 2009 on the safety of toys (**TD**). A toy in the meaning of the TD is a product for the purpose of playing even if the playing is only part of the intended use such as it would be the case for clothing in the shape of a dragon which can be used as a child costume as well. The application of the TD would result in a compulsory CE-marking which is based on a CE conformity assessment conducted by the manufacturer and in some cases approved by a notified body.

- Further it should be noted that textile products can be labelled by the **EU Ecolabel** under specific conditions which are defined in the Commission Decision of June 5, 2014 establishing the ecological criteria for the award of the EU Ecolabel for textile products. The manufacturer has to apply for such a label; any unauthorised use of such label would be seen as an act of unfair competition and competitors as well as consumer associations can claim to refrain from any promotion of such falsely marked products.

- Furthermore, Regulation (EC) 528/2012 concerning the making available on the market and use of biocidal products of May 22, 2012, restrict the use of certain biocidal products in articles imported in the EU such as antibacterial, anti-mould and anti-odor products.

In addition, Directive (EU) 2001/95 on general product safety (being under revision and being replaced in short time by the Regulation on General Product Safety) is to be observed, to which a German law equivalent, the German Product Safety Law (*Produktsicherheitsgesetz* "*ProdSG*"), corresponds. The rules of market surveillance (European Regulation (EU) 2019/1020 as well as the MüG) have founded a legal framework to further develop and strengthen the market surveillance authorities. In particular legal rules have been established to increase the efficiency of market surveillance at the EU borders as well as within the Online market. The EU Product Safety Regulation is thus intended to establish basic safety requirements for consumer products and obligations for economic operators. A particular concern of the proposal is the stronger coverage of online trade; in this respect, a synchronisation with the so-called EU Market Surveillance Regulation is to be achieved. Even though the laws in question have now been in force for almost six months, it can be assumed that it will only be possible to make reliable forecasts on the interpretation of individual provisions sometime in the further course of 2022. This applies, for example, to the practically important question of the admissibility of digital instructions or the market monitoring of online trade with new obligations of economic actors that have been brought forward in time.

Briefly summarized, those aforementioned regulations, amongst others, provide for requirements regarding product properties (such as restrictions on substances), product labelling (such as the product itself as well as the manufacturer/importer identification domiciled in the European Economic Area, applicable markings and moreover proper instruction and information to users (e.g. such as warnings)).

Product Liability Law

In Germany, either the seller or the producer, or both jointly, can be held liable if the product is defective. The harmed person may assert claims arising from product liability, producer liability, and warranty for defects. The rules for liability are to be found in the German Product Liability Law ("*Produkthaftungsgesetz – ProdHaftG*") and the German Civil Code ("*Bürgerliches Gesetzbuch, – BGB*") as well as in special laws.

Pursuant to the BGB, if a product does not meet the quality or the quantity which has been agreed and may be expected or if the product does not fit the conventional or agreed application scenario, the seller in principle must either supply the customer with a defect-free product or repair the defective product. For this purpose, the buyer must set the seller a so-called grace period. A prerequisite in general is that the defect had already existed at the time of handover to the buyer. However, if the buyer is a consumer, it is presumed within the first year that the defect already existed at the time of handover. The seller can challenge this presumption by taking appropriate measures. Moreover, no time limit has to be set. Hence, it is sufficient if the buyer informs the seller about the defect and a certain period of time passes without the seller remedying the situation. Unless otherwise agreed by contract, the warranty rights shall expire after two years in general, beginning with the dispatch of the goods. However, exceptions apply again to consumers. For example, the period is extended by four months in the case of a defect that has become apparent within the regular warranty period. In case the seller repairs the goods due to a defect, the period is extended by two months. In some circumstances, recourse may be taken against the producer provided recourse from seller to producer is admissible which is also regulated by the so-called entrepreneur's recourse according to paragraph 445a BGB (*Rückgriff des Verkäufers*). In addition, in the event that a guarantee is granted, the guarantee statement must now be drafted in a simple and comprehensible manner and made available to the buyer on a durable medium, e.g. in paper form or by e-mail, or pdf file, at the latest by the time of delivery of the purchased item. In the future, a guarantee which traders or manufacturers may grant to the buyer must have certain mandatory contents (i.e. indication that recourse to the statutory rights in respect of defects is free of charge and that these rights are not limited by the guarantee, the name and address of the guarantor, procedure for claiming under the guarantee, i.e. the trader must describe how the consumer obtains his guarantee benefit exact designation of the object of purchase for which the guarantee is granted, the duration and territorial scope of the guarantee.).

(a) Liability Law

In the event a product has caused damage to persons or items (other than the defective product), the producer is strictly liable pursuant to the German Product Liability Law ("*Produkthaftungsgesetz – ProdHaftG*"). Such a damage may also be caused through textile products. Liability under the ProdHaftG can neither be restricted nor excluded in advance. In principle, the individual who suffered damage must (only) prove the fault, the damage, and the causal link between fault and damage, as liability under the ProdHaftG is a so-called strict liability ("*verschuldensunabhängige Haftung*"). The maximum liability for damages relating to a human being as a consequence of a defective product is EUR 85 million.

The ProdHaftG applies, if the harmed party has its habitual residence in Germany and the defective product was placed on the German market or if the defective product was bought in Germany and was placed on the German market or if the harm arose in Germany and the defective product was placed on the German market. It is sufficient that the producer could reasonably foresee that a product might be placed on the German market by another market participant, e.g. one of its customers, to be liable under the ProdHaftG. Thus, it is not necessary that the defective product was imported to Germany by the producer. Comparable regulations also apply in the other Member States of the EU.

(b) Under Tort Law

Additionally, producers as well as under certain circumstances sellers, can also be held liable pursuant to tort law under the BGB if the product is defective. In this respect, the manufacturer has the obligation to properly design and produce a product, to instruct on its use and to monitor it (see also below). Any negligent or intentional breach of the producer's obligations causing damage to property, life, body, health or freedom of a third party or any violation of a protective law causing such damage (cf. paragraph 823 subpara. 2 BGB) may result in a liability towards the harmed party. In addition to the damage to one of the aforementioned legal interests, fault on the part of the damaging party ("*Verschulden*") is also a precondition for an obligation to compensate for damages. The liability under German tort law is in principle unlimited and there is a liability for all damages caused by the defective product.

According to case law, the producer is also obliged to observe the market (*Pflicht zur Produktbeobachtung*). This constitutes a producer's duty of investigation and reaction since product safety and compliance first and foremost lies in the producer's responsibility.

Laws and Regulations about E-Commerce/Data Privacy

In Germany, there are various legal regulations in the area of e-commerce and data protection, to which a company selling goods within the German market from outside of Germany must adhere.

Data protection is fundamentally regulated in the provisions of the EU General Data Protection Regulation (EU) 2016/679 (**GDPR**) and the German Federal Data Protection Act. In addition, the Telecommunication and Telemedia Data Protection Act (TTDSG) does apply and deal with the data protection for the Online Business. According to the so-called market place principle in Article 3 (2) of the GDPR, the GDPR also applies to foreign companies for the processing of personal data of persons located in the EU, insofar as the processing is related to the offer of goods and services or the observation of the data subjects. The relevant connecting factor is the targeting of certain sales and advertising measures to persons located in the EU. The GDPR generally addresses the controller of the data processing regarding the obligations and duties in relation to the processed data, as the data controller is the main legally responsible entity in the context of the GDPR. In the case of an e-commerce platform where a platform operator offers on his platform to sellers and providers of goods and services the possibility to sell, platform operator and sellers usually are either independent controllers (each responsible for their own processing of data) or so-called joint controllers (together responsible for the data processing). Either way – joint or independent controller – the controller must in particular adhere to the GDPR principles for data processing and must ensure the existence of adequate legal bases for data processing as well as the availability of transparent information on the data processing from the customer's/user's point of view. Additional obligations and data protection relationships may exist depending on the individual case, for example data processing agreements may exist with payment service providers involved on behalf and according to the data processing directions by any one controller.

With regard to the applicable e-commerce law, several regulations are relevant in Germany. In particular, the German Telemedia Act (**TMG**), the Telecommunication Act (**TKG**), the Unfair Competition Act (**UWG**) and the provisions of the German Civil Code (**BGB**) which concern digital or electronic means of contracting are of importance.

Among other things, the TMG contains regulations on the obligation to provide an imprint containing mandatory business information, such as address and further information obligations. The obligation to maintain an imprint also applies to foreign companies, insofar as the obligations can be fulfilled under foreign law.

The UWG contains certain rules, which particularly apply to electronic means of communication and doing business. Section 7 of the UWG, for example, contains provisions on e-mail advertising and newsletters through a website.

The TTDSG foresees regulation for the use of cookies and similar technologies. Such may only be placed on the end device of a user, if the user has issued its prior consent.

The UWG as well as TMG apply to foreign companies under the requirements of the so-called "success location rule," meaning they apply if the action by a non-German entity which constitutes an unfair competition practice under UWG or a violation of the TMG takes effect in Germany, then the non-German entity and its action is judged according to the aforementioned German rules.

For individual legal transactions with consumers initiated in a digital context, the BGB sets forth several consumer respectively user protection measures such as clear information on the seller, the order content (including for example shipping costs) and the order process (such as clear description of the button initiating the binding order. Furthermore, the seller must provide the consumer with a copy of the contract document giving the identity of the contracting parties or a confirmation of the contract reflecting the content of the contract. If the consumer agrees, another durable medium may be used for the copy or the contract confirmation. For details of the information obligations, cf. § 312d, § 312e, § 312f, § 312i, § 312j, § 312l BGB in conjunction with Art. 246a, b, c, d Introductory Code to the BGB ("*Einführungsgesetzt zum Bürgerlichen Gesetzbuch*"). The consumer must also be informed of its right of withdrawal and the cost of returning the goods. The extensive information obligations for online shop operators have also been further strengthened. Now, operators of online marketplaces must disclose the criteria for product rankings, for example in search results. If the price of products is determined by an algorithm on a customer-specific basis ("*personalised pricing*"), this must also be disclosed. Finally, the legislator has also taken care of the cancellation policy ("*Widerrufsbelehrung*") for distance contracts. In the future, it will be obligatory to provide a telephone number as well as an e-mail address for distance contracts, a fax number no longer has to be provided. However, the cancellation policy must also mention communication channels that the company otherwise provides, such as WhatsApp support. In addition, the Price Indication Ordinance ("*Preisangabenverordnung*") has been reformed. Besides to a fundamental restructuring, material changes are intended to increase the transparency of price quotations for customers. In future, the basic price must be indicated in the unit of quantity and must appear in an unambiguous, clearly recognisable and legible manner. In order to facilitate the classification of price reductions, the "previous price" must be indicated in future whenever a price reduction is announced. The previous price is the lowest price applied by the trader within the last 30 days before the price reduction.

The sections of the BGB apply to foreign companies for contracts with consumers who have their habitual residence in Germany, if the offer of the platform or web shop is directed at customers in Germany. The platform operator can limit this by clearly identifying to which customers in which countries he addresses his platform respectively the web shops therein.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN FRANCE

There are no direct sales operated in France, through the website so that such website should not be concerned by the following developments. Nevertheless, sales, operated through third-party platforms (mostly Wish and Amazon, and through eBay) on the French market, need to comply with French laws and regulations even if through an intermediary.

Consumer protection laws

The French applicable legal provisions largely result from European laws, imposing notably to inform the consumers, and ensuring a high level of protection of the consumers against unfair practices.

Information that must be communicated to consumers

The consumer must be provided with the mandatory pre-contractual information on the good before conclusion of the contract (Article L.111-1 of the French Consumer Code), including notably the **essential characteristics of the good** (its substantial qualities, composition, origin, quantity, method and date of manufacture, the conditions of use, its fitness for purpose, its properties, etc.), the **price of the good** (cf. further developments below), its **delivery date**, and the information pertaining to the **identification of the vendor** (its name or corporate name, geographical address of its place of business and, if different, that of its registered office, telephone and electronic contact details). This communication of information is mandatory, and non-compliance with these rules may lead to an administrative fine up to €15,000 (Article L. 131-1 of the French Consumer Code).

The consumer must also be informed of its right of withdrawal and the cost of returning the goods. Failing to provide the consumer with this information is punished by an administrative fine of €75,000 (Article L.242-10 of the French Consumer Code).

Consumers must also be informed on the applicable legal guarantees (cf. further developments below).

As a reminder, the burden of proof of the communication of all the information mentioned is borne by the seller.

Price discount announcement

The regulation applicable concerning price discount announcement is the result of the transposition in French national law of the EU Directive 2019/2161 of November 27, 2019 as regards the better enforcement and modernization of Union consumer protection rules.

As of May 28, 2022, any announcement of a price discount shall indicate the previous price charged by the seller before the price reduction is applied.

It is specified that this previous price corresponds to the lowest price charged by the seller to all consumers during the last thirty days preceding the application of the price reduction (article L. 112-1-1 of the French Consumer Code).

In the event of successive price discounts during a given period, the previous price shall be that applied prior to the application of the first price discount.

Any failure to comply with these obligations is subject to two years imprisonment and a €300,000 fine, this amount may be increased, in proportion to the benefits derived from the offence, to 10% of the average annual turnover or 50% of the expenses incurred in carrying out the advertising or practice constituting this offence (article L. 132-2 of the French Consumer Code).

Unfair commercial practices

French consumer law is the result of the transposition into French national law of the European Directive 2005/29/EC of May 11, 2005 concerning unfair business-to-consumer commercial practices. French law prohibits, as in other EU Member State, any **unfair commercial practice**, which materially distorts or is likely to materially distort the economic behaviour of the consumer with regard to the product. In particular, misleading practices are considered as being unfair if they contain false information or in any way, including overall presentation, deceives or is likely to deceive the average consumer, on the nature of the product, its main characteristics, its composition, method and date of manufacture, geographical or commercial origin, etc.

As of May 28, 2022, failure to provide consumers with the following information may constitute a misleading trading practice when it substantially alters or is likely to alter the economic behavior of the consumer:

- information on the professional or non-professional status of the seller who offers products on an online marketplace, as declared to the operator of this marketplace (article L. 121-3, 6°, subparagraph 1 of the French Consumer Code),

- where applicable, information on whether and how the seller ensures that the comments published on products come from consumers who have actually used or purchased the said products (article L. 121-3, last subparagraph of the French Consumer Code).

As of May 28, 2022, the following practices constitute misleading trading practices in all circumstances:

- claiming that comments on products are posted by consumers who have actually used or purchased the said products without having taken the necessary steps to verify it (article L. 121-4, 27° of the French Consumer Code),

- posting or causing another person or entity to post false consumer comments or recommendations or altering consumer comments or recommendations to promote products (article L. 121-4, 28° of the French Consumer Code).

Any failure to comply with these obligations is subject to 2-years imprisonment and a €300,000 fine, this amount may be increased, in proportion to the benefits derived from the offence, to 10% of the average annual turnover, calculated on the basis of the last three annual turnovers known on the date of the offence, or to 50% of the expenses incurred in carrying out the advertising or practice constituting this offence (article L. 132-2 of the French Consumer Code). The company failing to comply with these obligations may also be ordered to make a publication of all or part of the decision, to issue a statement, or to publish corrective announcements at its expenses (article L. 132-4 of the French Consumer Code).

It is therefore necessary to ensure that no confusion with another good or service, trademark or trade name may be possible, and to be careful to truly inform consumers on the essential characteristics of the products and to ensure that the online comments on products are posted by real consumers who have actually used or purchased the said products.

Guarantees due to the consumers

There are different types of guarantees that sellers owe to consumers, who are strongly protected.

The consumer benefits from two minimum mandatory guarantees from the professional seller, which cannot be excluded or limited: the legal guarantee of conformity of the goods with the contract and in any case the legal guarantee of hidden defects.

Concerning the legal guarantee of conformity, it is owed by the professional seller who must, in particular, provide goods that conform to the use usually expected of similar goods or that the goods correspond to the seller's description and possess the qualities presented in samples or models, or that the goods have the qualities that a consumer may legitimately expect following the public statements of the seller, producer or representative (advertising, labelling, etc.). If this is not the case, the consumer has two years to make a complaint to the seller. (Articles L.217- 7 to L.217-14 of the French Consumer Code).

In case of lack of conformity, the seller must offer the consumer a replacement or repair. The consumer may have the contract rescinded or the price of the goods reduced if the defect is significant and the time taken to replace or repair the goods exceeds one month from the date of the request; or if no other means of remedying the defect is possible. The consumer does not have to bear the costs of replacement, repair, rescission or reduction of the contract.

In addition, the legal guarantee against hidden defects, which is not specific to consumers, benefits to any buyer (Articles 1641 to 1649 of the French Civil Code). The seller is bound by the guarantee for hidden defects in the item sold when these defects make it unfit for the intended use or make it almost impossible to use, and the buyer would not have bought it or would have bought it at a lower price if he had known about these defects. The legal guarantee covers all costs incurred by hidden defects. The buyer has 2 years from the discovery of the defect to act and must then choose between returning the item and having the price returned; or keeping the item and having part of the price returned (Article 1648 of the French Civil Code).

Product compliance and product liability

Product compliance

As a general rule, according to product-related EU and French law, every product must be designed, manufactured and usable in a way that it does not pose unacceptable risks to its user.

In addition, electrical and electronic products and equipment sold in the EU and in France must comply with definite technical specifications, specific environmental standards, waste management requirements, eco-design and energy labelling requirements for energy-using products and compatibility requirements in order to avoid inadequate interference with other products (e.g. in terms of electromagnetic compatibility and radio waves). In particular, the following product-related regulations may be relevant to our products: Directive 2014/35/EU (Low Voltage Directive), Directive 2014/30/EU (EMC-Directive), Directive 2014/53/EU (Radio Equipment Directive), Directive 2011/65/EU (RoHS Directive), Directive 2012/19/EU (WEEE-Directive), regulations for batteries and accumulators (e.g. Directive 2006/66/EC), Directive 2009/125/EC (Ecodesign Directive), Regulation (EU) 2017/1369 (Energy Labelling Regulation), Directive 2001/95/EC (General Product Safety Directive), Directive 2009/48/EC (Toy Safety Directive), Directive 94/62/EC (Packaging and Packaging Waste), Regulation (EU) No 1007/2011 (Textiles products, Fibre names and related labelling and marking), each as amended, and their French law equivalents including the relevant sections of the Consumer Code and Environmental Code, and other national supplementary regulations or legal provisions, in particular those transposing, implementing and shaping the legal requirements of the European Union. In addition, since 2021, Regulation (EU) 2019/1020 (Market Surveillance Regulation) introduced new provisions that supplement, further develop and strengthen the existing market surveillance concept and the official tasks and competences of market surveillance authorities.

In addition to the above regulations, the general EU legislation of chemical substances (Regulation (EC) No. 1907/2006, REACH) provides for the general obligation to register chemical substances imported or manufactured in the EU on their own, in preparations or in articles. It also provides restrictions or prior authorisations for the presence above certain concentration levels, or the use, of certain substances of very high concern in articles. On June 10, 2022, the European Chemicals Agency updated the list of candidate substances of very high concern for authorisation on its website, which now includes 224 entries. The REACH Regulation which is applicable without the need for transposition into the domestic laws of the EU Member States, will be subject to a revision proposal by the EU Commission by the end of 2022.

The REACH Regulation works in combination with Regulation (EC) No 1272/2008 on classification, labelling and packaging of substances and mixtures.

Furthermore, Regulation (EC) No. 528/2012 on biocidal products and its French law implementation measures restrict the use of certain biocidal products in articles imported in the EU such as antibacterial, anti-mould and anti-odour products.

Lastly, to the extent they may be qualified as such, products placed on the French market must comply with Regulation (EC) No 1223/2009 (Cosmetic Products) and/or Regulation (EC) No 648/2004 (Detergents), Regulation (EU) 2017/745 (Medical Devices), Regulation (EC) No 1935/2004 (Food-contact materials) and their implementing regulations.

Briefly summarized those aforementioned regulations, amongst others, provide for requirements regarding (i) product properties (e.g. bans or restrictions on substances used to treat, contained in, or released by articles, requirements regarding product construction and design, conformity with technical standards, radio or electromagnetic frequencies or other material product qualities), (ii) product labelling (e.g. regarding product and manufacturer/importer identification domiciled in the European Economic Area, applicable markings, e.g. CE-marking and energy efficiency labelling), (iii) registration and notification obligations (e.g. the obligation to register electronic equipment or batteries/accumulators in public registers and participate in a recycling system), (iv) selective collection and take-back obligations at end of product's life (e.g. taking back electronic equipment or batteries/accumulators), (v) procedural obligations, such as drawing up specific documentation (e.g. technical obligation comprising testing reports, expert opinions and design drawings, declaration of conformity), and (vi) proper instruction and information to users (e.g. user manual, warnings affixed to the product).

Generally, product-related EU and domestic laws are applicable when a product is placed, made available on or imported into the French or European market. In principle, the legally responsible person is the manufacturer, importer, distributor or – as expressly provided for in the Market Surveillance Regulation applicable since 2021 – "fulfilment service provider," i.e. any natural or legal person offering, in the course of commercial activity, at least two of the services including warehousing, packaging, addressing and dispatching. A product is placed or made available when it is supplied on the French or European market for distribution, consumption or use without the need for a transfer of ownership or possession, or payment, as it is sufficient for the product to be made available or offered (including online distribution) in a way that merely requires acceptance by another person.

Products that do not comply with the aforementioned product compliance requirements cannot be marketed lawfully in France. The enforcement authorities, including customs, are entitled to take appropriate preventive measures when they have reason to suspect that a product does not fulfil these requirements. Such measures include, but are not limited to: (i) prohibiting the exhibition of such product; (ii) ordering that such products be withdrawn or recalled; (iii) seizing such products, destroying or having them destroyed or otherwise rendered unusable and (iv) signalling and informing the network of enforcement authorities of all EU Member States while publicising this information. Furthermore, non-compliance with product safety regulations is subject to fines (of up to EUR 100,000 per violation). Under certain conditions, non-compliance may also constitute a criminal offense and lead to imprisonment for up to one year. Particularly in the case of damage to life and limb, considerably higher penalties may be imposed.

Product liability

In case of defective product (i.e. not offering the safety that can legitimately be expected), the producer/importer is liable even if he has not committed any fault in marketing the product. The person who affixes his trademark is assimilated to the producer (Article 1245-3 of the French Civil Code). The victim has 3 years from the date of knowledge of the defect up to a maximum of 10 years from the date the product was put into circulation to bring an action (Article 1245-15 and 1245-16 of the French Civil Code). The victim may claim damages as compensation for the damage caused by the defect (Article 1245 of the French Civil Code) regardless of the existence of a contract between the producer and the victim.

"Unique ID (UID) registration" ("Identifiant Unique")

As of January 1, 2022, producers subject to the principle of extended producer responsibility (including apparel and footwear products, packaging and graphic paper) register with the administrative authority (ADEME), which issues them a "unique ID" (article L. 541-10-13 of the French Environment Code).

In French regulations, it results that any producer of waste-generating products or of the elements and materials used in their manufacture may thus be required "*to provide or contribute to the prevention and management of the waste that comes from them, as well as to adopt an eco-design approach to products, to promote the extension of the life of the said products by ensuring that all the professional and private repairers concerned have the means necessary for efficient maintenance, to support reuse and repair networks such as those managed by social economy structures or those promoting integration through employment, to contribute to development aid projects for the collection and treatment of their waste and to develop the recycling of waste from products*" (Article L. 541-10 of the French Environment Code).

Therefore, the Unique ID constitutes a proof that a producer fulfills its obligations under the extended producer responsibility.

A producer whether established in France, in another European Union Member State or in another country, may appoint a natural or legal person established in France as an agent to ensure compliance with its obligations relating to the extended producer responsibility scheme. This person is subrogated in all the extended responsibility obligations of the producer whose mandate he accepts (article R. 541-174 of the French Environment Code).

For each sector concerned, the producer shall indicate the unique ID in the document relating to the general terms and conditions of sale or, when it does not have one, in any other contractual document communicated to the buyer.

Any failure to comply with this obligation is subject to an administrative fine of up to €30,000 euros (article L. 541-9-5 of the French Environment Code).

Intellectual Property

In France, the Intellectual Property Code (*Code de la Propriété Intellectuelle – CPI*) grants protection for different types of intellectual property rights such as trademarks, patents and utility certificates, and designs.

Under CPI a patent grants its owner the right to hinder a third party from making, using, selling, offering for sale, or possessing products or processes using the patented technical invention throughout France or importing the invention into France. France has a "first to file" system which means that the right to a patent for a given technical invention lies with the person who first filed the patent application (regardless of the date the actual invention was made). Another category of intellectual property rights similar to patents are utility certificates, this IP right has a shorter protection than the patent (10 years instead of 20) and does not require prior art searches during the application proceedings.

CPI and, on an EU level Regulation (EU) 2017/1001 (EU Trademark Regulation), protects trademarks, which may, inter alia, be or consist of words, a logo, sounds, a shape of goods or of their packaging as well as other wrapping, and/or colours and colour combinations. The main purpose of a trademark is to identify products and services and to distinguish them from products and services of other companies and/or competitors.

CPI protects by means of a design the appearance of a whole or a part of a product resulting from the features of, inter alia, the lines, contours, colours or shape of the product or its ornamentation. On an EU level, Regulation (EC) No 6/2002 (Community Designs Regulation) confers a similar protection in the whole EU territory.

Trademark and design rights grant its holder certain exclusive rights with regard to their use on the French and EU market.

Domain names can be booked in France (.fr) on a "first come first served" basis, under the condition that the applicant proves legitimate interest. In order to constitute prior right the domain name has to be in used for a similar activity.

If intellectual property rights are infringed by third parties, the owner can claim, in particular, injunctive relief, disclosure and compensation for damages. Claims can be brought on the basis of counterfeiting and also unfair competition.

When importing goods and rendering services in France, it is highly recommendable to check that goods do not infringe prior IP rights of third parties.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN HONG KONG

As at the Latest Practicable Date, the Company has three subsidiaries (being Zibuyu HK, Xingzezhi HK and Zijin HK) which are incorporated in Hong Kong and are subject to general regulatory requirements in Hong Kong.

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) (the "BRO")

BRO requires every person carrying on any business shall make application to the Commissioner of Inland Revenue in the prescribed manner for the registration of that business. The Commissioner of Inland Revenue must register each business for which a business registration application is made and as soon as practicable after the prescribed business registration fee and levy are paid and issue a business registration certificate or branch registration certificate for the relevant business or the relevant branch as the case may be.

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "IRO")

IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. IRO provides that corporations carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations is at 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000. IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN JAPAN

Consumer Protection Regulations

The Company's sales operations in Japan are subject to various Japanese consumer protection regulations. This includes the Act against Unjustifiable Premiums and Misleading Representations (Act No. 134 of 1962, as amended) and the Act on Specified Commercial Transactions (Act No.57 of 1976, as amended).

Pursuant to the Act against Unjustifiable Premiums and Misleading Representations, when a seller advertises its products for sale, it is prohibited from making representations regarding the quality, standard or any other feature of such products, or price or any other trade terms, as being much better than that of the actual products or trade terms, or making representations without reasonable grounds.

In addition, pursuant to the Act on Specified Commercial Transactions, a seller must include certain details of a product in its advertisement and application form, when such advertising and application for purchase are done via websites or other media, and where the transaction of the product is conducted via communication devices (postal mail or other information processing devices). These details include selling prices, timing and means of paying, time of delivery, the applicable policy on withdrawal/cancellation of the transaction. A seller is also prohibited from making misleading advertisements, as well as sending advertisements via email without the consent of the recipient.

Act on the Protection of Personal Information

The Act on the Protection of Personal Information (Act No. 57 of 2003, as amended) imposes various requirements on businesses that use databases containing personal information. Under this Act, any holder of personal information must lawfully use such personal information for the purposes specified when the information was obtained. Entities holding personal information are also restricted from providing personal information to third parties, subject to certain narrow exceptions. This Act is also applicable to the operators outside Japan which obtain personal information in relation to the provision of goods or services to persons in Japan.

Trademark Act

The Trademark Act (Act No. 127 of 1959, as amended) aims to protect registered trademarks. A holder of registered trademark right or an exclusive license thereof may demand a person who infringes or is likely to infringe the trademark right or the exclusive license to stop or prevent such infringement.

SANCTIONS LAWS AND REGULATIONS

Hogan Lovells, our International Sanctions Legal Advisors, have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. This summary does not intend to set out the laws and regulations relating to the U.S., the European Union, the United Nations and Australian sanctions in their entirety.

U.S.

Treasury Regulations

OFAC is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. "Primary" U.S. sanctions apply to "U.S. persons" or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and "secondary" U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity's domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies' foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens ("green card" holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to "block" (freeze) any assets/property interests owned, controlled or held for the benefit of a sanctioned country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest – no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) – except pursuant to an authorization or license from OFAC.

OFAC's comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, the Crimea region of Russia/Ukraine and the self-proclaimed Luhansk People's Republic and the self-proclaimed Donetsk People's Republic regions (the comprehensive OFAC sanctions programme against Sudan was terminated on October 12, 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List.

Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

United Nations

The United Nations Security Council (the "**UNSC**") can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

European Union

Under European Union sanction measures, there is no "blanket" ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

United Kingdom and United Kingdom overseas territories

As of January 1, 2021, the United Kingdom is no longer an EU member state. EU law including EU sanctions measures continued to apply to and in the United Kingdom until December 31, 2020. EU sanctions measures had also been extended by the United Kingdom on a regime by regime basis to apply in the United Kingdom overseas territories, including the Cayman Islands. Starting from January 1, 2021, the United Kingdom applies its own sanctions programs and has extended its autonomous sanctions regimes to apply to and in the United Kingdom oversea territories.

Australia

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

OVERVIEW

Our history can be traced back to 2011 when our founder, Mr. Hua, and our co-founder, Mr. Wang, established Zhejiang Zibuyu and engaged in e-commerce business. Our Company was incorporated in the Cayman Islands on August 6, 2018 as an exempted company with limited liability, following which we implemented a series of corporate restructurings and our Company became the holding company of our current business. We are now one of the largest cross-border e-commerce companies in China focusing on the sale of apparel and footwear products through third-party e-commerce platforms.

For details of our business development and corporate restructurings, see "– Our Milestones" and "– Reorganization" below.

OUR MILESTONES

The following table sets forth the business milestones of our Group:

Year	Major Development and Milestones
2011	Zhejiang Zibuyu, a principal subsidiary of our Company, was established in Hangzhou, the PRC.
2012	We opened our Youchu flagship store on Tmall and ranked top ten among women's apparel products sold through Tmall in terms of weekly transaction volume.
2014	We registered our first online store on Amazon and fully transformed our business into cross-border e-commerce business.
2015	We opened online stores on Wish, primarily engaging in the sale of apparel products.
2016	We were awarded the Best Cross-Border E-commerce Brand Award by Hangzhou Municipal People's Government, the Department of Commerce of Zhejiang Province and Zhejiang Daily Press Group for the first time in 2016 and received the same award annually from 2017 to 2021.
2017	Our self-developed information technology systems, including ERP and SCM systems, were built and launched to support substantially all aspects of our operations.
2018	We recorded a GMV of over RMB1 billion from all of our sales channels and we started to engage in the self-operated online stores business through Xingzezhi Subsidiaries.
2019	Our self-operated online stores business grew rapidly and recorded a GMV of over RMB100 million.
2020	We recorded a GMV of over RMB2 billion and ranked first in terms of GMV generated from North America among all platform-based sellers in China's cross-border e-commerce export B2C apparel and footwear market.

OUR CORPORATE DEVELOPMENT

(i) Early Development

Our history can be traced back to 2011 when our founder, Mr. Hua, and our co-founder, Mr. Wang, established Zhejiang Zibuyu and engaged in e-commerce business. Zhejiang Zibuyu is the onshore holding company of our subsidiaries prior to the Reorganization. At the time of its establishment, Zhejiang Zibuyu had a registered capital of RMB300,000 and was held by Mr. Hua and Mr. Wang as to 90% and 10%, respectively. After a series of capital increases and internal shareholding restructuring and on May 10, 2017, Zhejiang Zibuyu had a registered capital of RMB12,813,580 and was held by Ningbo Ruyu, Ningbo Bingfeng, Mr. Hua and Mr. Wang as to approximately 45.37%, 31.22%, 23.18% and 0.23%, respectively. Both Ningbo Ruyu and Ningbo Bingfeng were wholly owned by Mr. Hua and his spouse, Ms. Yu.

(ii) Introduction of Employee Shareholders

We provided incentives to our employees and consultants by offering them an opportunity to acquire a proprietary interest in Zhejiang Zibuyu. Since 2017, three limited partnerships, namely Ningbo Tongmingyun, Ningbo Ruizhou and Ningbo Gongqiju, all of which are owned by our employees and consultants, became the shareholders of Zhejiang Zibuyu by contributing a registered capital of RMB8,438,655, RMB575,759 and RMB562,006, respectively. After such capital contributions and on February 5, 2018, Zhejiang Zibuyu had a registered capital of RMB22,360,000 and was held by Ningbo Ruyu, Ningbo Tongmingyun, Ningbo Bingfeng, Ningbo Ruizhou and Ningbo Gongqiju as to approximately 39.28%, 37.74%, 17.89%, 2.58% and 2.51%, respectively. For more details of Ningbo Tongmingyun, Ningbo Ruizhou and Ningbo Gongqiju, see corporate structure of our Group immediately prior to the Reorganization as set out in "– Reorganization."

(iii) Investment by Financial Investor

On March 15, 2018, Ningbo Tongmingyun and Ningbo Zhongyao entered into an equity transfer agreement, pursuant to which Ningbo Zhongyao agreed to purchase, and Ningbo Tongmingyun agreed to sell, 3% equity interest in Zhejiang Zibuyu at a consideration of RMB39,000,000. For details, please see "– [**REDACTED**] Investments." After such equity transfer, Zhejiang Zibuyu was held by Ningbo Ruyu, Ningbo Tongmingyun, Ningbo Bingfeng, Ningbo Zhongyao, Ningbo Ruizhou and Ningbo Gongqiju as to approximately 39.28%, 34.74%, 17.89%, 3.00%, 2.58% and 2.51%, respectively.

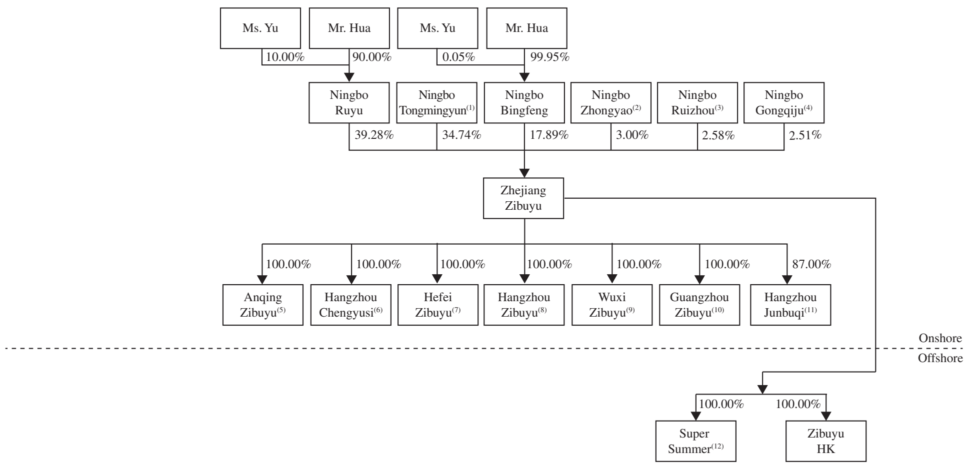
OUR PRINCIPAL OPERATING SUBSIDIARIES

The date of establishment and commencement of business and principal business activities of each member of our Group that made a material contribution to our results of operations during the Track Record Period are set forth below:

Name of company	Place of incorporation	Date of establishment	Date of commencement of business	Principal business activities
Zhejiang Zibuyu	Hangzhou, Zhejiang Province, the PRC	April 20, 2011	April 20, 2011	Technical support and operation of website
Zibuyu HK	Hong Kong	September 19, 2016	June 12, 2017	Operation of online stores on third party e-commerce platforms, procurement and sale of products
Hangzhou Zibuyu	Hangzhou, Zhejiang Province, the PRC	August 29, 2017	September 12, 2017	Warehousing, freight forwarding, supply chain management services, design and R&D
Xingzezhi HK	Hong Kong	November 1, 2018	December 28, 2018	Operation of self-operated online stores, procurement and sale of products
Hangzhou Xingzezhi	Hangzhou, Zhejiang Province, the PRC	November 20, 2018	December 6, 2018	Technical support and operation of website
Huzhou Zibuyu	Huzhou, Zhejiang Province, the PRC	December 10, 2020	December 17, 2020	Warehousing, freight forwarding and supply chain management services

REORGANIZATION

In order to optimize our corporate structure and to more readily access the international capital markets, we underwent a corporate reorganization in preparation for the [**REDACTED**]. Set out below is the corporate structure of our Group immediately prior to the Reorganization:



Notes:

(1) Immediately prior to the Reorganization, Ningbo Tongmingyun was held by 13 individuals, including Mr. Hua (0.03%), the general partner and our Director, Ms. Yu (7.36%), the spouse of Mr. Hua, Mr. Wang (22.79%), Mr. Wang Weiping (16.57%), Mr. Dong Zhenguo (14.69%) and Mr. Xu Shijian (2.30%), our executive Directors, Ms. Hua Hui (6.12%), our non-executive Director and the sister of Mr. Hua, Mr. Yang Xinmin (2.27%), our former Director, Mr. Yu Hegui (0.36%), a member of our senior management, Mr. Wang Bin (11.03%), a former director of our certain subsidiaries, Ms. Rao Xingxing (7.87%), the spouse of Mr. Wang, Mr. Sun Liutao (0.89%), formerly a member of our management, and Mr. Ding Peng (7.72%), a consultant of our Group who has extensive experience in the logistics business and assisted our Group to select and negotiate with logistics service provider.

(2) Ningbo Zhongyao is one of our [**REDACTED**] Investors. Immediately prior to the Reorganization, Ningbo Zhongyao was held as to 0.01% by the general partner, Mr. Fang Guojian, and as to an aggregate of 99.9% by four individual limited partners, namely Mr. Fang Rongyue (60%), Mr. Chen Yong (30%), Mr. Qiu Jinghua (7.5%) and Mr. Hu Zhenhai (2.49%), who are all Independent Third Parties. For details, please see "– [**REDACTED**] Investments."

(3) Immediately prior to the Reorganization, Ningbo Ruizhou was held as to 8.26% by the general partner, Mr. Li Min, and as to an aggregate of 91.74% by 27 individual limited partners, who are all Independent Third Parties except that (i) Mr. Wang Shichen is the brother of Mr. Wang, (ii) Mr. Yu Benhe is the brother of Ms. Yu and (iii) Mr. Shi Weiwei is the cousin of Mr. Hua. All of the shareholders of Ningbo Ruizhou are our employees.

(4) Immediately prior to the Reorganization, Ningbo Gongqiju was held as to 21.06% by the general partner, Mr. Cheng Bing, who is a member of our senior management and the cousin of Mr. Wang Weiping, and as to an aggregated of 78.94% by 30 individual limited partners who are all Independent Third Parties except that (i) Mr. Cheng Wu is the cousin of Mr. Wang Weiping, and (ii) Mr. Yu Pengcheng is the cousin of Mr. Hua. All of the shareholders of Ningbo Gongqiju are our employees except that Mr. Fan Zugen is a consultant of our Group who engaged in foreign trade and fabric business and provided valuable insights to our Group regarding cross-border transactions and the selection of fabric manufacturer.

(5) Anqing Zibuyu is a limited liability company established in the PRC on April 24, 2018.

(6) Hangzhou Chengyusi is a limited liability company established in the PRC on May 23, 2018.

(7) Hefei Zibuyu is a limited liability company established in the PRC on August 23, 2017 and was deregistered on August 21, 2019. For details, please see "– Reorganization – Onshore Reorganization – (iii) Deregistration or Disposal of Non-operating Subsidiaries and Branch – a. Subsidiaries and branch deregistered."

(8) Hangzhou Zibuyu is a limited liability company established in the PRC on August 29, 2017.

(9) Wuxi Zibuyu is a limited liability company established in the PRC on June 28, 2017 and was deregistered on May 31, 2021. For details, please see "– Reorganization – Onshore Reorganization – (iii) Deregistration or Disposal of Non-operating Subsidiaries and Branch – a. Subsidiaries and branch deregistered."

(10) Guangzhou Zibuyu is a limited liability company established in the PRC on October 16, 2017.

(11) Hangzhou Junbuqi is a limited liability company established in the PRC on August 25, 2017. Immediately prior to the Reorganization, the remaining 13% equity interest in Hangzhou Junbuqi was held by Ms. Pei Xinhong as to 7%, and by each of Mr. Hua, Mr. Yang Xinmin, Mr. Dong Zhenguo, Mr. Zuo Xiang, Ms. Hua Hui and Mr. Wang Shichen as to 1%. After a series of shareholding restructuring, Hangzhou Junbuqi became a wholly-owned subsidiary of Zhejiang Zibuyu on August 27, 2018.

(12) Super Summer was incorporated on September 29, 2016 and was disposed of to an Independent Third Party in July 2019. For further details, please see "– Offshore Reorganization – (v) Acquisition and Subsequent Disposal of Super Summer."

Offshore Reorganization

(i) Incorporation of Our Company and Offshore Subsidiaries

On August 6, 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. The initial authorized share capital of our Company was US$50,000 divided into 5,000,000 Shares of US$0.01 par value each. Upon incorporation, one Share was allotted and issued at par value to our initial subscriber. On the even date, our initial subscriber transferred its one Share to Mr. Hua at par value.

On August 21, 2018, Zibuyu BVI was incorporated in the BVI with 50,000 authorized shares of US$1.00 par value each. On the same day, one share was allotted and issued to our Company at par value and Zibuyu BVI became a wholly-owned subsidiary of our Company.

(ii) Incorporation of Offshore Holding Companies

In August and September 2018, the ultimate beneficial owners of Zhejiang Zibuyu incorporated the following companies as their offshore holding companies:

Company name	Date of incorporation	Shareholders	Ultimate beneficial owner	Number of shares	Approximate shareholding percentage
TMY ONE	September 10, 2018	Gfxtmyun	Mr. Hua	3,053	61.06%
		Xringirl	Mr. Wang and Ms. Rao Xingxing	611	12.22%
		Hyufeng	Ms. Yu	372	7.44%
		Also Jun	Mr. Wang Weiping	330	6.60%
		Alitti	Mr. Dong Zhenguo	293	5.86%
		Rocubabe	Mr. Wang Bin	220	4.40%
		Virtual Particle	Ms. Hua Hui	121	2.42%
		Total		**5,000**	**100%**

Company name	Date of incorporation	Shareholders	Ultimate beneficial owner	Number of shares	Approximate shareholding percentage
TMY TWO	September 10, 2018	Dingpeng Limited	Mr. Ding Peng	2,331	46.62%
		Greenxin	Mr. Xu Shijian	695	13.90%
		Gpxxxx	Mr. Yang Xinmin	684	13.68%
		Dealmylover Limited	Mr. Wang Shichen	606	12.12%
		Yu Honor Limited	Mr. Sun Liutao	269	5.38%
		Zxinzhuo Limited	Ms. Zhang Guoying	194	3.88%
		Faiovefar Limited	Mr. Zuo Xiang	169	3.38%
		Myhaha Limited	Mr. Mao Shiqi	52	1.04%
		Total		**5,000**	**100%**
TMY THREE	August 31, 2018		Mr. Cheng Bing	656	13.12%
			Mr. Yu Pengcheng	609	12.18%
			Mr. Fan Zugen	277	5.54%
			Mr. Yu Benhe	258	5.16%
			Mr. Shi Weiwei	110	2.20%
			Mr. Yu Hegui	157	3.14%
			Mr. Cheng Wu	49	0.98%
			Other individual shareholders[(1)]	2,884	57.68%
		Total		**5,000**	**100%**
Zhongyao BVI	September 3, 2018		Mr. Fang Rongyue	3,000	60.00%
			Mr. Chen Yong	1,500	30.00%
			Mr. Qiu Jinghua	375	7.50%
			Mr. Hu Zhenhai	124	2.48%
			Mr. Fang Guojian	1	0.02%
		Total		**5,000**	**100%**

Note:

(1) The remaining shares of TMY THREE were held by the then 49 employees of our Group.

(iii) Allotment and Issuance of Shares

On October 15, 2018, our Company allotted and issued 872,049, 57,546, 40,404 and 30,000 Shares to TMY ONE, TMY TWO, TMY THREE and Zhongyao BVI, respectively. On the even date, one share that previously allocated and issued to Mr. Hua was transferred to TMY ONE.

On August 1, 2019, our Company further allotted and issued 825,776, 60,834, 83,390 and 30,000 Shares to TMY ONE, TMY TWO, TMY THREE and Zhongyao BVI, respectively. Upon completion of the share allotment and issuance, the shareholding structure of our Company is set forth below:

Shareholder	Number of Shares held	Approximate shareholding percentage
TMY ONE	1,697,826	84.89%
TMY TWO	118,380	5.92%
TMY THREE	123,794	6.19%
Zhongyao BVI	60,000	3.00%
Total	**2,000,000**	**100%**

(iv) Acquisition of Zibuyu HK

On October 30, 2018, Zibuyu BVI acquired the entire share capital of Zibuyu HK from Zhejiang Zibuyu at a consideration of RMB1.85 million, which was determined with reference to the unaudited net assets value of Zibuyu HK and was fully settled on December 13, 2018. Upon completion of the acquisition, Zibuyu HK became a wholly-owned subsidiary of Zibuyu BVI.

(v) Acquisition and Subsequent Disposal of Super Summer

On November 30, 2018, in order to streamline and optimize the shareholding structure of our Group, Zibuyu BVI acquired the entire share capital of Super Summer from Zhejiang Zibuyu at a consideration of US$10,000, which was determined with reference to the initial investment made by Zhejiang Zibuyu and was fully settled on December 28, 2018. Upon completion of the acquisition, Super Summer became a wholly-owned subsidiary of Zibuyu BVI.

Super Summer was incorporated solely for the purpose of registering online stores on the platform of Walmart. At the time of the incorporation of Super Summer, Walmart used to only accept companies incorporated in the U.S. to be registered as the beneficial owner of the online stores. The aforesaid registration requirement was abolished subsequently and as a result, the PRC companies were allowed to be registered as the beneficial owner of the online stores. Therefore, the Group could register online stores on the platform of Walmart through its PRC subsidiaries with no necessity to manage or maintain an U.S. entity at a high cost. In addition, as our sale on the online platform of Walmart was insignificant and we focused our operations on sale through online stores on Amazon, on July 9, 2019, Zibuyu BVI entered into a purchase of business agreement with Mr. Li Fubin (李付彬), an Independent Third Party, pursuant to which Zibuyu BVI transferred the entire share capital of Super Summer to Mr. Li Fubin at a consideration of US$10,000. Such consideration was determined with reference to the unaudited net asset value of Super Summer immediately prior to its disposal and was fully settled on December 27, 2019.

Mr. Li Fubin is a former employee of our Group who terminated his employment with our Group in May 2019. Save as disclosed in this document, to their best knowledge after making all reasonable enquiries, our Directors are not aware of any other past or present relationship (family, business, employment, financing, trust or shareholding) between Mr. Li Fubin and our Company, subsidiaries, Shareholders, Directors or senior management or any of their respective associates.

Our Directors confirm that Super Summer had been in compliance with all applicable laws and regulations in the U.S. in all material aspects prior to such disposal.

(vi) Establishment of Family Trusts and Internal Shareholding Restructuring of Our Company

For succession and estate planning purpose, Mr. Hua, Ms. Yu, Mr. Wang and Ms. Rao Xingxing, Mr. Wang Weiping and Mr. Dong Zhenguo, as the settlors and appointers, have established their respective family trusts and transferred all of their shares in their offshore holding companies to the nominee companies of their respective family trust at nil consideration. Cantrust (Far East) Limited acts as the trustee for each family trust. Pursuant to the relevant trust deeds, the trustee may be removed and replaced at the sole discretion of the appointer, who is in turn nominated by the settlor. In addition, the trustee may only exercise its powers with prior written consent of the appointer with respect to certain matters, which include, among others, voting and investment power as to the shares under the trust properties, the appointment and removal of and distribution to eligible beneficiaries, transfer of trust fund to eligible trusts and variation of trust deed. For further details of the family trusts and their shareholding structure in our Company, please see "– Corporate Structure – Corporate Structure before the [**REDACTED**]."

To further streamline and optimize the shareholding structure of our Group, on March 24, 2021, (i) TMY ONE transferred an aggregate of 662,840 Shares to Xringirl, Alitti, Also Jun, Hyufeng, Rocubabe and Virtual Particle, all being the shareholders of TMY ONE which surrendered their shares in TMY ONE on the same day, at nil consideration, and (ii) TMY TWO transferred an aggregate of 33,742 Shares to Greenxin and Gpxxxx, both being the shareholders of TMY TWO which surrender their shares in TMY TWO on the same day, at nil consideration. Upon completion, the shareholding structure of our Company is set out as below.

Shareholders	**Number of Shares held**	**Approximate shareholding percentage**
TMY ONE	1,034,986	51.75%
Xringirl	212,964	10.65%
TMY THREE	123,794	6.19%
Also Jun	115,128	5.76%
Hyufeng	110,000	5.50%
Alitti	102,088	5.10%
TMY TWO	84,638	4.23%
Rocubabe	76,630	3.83%
Zhongyao BVI	60,000	3.00%
Virtual Particle	46,030	2.30%
Gpxxxx	17,742	0.89%
Greenxin	16,000	0.80%
Total	**2,000,000**	**100%**

On March 25, 2021, Mr. Fang Guojian, Mr. Hu Zhenhai and Mr. Qiu Jinghua transferred an aggregate of 3,000 shares, representing 10% of the total issued share capital of Zhongyao BVI, to Mr. Chen Yong at a total consideration of RMB711,000, which was determined after arm's length negotiation. Upon completion, Zhongyao BVI was held by Mr. Chen Yong and Mr. Fang Rongyue as to 40% and 60%, respectively.

(vii) Corporate Restructuring in relation to Xingzezhi Subsidiaries

a. Incorporation of Xingzezhi Subsidiaries

On September 26, 2018, Xingzezhi Cayman was incorporated in the Cayman Islands as an exempted company with limited liability. After a series of internal shareholding restructuring and prior to the acquisition of Xingzezhi Subsidiaries by Zibuyu BVI, Xingzezhi Cayman was held by the following shareholders:

Shareholders	Ultimate beneficial owner	Number of shares held	Approximate shareholding percentage
Gfxtmyun	Mr. Hua	6,650	66.50%
Alitti	Mr. Dong Zhenguo	1,165	11.65%
Xringirl	Mr. Wang and Ms. Rao Xingxing	665	6.65%
Also Jun	Mr. Wang Weiping	665	6.65%
Rocubabe	Mr. Wang Bin	285	2.85%
Greenxin	Mr. Xu Shijian	95	0.95%
Gpxxxx	Mr. Yang Xinmin	95	0.95%
Zxinzhuo Limited	Ms. Zhang Guoying	95	0.95%
Myhaha Limited	Mr. Mao Shiqi	95	0.95%
Dealmylover Limited	Mr. Wang Shichen	95	0.95%
Faiovefar Limited	Mr. Zuo Xiang	95	0.95%
Total		**10,000**	**100%**

Later, Xingzezhi BVI, Xingzezhi HK and Hangzhou Xingzezhi were established, details of which are set out below:

Name of company	Date of establishment	Shareholder	Shareholding percentage	Principal business activities
Xingzezhi BVI	October 16, 2018	Xingzezhi Cayman	100%	Investment holding
Xingzezhi HK	November 1, 2018	Xingzezhi BVI	100%	Operation of self-operated online stores, procurement and sale of products
Hangzhou Xingzezhi	November 20, 2018	Xingzezhi HK	100%	Technical support and operation of website

b. Acquisition of Xingzezhi Subsidiaries by Zibuyu BVI

With a view to further develop our self-operated online stores business, in 2020, our Shareholders and the shareholders of Xingzezhi Cayman decided to include Xingzezhi Subsidiaries into our Group as part of the Reorganization. On December 28, 2020, Zibuyu BVI and Xingzezhi Cayman entered into a sale and purchase agreement, pursuant to which Zibuyu BVI purchased the entire issued share capital of Xingzezhi BVI at a consideration of RMB6,250,000, which was determined with reference to the net asset value of Xingzezhi Subsidiaries according to a valuation report issued by an independent professional valuer as of December 31, 2020 and was fully settled on June 17, 2021. Upon the completion of the acquisition in 2020, Xingzezhi BVI became a wholly-owned subsidiary of Zibuyu BVI, and thus Xingzezhi Subsidiaries became wholly-owned subsidiaries of our Company.

As Xingzezhi Subsidiaries are controlled by Mr. Hua, the ultimate Controlling Shareholder of our Group, both before and after the acquisition of Xingzezhi Subsidiaries, such acquisition was considered as a business combination under common control. For details, please see Note 1.3 to the Appendix I of the document. As such, the financial information of Xingzezhi Subsidiaries was consolidated into the financial information of our Group since the beginning of the Track Record Period.

(viii)* [REDACTED] *Investments

On May 24 and May 25, 2021, Calor Capital entered into a share transfer agreement and an investment agreement, respectively, pursuant to which Calor Capital acquired 50,000 ordinary Shares from the existing Shareholders of our Company at a consideration of USD10,000,000 and subscribed for 44,000 preferred Shares at a consideration of USD11,000,000. On May 28, 2021, Aloe Tower entered into an investment agreement, pursuant to which Aloe Tower subscribed for 20,000 preferred Shares at a consideration of USD5,000,000. For details, please see "– [**REDACTED**] Investments" and the section headed "Appendix IV – Statutory and General Information – B. Further Information About Our Business – 1. Summary of material contracts."

(ix) Share Subdivision and Increase of Authorized Share Capital

On September 16, 2022, the authorized share capital of our Company was subdivided from US$50,000 divided into 5,000,000 Shares with a par value of US$0.01 each to US$50,000 divided into 1,000,000,000 Shares with a par value of US$0.00005 each. On the same day, the authorized share capital of our Company was further increased to US$100,000 divided into 2,000,000,000 Shares with a par value of US$0.00005 each.

Onshore Reorganization

(i) Capital Increase of Zhejiang Zibuyu

On November 12, 2018, Ningbo Ruyu, Ningbo Tongmingyun, Ningbo Zhongyao, Ningbo Bingfeng, Ningbo Ruizhou and Ningbo Gongqiju entered into a capital increase agreement with Ms. Liu Lian (劉戀), an Independent Third Party, pursuant to which Ms. Liu Lian subscribed a registered capital of RMB240,000 in Zhejiang Zibuyu at a consideration of RMB268,000. Such consideration was determined with reference to the net assets value of Zhejiang Zibuyu as of October 31, 2018 as appraised by an independent professional valuer and was fully settled on December 10, 2018. Upon completion of such capital increase, the registered capital of Zhejiang Zibuyu was increased to RMB22,600,000 and Zhejiang Zibuyu was held by Ningbo Ruyu, Ningbo Tongmingyun, Ningbo Bingfeng, Ningbo Zhongyao, Ningbo Ruizhou, Ningbo Gongqiju and Ms. Liu Lian as to approximately 38.87%, 34.37%, 17.70%, 2.97%, 2.55%, 2.49% and 1.06%, respectively.

(ii) Acquisition by Zibuyu HK

On December 14, 2018, Ningbo Ruyu, Ningbo Tongmingyun, Ningbo Zhongyao, Ningbo Bingfeng, Ningbo Ruizhou, Ningbo Gongqiju and Ms. Liu Lian entered into an equity transfer agreement, pursuant to which Zibuyu HK acquired the entire equity interest in Zhejiang Zibuyu at a total consideration of RMB28,000,000, which was determined with reference to the net assets value of Zhejiang Zibuyu as of October 31, 2018 according to a valuation report issued by an independent professional valuer. Such consideration was fully settled on September 3, 2019. Upon completion, Zhejiang Zibuyu became a wholly-owned subsidiary of Zibuyu HK.

Ms. Liu Lian is a non-domestic natural person and was not connected with our Group before her subscription of 1.06% equity interest in Zhejiang Zibuyu. Upon completion of her subscription, Zhejiang Zibuyu was converted into a Sino-foreign joint venture, and then Zibuyu HK acquired the entire equity interest in Zhejiang Zibuyu in compliance with applicable PRC laws and regulations, during which Ms. Liu Lian transferred her 1.06% equity interest in Zhejiang Zibuyu to Zibuyu HK and voluntarily exited our Group. As advised by our PRC Legal Advisors, no PRC laws or regulations prohibit or restrict Ms. Liu Lian from divesting her investment within a short period of time. As such, our PRC Legal Advisors are of the view that Ms. Liu Lian's subscription and subsequent transfer of equity interest in Zhejiang Zibuyu (i) had been completed in compliance with applicable PRC laws and regulations, (ii) would not constitute a circumvention of relevant PRC laws including the M&A Rules, and (iii) would not expose our Group to material legal risk. For further details, please see "– PRC Regulatory Requirements – M&A Rules" below.

(iii) Deregistration or Disposal of Non-operating Subsidiaries and Branch

In order to optimize our Group's business and shareholding structure, we disposed of or deregistered certain subsidiaries and branch of our Group. Set out below are the details of such deregistration or disposal:

a. Subsidiaries and branch deregistered

Name of subsidiaries and branches	Deregistration date	Reasons for deregistration
Hangzhou Branch of Zhejiang Zibuyu	July 23, 2019	Hangzhou Branch of Zhejiang Zibuyu has not commenced any business operations except for leasing a property from an Independent Third Party. It was deregistered as we no longer need such property.
Hefei Zibuyu	August 21, 2019	Hefei Zibuyu was established for the purpose of operating the leased warehouse in Hefei and was deregistered as such warehouse ceased to operate.
Nanchang Zibuyu[1]	May 19, 2021	Nanchang Zibuyu has not commenced any business operation and the Group currently has no plan to establish any business presence in Nanchang.
Wuxi Zibuyu	May 31, 2021	Wuxi Zibuyu was established for the purpose of operating the leased warehouse in Wuxi and was deregistered as such warehouse ceased to operate.

Note:

(1) Nanchang Zibuyu was established in Nanchang, the PRC on October 27, 2020.

b. Subsidiaries disposed of

Name of subsidiaries	Date of disposal	Transferee	Equity interest originally held by our Group	Equity interest disposed of	Reasons for disposal	Consideration[4]
Hangzhou Qingruxu[1]	February 9, 2021	Mr. Zuo Xiang and Ms. Wang Ning[2]	80%	80%	Hangzhou Qingruxu had not commenced any business operation prior to the disposal and its intended business is not consistent with the Group's business development plans[3].	Nil
Hangzhou Modengxian[5]	February 3, 2021	Mr. Yang Xinmin[6]	80%	80%	Hangzhou Modengxian had not commenced any business operation prior to the disposal and its intended business is not consistent with the Group's business development plans[7].	Nil

Notes:

(1) Hangzhou Qingruxu is a limited liability company established in the PRC on March 26, 2020. Immediately prior to the disposal of Hangzhou Qingruxu, Mr. Zuo Xiang and Ms. Zhao Lijuan, both of whom are former employees of our Group and Independent Third Parties, held 19% and 1% equity interest of Hangzhou Qingruxu, respectively. On February 9, 2021, Ms. Zhao Lijuan transferred 1% equity interest of Hangzhou Qingruxu to Mr. Zuo Xiang.

(2) Ms. Wang Ning is an employee of our Group and an Independent Third Party.

(3) Following the disposal, to the best knowledge of our Directors, Mr. Zuo Xiang has been operating Hangzhou Qingruxu to be a B2B export trading company focusing on personal care and home textiles products.

(4) Prior to the disposal, both Hangzhou Qingruxu and Hangzhou Modengxian had not commenced any business operations and had no assets or paid-up registered capital, and therefore were transferred at nil consideration.

(5) Hangzhou Modengxian is a limited liability company established in the PRC on April 1, 2020. Immediately prior to the disposal of Hangzhou Modengxian, Mr. Yang Xinmin held 20% equity interest in Hangzhou Modengxian.

(6) Mr. Yang Xinmin is a former employee and Director of our Company who terminated his employment with our Group and resigned his directorship in our Company in December 2020 in order to devote more time to starting his own business. He has not held any position in our Group since then and the filing of change of Director of our Company was completed on June 7, 2021. Mr. Yang Xinmin confirmed that he had no disagreement with the Board and there was no other matters in respect of his resignation that need to be brought to the attention of our Shareholders.

(7) Following the disposal, to the best knowledge of our Directors, Mr. Yang Xinmin has been operating Hangzhou Modengxian to be a B2B export trading company focusing on home textiles products.

(iv) Acquisition of Authorizing Companies

We normally operate a number of seller stores on each third-party e-commerce platform to sell our products, which is in line with the industry norm as advised by Frost & Sullivan, and during the Track Record Period, certain seller stores we operated were stores registered under companies owned by our employees and their family members and friends. Please see the section headed "Business – Our Business Process – Seller Store Management" for further details. In order to enhance the management and control of these seller stores, during the period from March to June 2021, we acquired 294 companies of such nature (the "**Authorizing Companies**") from our employees or their family members and friends at nominal or nil consideration as these Authorizing Companies had no assets or any paid-up registered capital. The aggregate nominal consideration we paid for the above-mentioned acquisitions was RMB299. Such companies were established solely for the purpose of holding relevant seller accounts for our Group without engaging in any other business operation. Upon completion of such series of acquisitions, the Authorizing Companies we acquired became wholly-owned subsidiaries of our Group.

As the Authorizing Companies (i) did not have substantial operation, and (ii) were established solely for the purpose of registration of seller store accounts, they were not able to generate revenue independently. Therefore, the Authorizing Companies were not qualified as business under IFRS 3 and IFRS 3 is not applicable in relation to the acquisition of the Authorizing Companies. Considering the nature of seller store accounts, our Group referred to IAS 38 "Intangible Assets" for the accounting treatment of such acquisitions. Based on the works performed, the Reporting Accountant is not aware of any significant issue that will affect the overall truth and fairness of the historical financial information of our Group during the Track Record Period.

[REDACTED] INVESTMENTS

We underwent several rounds of [**REDACTED**] Investments, the principal terms of which are set out below:

Name of the [REDACTED] Investors	**Ningbo Zhongyao**	**Calor Capital**	**Aloe Tower**
Date of relevant agreement with the [REDACTED] Investor	March 15, 2018	May 24 and May 25, 2021	May 28, 2021
Date on which the consideration was fully settled	March 28, 2018	May 25, 2021	May 31, 2021
Amount of the relevant [REDACTED] investment	RMB39,000,000[1]	US$21,000,000[1]	US$5,000,000
Total number of shares under the investment agreement	RMB670,800[2]	50,000 ordinary Shares and 44,000 preferred Shares[3]	20,000 preferred Shares[3]
Shareholding percentage in our Company upon completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised)	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%
Cost per share paid by the investors[4]	HK$[**REDACTED**]	HK$[**REDACTED**] for each ordinary Share; HK$[**REDACTED**] for each preferred Share	HK$[**REDACTED**]
Discount to the [REDACTED][5]	[**REDACTED**]%	[**REDACTED**]% with respect to each ordinary Share; [**REDACTED**]% with respect to each preferred Share	[**REDACTED**]%

Name of the [REDACTED] Investors	Ningbo Zhongyao	Calor Capital	Aloe Tower
Basis of consideration	The consideration was determined after arm's length negotiation between the parties with reference to our estimated revenue of approximately RMB1,200 million for the year ended December 31, 2018.	The consideration was determined based on arm's length negotiation between the parties, and with respect to the purchase of 50,000 ordinary Shares, taking reference to the pre-money valuation of US$400 million of our Group, and with respect to the subscription of 44,000 preferred Shares, taking reference to the post-money valuation of US$511 million of our Group.	The consideration was determined based on arm's length negotiation between the parties with reference to the post-money valuation of US$516 million of our Group.

Use of [REDACTED] from the [REDACTED] Investments We utilized the [**REDACTED**] we received from the [**REDACTED**] Investments for the development and operation of our Group as well as for general working capital purposes. As of the Latest Practicable Date, approximately 0.03% of the [**REDACTED**] received by us from the [**REDACTED**] Investments had not been utilized.

Lock-up The Shares held by the [**REDACTED**] Investors are subject to a lock-up period of six months upon [**REDACTED**].

Strategic benefits of the investors brought to our Company At the time of the [**REDACTED**] Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the [**REDACTED**] Investors and their investment demonstrates their confidence in the operation of our Group and serves as an endorsement of our Company's performance, strength and prospects.

Notes:

(1) For the [**REDACTED**] Investment made by Ningbo Zhongyao, RMB39,000,000 were paid to Ningbo Tongmingyun for the acquisition of 3% equity interest in Zhejiang Zibuyu. For the [**REDACTED**] Investment made by Calor Capital, US$3,600,000, US$3,200,000 and US$3,200,000 were paid to our existing Shareholders, namely Xringirl, Also Jun and Alitti, respectively, for the acquisition of 50,000 ordinary Shares of our Company, while the remaining US$11,000,000 was paid to our Company for the subscription of 44,000 preferred Shares.

(2) Ningbo Zhongyao invested in our Group by acquisition of the registered capital of Zhejiang Zibuyu.

(3) All the preferred Shares held by the [**REDACTED**] Investors will be converted into ordinary Shares on a 1:1 basis upon [**REDACTED**].

(4) The cost per Share paid by the [**REDACTED**] Investors was calculated based on the amount of investment made by the relevant [**REDACTED**] Investors and number of Shares allotted to them upon completion of the Capitalization Issue and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(5) Assuming the [**REDACTED**] is fixed at HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**].

Special Rights

In connection with the [**REDACTED**] Investment made by Ningbo Zhongyao, no special rights were granted to it for its investment in our Group.

In connection with the [**REDACTED**] Investment made by Calor Capital and Aloe Tower, certain special rights were granted to them in relation to the preferred Shares they purchased, including, among others, the information rights, pre-emptive rights, rights of first refusal, co-sale rights, anti-dilution rights, redemption rights and liquidation preference rights. Redemption rights were also granted to Calor Capital in relation to the ordinary Shares it purchased. The redemption rights granted to the [**REDACTED**] Investors with respect to any Shares of our Company were automatically terminated immediately prior to the filing of the application for the [**REDACTED**]. All other special rights will be automatically terminated upon the [**REDACTED**].

Public Float

None of the [**REDACTED**] Investors (i) is a core connected person of our Group; (ii) has been financed directly or indirectly by a core connected person of our Group for the subscription of Shares; or (iii) is accustomed to take instructions from a core connected person of our Group in relation to the acquisition, disposal, voting or other disposition of the Shares registered in his/her/its name or otherwise held by him/her/it. Therefore, the Shares held by the [**REDACTED**] Investors will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the [**REDACTED**].

Information about [REDACTED] Investors

Ningbo Zhongyao

Ningbo Zhongyao is a limited partnership established solely for the purpose of investing in our Group which, at the time of its [**REDACTED**] Investment, was held by Mr. Fang Rongyue, Mr. Chen Yong, Mr. Qiu Jinghua, Mr. Hu Zhenhai and Mr. Fang Guojian as to 60%, 30%, 7.5%, 2.49% and 0.01%, respectively, all of whom were Independent Third Parties and individual financial investors. During the Reorganization, Mr. Qiu Jinghua, Mr. Hu Zhenhai and Mr. Fang Guojian transferred all of their interests in our Group to Mr. Chen Yong. Upon completion, Zhongyao BVI, the offshore company which holds Ningbo Zhongyao's interest in our Company after the Reorganization, was held by Mr. Chen Yong and Mr. Fang Rongyue as to 40% and 60%, respectively. For details, see "– Reorganization – Offshore Reorganization – (vi) Establishment of Family Trusts and Internal Shareholding Restructuring of our Company." Ningbo Zhongyao was introduced to our Group through Mr. Ding Peng, one of the shareholders of TMY TWO.

Mr. Chen Yong is an individual investor with decades of investment experience. He served as the vice chairman of the board of director and president of Zhejiang Fuyue Holding Group Co., Ltd. (浙江富越控股集團有限公司) from 2004 to 2013 and has, since 2014, been the chairman of the board of director and president of Zhejiang Xinfuyue Investment Co., Ltd. (浙江新富越投資有限公司), an investment holding company ultimately wholly-owned by Mr. Chen Yong. He primarily focused on investment opportunities in property development and cultural industries with asset under management of approximately RMB841 million. His investment portfolios include, among others, Zhejiang Fuyue Real Estate Group Co., Ltd. (浙江富越房地產集團有限公司), Yiwu Sentian Real Estate Development Co., Ltd. (義烏市森恬房地產開發有限公司) and Shanghai Meiriful (Group) Co., Ltd. (上海美麗華(集團)有限公司).

Mr. Fang Rongyue is an individual investor with decades of investment experience. He has been the chairman of the board of directors of Jingwei Zhongyao Holding Group Co., Ltd. (經緯中耀控股集團有限公司), an investment holding company ultimately controlled by Mr. Fang Rongyue, since January 2000. His investments cover various business sectors, including mining, logistics, materials, technology, property development and management, etc. With investments size of approximately RMB131 million, the investment portfolios of Mr. Fang Rongyue include, among others, Anhui Baiyu Mining Co., Ltd. (安徽白玉礦業有限公司), Wanmeitong Pipe Industry (Hangzhou) Co., Ltd. (萬美通管業(杭州)股份有限公司), Anhui Bangwei Logistics Co., Ltd. (安徽邦威物流有限公司) and Heilongjiang Rand Ultrasound Technology Co., Ltd. (黑龍江蘭德超聲科技股份有限公司).

Calor Capital

Calor Capital is a BVI business company incorporated under the laws of the BVI on May 21, 2021 as a special purpose vehicle established solely for investing in our Group and was wholly-owned by Calor Capital USD Fund I LP, which is ultimately controlled by Ms. YANG YING, an Independent Third Party. Calor Capital USD Fund I LP is a USD fund primarily engaging in private equity investment specializing in consumer markets, and is managed by Mr. Zhang Sijian (張思堅), the spouse of Ms. YANG YING. Calor Capital was introduced to our Group through a friend of Mr. Hua.

Ms. YANG YING is an entrepreneur dedicated in the development of the life science sector in the PRC. She is the founder of Tengquan Life Technology (China) Co., Ltd. (騰泉生命科技(中國)有限公司) and Quanxin Quanyi (Shanghai) Life Technology Co., Ltd. (泉心泉意(上海)生命科技有限公司). Mr. Zhang Sijian has over 21 years of experience in private equity investment. He consecutively worked at the investment banking division of Deutsche Bank, Doughty Hanson in London and Baring Private Equity Asia in Hong Kong and Shanghai. He joined Sequoia Capital China in 2007 and subsequently served as its managing director until 2014. With asset under management of approximately US$100 million and RMB360 million, Mr. Zhang Sijian focused on investment in consumer markets. His investment portfolios include, among others, Shanghai Ziyan Foods Co., Ltd. (上海紫燕食品股份有限公司) and Heli Markets Inc. (貴州合力惠民民生超市股份有限公司).

Aloe Tower

Aloe Tower is a BVI business company incorporated under the laws of the British Virgin Islands on March 10, 2021 as a special purpose vehicle established solely for investing in our Group. An investment decision committee composed of five individuals who are Independent Third Parties controls the decision-making power of Astrapto Capital Partners Limited ("**Astrapto Capital**") which in turn controls Aloe Tower. Astrapto Capital's share capital is held more than 30% by an individual who is a Hong Kong resident and an Independent Third Party with over 25 years of experience in international finance and direct investments in China, focusing on the sectors of TMT, renewable energy, application software and financial institutions. Save as disclosed above, none of the other shareholders held more than 30% of the total share capital of Astrapto Capital.

Astrapto Capital is a private equity fund with an investment focus on growth companies in Greater China and North Asia covering business sectors of lifestyle and wellness, media and entertainment, cleantech and technology. Astrapto Capital has more than five investments in its portfolios, each of which ranges from US$1.4 million to US$7 million.

Save as disclosed in this document, as of the Latest Practicable Date, to their best knowledge after making all reasonable enquiries, our Directors were not aware of any other past or present relationships (business, employment, family or financing) between each of the [**REDACTED**] Investors and our Company, subsidiaries, Shareholders, Directors or senior management or any of their respective associates.

Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors have confirmed that the [**REDACTED**] Investments are in compliance with the Guidance Letter HKEX-GL29-12 issued on January 2012 and as updated in March 2017, the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

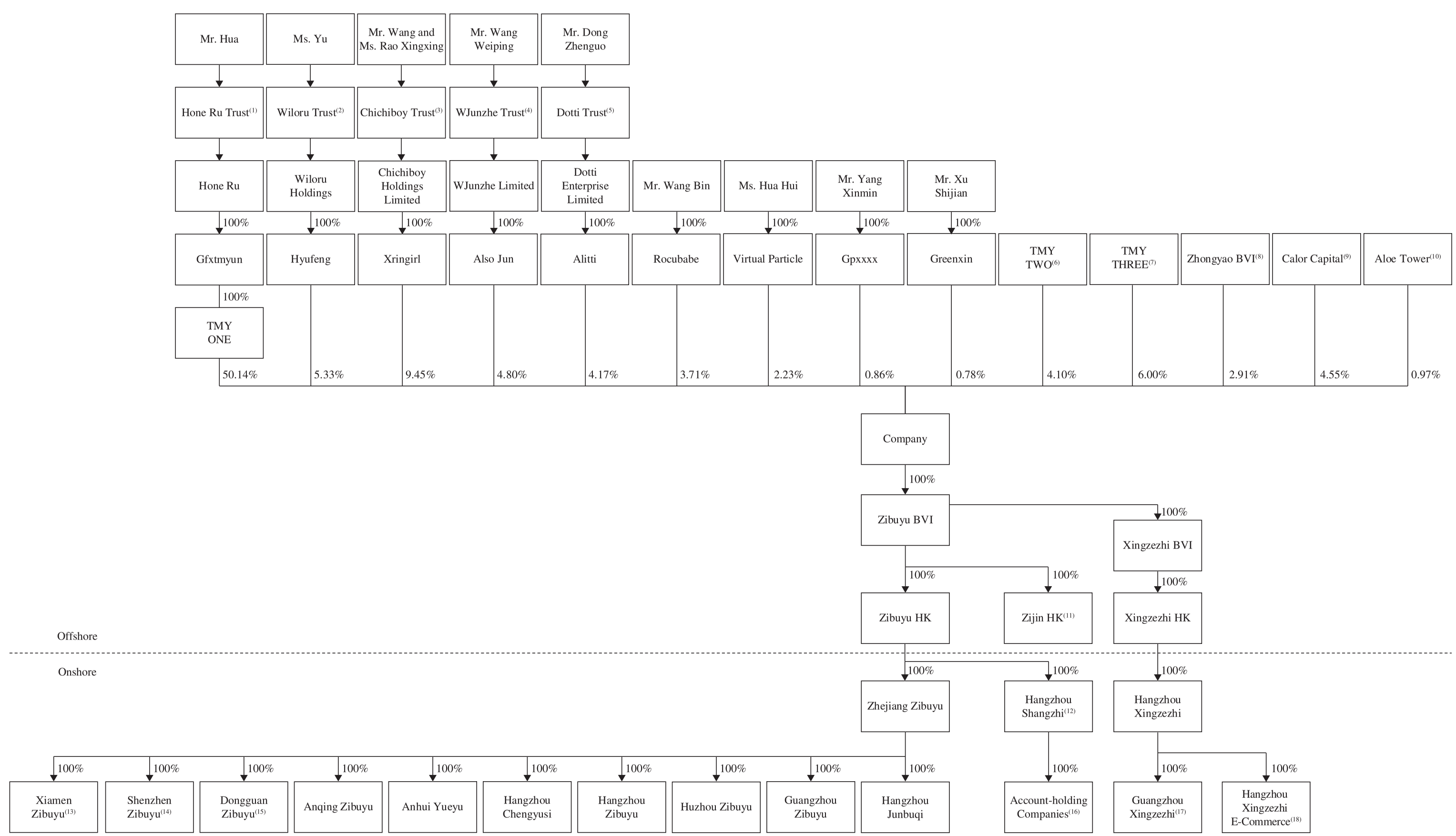
CAPITALIZATION ISSUE

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the [**REDACTED**] pursuant to the [**REDACTED**], our Directors shall be authorized to allot and issue a total of [**REDACTED**] Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the [**REDACTED**] becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalization of the sum of US$[**REDACTED**] standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then-existing issued Shares.

CORPORATE STRUCTURE

Corporate Structure before the [REDACTED]

The following chart sets forth the shareholding structure of our Group immediately after the Reorganization and the [**REDACTED**] Investments and before completion of the Capitalization Issue and the [**REDACTED**]:



Notes:

(1) Hone Ru Trust is a discretionary trust set up on January 7, 2020 by Mr. Hua as the settlor and appointor, the beneficiaries of which are Mr. Hua and his issue and the trustee of which is Cantrust (Far East) Limited.

(2) Wiloru Trust is a discretionary trust set up on April 22, 2020 by Ms. Yu as the settlor and appointor, the beneficiaries of which are Ms. Yu and her issue and the trustee of which is Cantrust (Far East) Limited.

(3) Chichiboy Trust is a discretionary trust set up on June 10, 2021 by Mr. Wang Shijian and Ms. Rao Xingxing as the settlors and appointors, the beneficiaries of which are Mr. Wang Shijian, Ms. Rao Xingxing and their issue and the trustee of which is Cantrust (Far East) Limited.

(4) WJunzhe Trust is a discretionary trust set up on June 18, 2021 by Mr. Wang Weiping as the settlor and appointor, the beneficiaries of which are Mr. Wang Weiping and his issue and the trustee of which is Cantrust (Far East) Limited.

(5) Dotti Trust is a discretionary trust set up on June 10, 2021 by Mr. Dong Zhenguo as the settlor and appointor, the beneficiaries of which are Mr. Dong Zhenguo and his issue and the trustee of which is Cantrust (Far East) Limited.

(6) Immediately after the Reorganization and the [**REDACTED**] Investments, TMY TWO was held by Dingpeng Limited (wholly owned by Mr. Ding Peng), Dealmylover Limited (wholly owned by Mr. Wang Shichen), Faiovefar Limited (wholly owned by Mr. Zuo Xiang), Zxinzhuo Limited (wholly owned by Ms. Zhang Guoying) and Myhaha Limited (wholly owned by Mr. Mao Shiqi) as to 63.41%, 16.48%, 9.54%, 5.74% and 4.83%, respectively.

(7) Immediately after the Reorganization and the [**REDACTED**] Investments, TMY THREE was held by Mr. Cheng Bing (8.73%) who is a member of our senior management and the cousin of Mr. Wang Weiping, Mr. Yu Hegui (5.12%) who is a members of our senior management, Mr. Yu Benhe (4.05%) who is the brother of Ms. Yu, Mr. Fan Zugen (3.61%) who is our consultant, Mr. Shi Weiwei (3.00%) who is the cousin of Mr. Hua, Mr. Cheng Wu (0.80%) who is the cousin of Mr. Wang Weiping and other 40 individual shareholders (74.69%) who are all our employees and Independent Third Parties with each holding below 9%.

(8) Zhongyao BVI is one of our [**REDACTED**] Investors. For details, please see "– [**REDACTED**] Investments." Immediately after the Reorganization and the [**REDACTED**] Investments, Zhongyao BVI was ultimately owned by Mr. Chen Yong and Mr. Fang Rongyue through their respective family trusts, namely YC Family Trust and The FJZ Trust, as to 40% and 60%, respectively. YC Family Trust is a discretionary trust set up on May 26, 2021 by Mr. Chen Yong as the settlor, the beneficiaries of which are Mr. Chen Yong and his family members and the trustee of which is JTC TRUSTEES (BVI) LIMITED. The FJZ Trust is a discretionary trust set up on May 26, 2021 by Mr. Fang Rongyue as the settlor, the beneficiaries of which are Mr. Fang Rongyue and his family members and the trustee of which is JTC TRUSTEES (BVI) LIMITED.

(9) Calor Capital is one of our [**REDACTED**] Investors. For details, please see "– [**REDACTED**] Investments."

(10) Aloe Tower is one of our [**REDACTED**] Investors. For details, please see "– [**REDACTED**] Investments."

(11) Zijin HK was incorporated in Hong Kong with limited liability on November 26, 2018 and has not commenced any business operations as of the Latest Practicable Date.

(12) Hangzhou Shangzhi is a limited liability company established in the PRC on November 20, 2018 with a registered capital of RMB1,000,000 and has not commenced any business operations as of the Latest Practicable Date save as holding the equity interest of our Account-holding Companies.

(13) Xiamen Zibuyu is a limited liability company established in the PRC on May 17, 2022 with a registered capital of RMB1,000,000.

(14) Shenzhen Zibuyu is a limited liability company established in the PRC on December 22, 2021 with a registered capital of RMB1,000,000.

(15) Dongguan Zibuyu is a limited liability company established in the PRC on April 27, 2021 with a registered capital of RMB3,000,000.

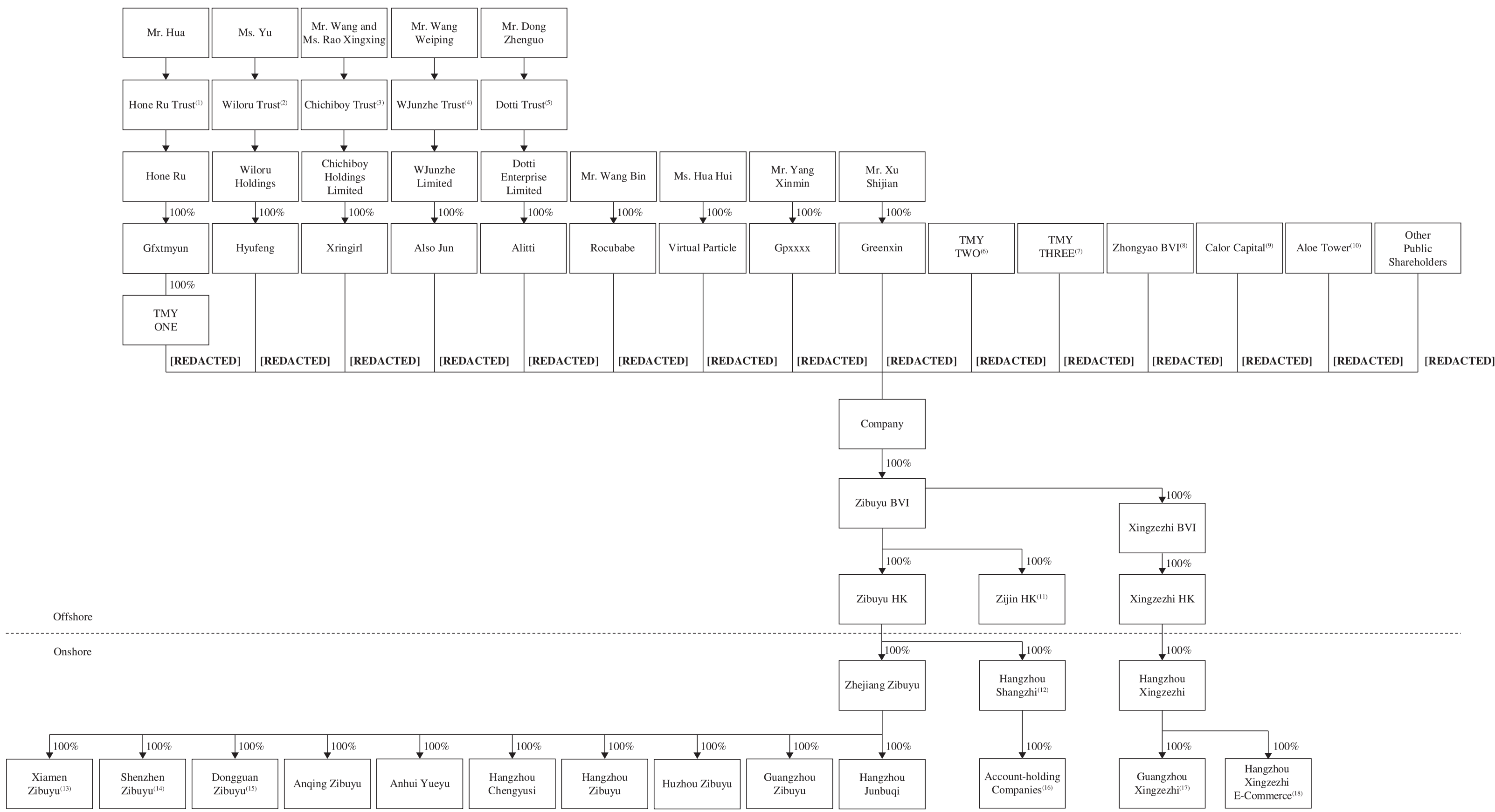
(16) As of the Latest Practicable Date, we had 434 companies which are directly or indirectly wholly owned by Hangzhou Shangzhi, among which 294 companies were Authorizing Companies acquired by our Group and 140 companies were established by our Group for the purpose of registration and operation of seller stores on the third-party e-commerce platforms (collectively, the "**Account-holding Companies**").

(17) Guangzhou Xingzezhi is a limited liability company established in the PRC on July 28, 2021 with a registered capital of RMB1,000,000.

(18) Hangzhou Xingzezhi E-Commerce is a limited liability company established in the PRC on March 16, 2022 with a registered capital of RMB5,000,000.

Corporate Structure immediately following the [REDACTED]

The following chart sets forth the shareholding structure of our Group immediately following the completion of the Capitalization Issue and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Notes:

(1)–(18) Please refer to the corresponding notes to the chart in "– Corporate Structure – Corporate Structure before the [**REDACTED**]."

PRC REGULATORY REQUIREMENTS

As advised by our PRC Legal Advisors, all required regulatory approvals in relation to the equity transfers in the PRC and the onshore reorganization as described above have been obtained and the procedures involved have been carried out in accordance with the PRC laws and regulations. Our PRC Legal Advisors further confirmed that the equity transfers and disposals in the PRC as described above have been properly and legally completed and capital contributions of our PRC subsidiaries have been duly paid in accordance with PRC Laws and their articles of association.

M&A Rules

According to the *Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the SASAC, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign invested enterprise. The M&A Rules, among other things, further purport to require that a PRC company which, or a natural person who, through its/his/her established or controlled offshore company, acquires a domestic company which is related to such PRC company or natural person (the "**Affiliated M&A**"), shall be subject to the approval from the MOFCOM. Meanwhile, according to the Foreign Investment Access Management Guidance Manual (外商投資准入管理指引手冊) promulgated by the MOFCOM on December 18, 2008, the M&A Rules shall not apply to the transfer of equity interest in an incorporated foreign-invested enterprise from the domestic shareholder to the foreign investor, no matter whether the domestic shareholder is related to the foreign investor or the foreign investor is an existing shareholder or a new investor. In addition, an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisors are of the view that (i) at the time when the acquisition of the 1.06% equity interest in Zhejiang Zibuyu by Ms. Liu Lian (the "**First Acquisition**") took place, Ms. Liu Lian was an Independent Third Party and was not a domestic natural person related to Zhejiang Zibuyu as stipulated under the M&A Rules and thus the First Acquisition does not constitute an Affiliated M&A and is not subject to approval from the MOFCOM under the M&A Rules, and (ii) for the acquisition of the 100% equity interest in Zhejiang Zibuyu by Zibuyu HK (the "**Second Acquisition**"), on the basis that Zhejiang Zibuyu became a foreign-invested enterprise after the First Acquisition, the Second Acquisition was an acquisition of equity interest in a foreign invested enterprise rather than a domestic enterprise as defined in the M&A Rules, and therefore, the Second Acquisition is not subject to the M&A Rules.

Furthermore, the First Acquisition, as a result of which Zhejiang Zibuyu was converted from a domestic company into a foreign-invested enterprise, is subject to the other relevant rules of the M&A Rules, and both the First Acquisition and the Second Acquisition are subject to the then effective *Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》) (the "**Interim Measures**"). As advised by our PRC Legal Advisors, in compliance with the relevant M&A Rules and the Interim Measures, Zhejiang Zibuyu had obtained (i) following the First Acquisition, the record-filing receipt for the incorporation of foreign-invested enterprises from the Bureau of Commerce of Yuhang District of Hangzhou for the conversion of Zhejiang Zibuyu into a foreign-invested enterprise and the new business license from the Market Supervision Bureau of Yuhang District of Hangzhou for such conversion, and (ii) following the Second Acquisition, the record-filing receipt for the change of particulars of foreign-invested enterprises from the Bureau of Commerce of Yuhang District of Hangzhou and the new business license from the Market Supervision Bureau of Yuhang District of Hangzhou.

Unless new laws and regulations are enacted or the MOFCOM, the CSRC or other government authorities publish new provisions or interpretations on the M&A Rules to the contrary in the future, our PRC Legal Advisors are of the view that our [**REDACTED**] is not subject to approval from the MOFCOM or the CSRC.

SAFE Registration in the PRC

Pursuant to the *Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles* (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's

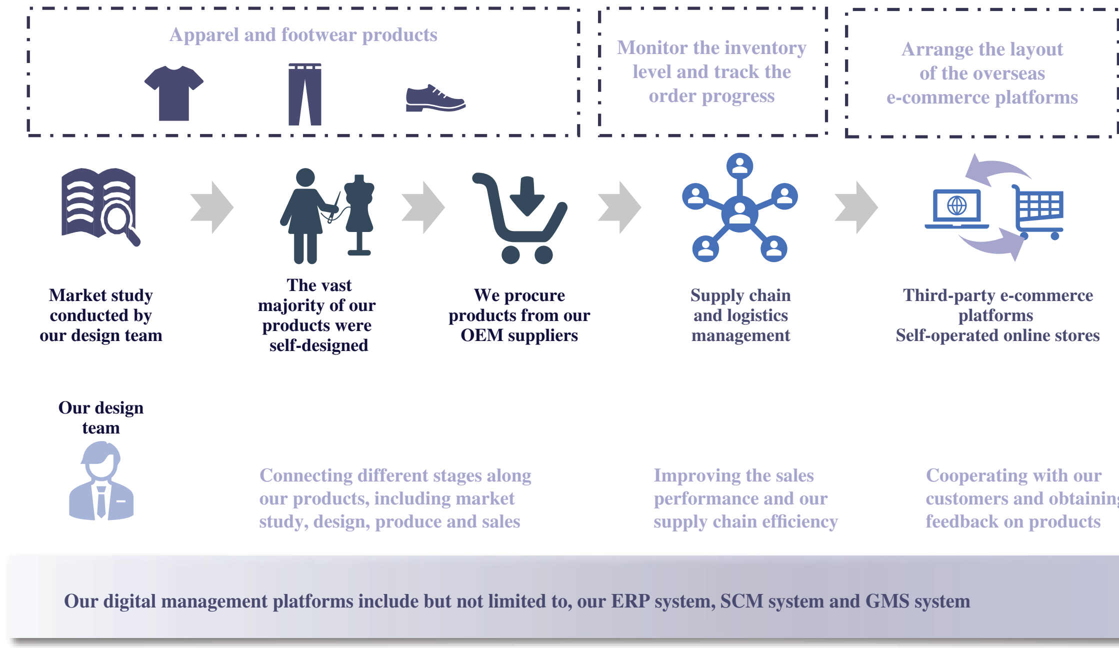
PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be subject to penalty and sanction and restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

SAFE Circular 37 was issued to replace the *Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles* (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》). Pursuant to the *Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks under SAFE Circular 37.

As advised by our PRC Legal Advisors, (i) 76 individual beneficial owners who are required to complete the initial registration and (ii) 61 individual beneficial owners who are required to complete the change or the cancellation of registration under SAFE Circular 37 and SAFE Circular 13 have duly completed the foreign exchange registrations in relation to their offshore investments as PRC residents on November 19, 2018 and June 25, 2021, respectively.

OVERVIEW

We are one of the largest cross-border e-commerce companies in China focusing on the sale of apparel and footwear products through third-party e-commerce platforms. The following diagram illustrates our business model and features:



According to Frost & Sullivan, we ranked third amongst all platform-based sellers in China's cross-border e-commerce export B2C apparel and footwear market in terms of GMV in 2021, holding a market share of 0.4% in the RMB596.5 billion market. We are well-positioned in sale of apparel and footwear products in North America through third-party e-commerce platforms, and we ranked first in terms of GMV generated through North America amongst all platform-based sellers in China's cross-border e-commerce export B2C apparel and footwear market in 2021, holding a market share of 0.7% in the RMB303.0 billion market. In recognition of our outstanding performance, we were awarded the "Best Cross-border E-commerce Brand Award (最佳跨境電商品牌獎)" for six consecutive years in a row since 2016.

Since our inception in 2011, we have been primarily focusing on the sale of a wide range of self-designed apparel, footwear and other products worldwide. Leveraging our fully integrated and efficient supply chain, we are able to provide our customers with fashion apparel and footwear products at competitive prices. We have built an efficient branding model. Leveraging our industry experience accumulated in the past ten years, we have deep understanding of the apparel market in the U.S. and Europe, in particular, women's apparel, and keen insights in the industry fashion trend, which enable us to achieve a market leading position. During the Track Record Period, we had cultivated over 300 brands, among which, 87 were our key brands, with annual sales of over RMB10.0 million each. Over the years, we have cultivated numerous hot-selling products with annual sales of more than 2,000 pieces. Our product designs are data-driven, and our hot-selling products are known for their stable sales volumes and income in the first three to four years since launch and long life cycles. See "– Our Products – Our Key Brands and Hot-Selling Products." With our experience in the apparel industry and multi-brand development, we had designed and sold 6,473 hot-selling products as of June 30, 2022.

We have established a broad sales channel covering different sales platforms. To reach online customers and efficiently promote our products, we began selling products through major third-party e-commerce platforms since 2012 and have since expanded our sales channels to include our self-operated online stores in 2018. As of the Latest Practicable Date, our sales channels consisted of (i) Amazon, (ii) Wish, (iii) other third-party e-commerce platforms such as eBay and AliExpress, and (iv) our self-operated online stores. In addition, we have a worldwide customer base. As of the Latest Practicable Date, our products have been primarily sold to customers located in over 80% of the countries and regions globally, including among others, the United States, Germany and France.

Our revenue achieved continuous growth during the Track Record Period. Our revenue increased from RMB1,428.9 million for the year ended December 31, 2019, to RMB1,898.1 million for the year ended December 31, 2020, and further to RMB2,346.5 million for the year ended December 31, 2021, representing a CAGR of 28.1%. Our revenue increased from RMB1,100.7 million for the six months ended June 30, 2021 to RMB1,277.5 million for the six months ended June 30, 2022. Our profit for the year increased from RMB81.1 million for the year ended December 31, 2019, to RMB114.0 million for the year ended December 31, 2020, and further to RMB200.5 million for the year ended December 31, 2021, representing a CAGR of 57.2%. Our profit for the period decreased from RMB114.2 million for the six months ended June 30, 2021 to RMB61.3 million for the six months ended June 30, 2022.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success:

We are one of the largest cross-border e-commerce companies in China focusing on the sale of apparel and footwear products through third-party e-commerce platforms, ranking first in terms of GMV of apparel and footwear products sold in North America through third-party e-commerce platforms.

We are one of the first market movers to step into the e-commerce market and have accumulated years of experience in e-commerce operations. In 2014, to meet the demand for cross-border e-commerce sales, we started our cross-border e-commerce business to sell apparel and footwear products. According to Frost & Sullivan, we are one of the largest cross-border e-commerce companies in China focusing on the sale of apparel and footwear products through third-party e-commerce platforms, ranking third in terms of GMV in 2021. We ranked first in terms of GMV generated through North America amongst all platform-based sellers in China's cross-border e-commerce export B2C apparel and footwear market in 2021.

Since our commencement of cross-border e-commerce business in 2014, we have strategically focused on the United States and European markets where we believe to have great potential. The apparel retail market of the United States, Germany and the United Kingdom, being our three largest markets in terms of revenue contribution during the Track Record Period, increased from US$57.6 billion, US$14.2 billion, US$11.8 billion in 2017 to US$87.7 billion, US$15.7 billion, and US$14.6 billion in 2021, respectively, according to Frost & Sullivan. During the same period, the footwear retail market of those three countries increased from US$13.1 billion, US$3.3 billion, and US$3.4 billion in 2017 to US$21.6 billion, US$3.6 billion and US$4.1 billion in 2021, respectively. As of June 30, 2022, we have accumulated a broad customer base across over 80% of the countries and regions globally, such as the United States, Germany and France. Our market leadership and substantial scale enable us to benefit from the unmet market demand thereby achieving continuous growth. During the Track Record Period, our average daily orders processed reached over 50,000. As of June 30, 2022, our average monthly GMV in the past 12 months reached RMB270.9 million and our monthly average GMV reached RMB338.9 million in June 2022.

In addition, we are well-positioned in third-party e-commerce platform coverage and operations. As of June 30, 2022, we have established a broad sales channel covering major third-party e-commerce platforms, including Amazon, Wish, eBay and AliExpress. According to Frost & Sullivan, those four major e-commerce platforms constituted 56.5% of the cross-border e-commerce export B2C market in terms of GMV generated by China-based sellers in 2021. In particular, we hold extensive advantage in the sale of apparel and footwear products on Amazon. We have expanded significantly on Amazon since 2018 and subsequently achieved scalable and sustainable growth for our sale through Amazon. In 2021, we ranked second in terms of GMV of apparel and footwear products sold through Amazon amongst all platform-based sellers in China's cross-border e-commerce export B2C apparel and footwear market. As of the Latest Practicable Date, we had accumulated 1,061 apparel and footwear products which had been recognized as Top 100 Amazon best-seller products. In addition to third-party e-commerce platforms, we established our self-operated online stores in 2018.

We believe our market performance and market position have been well recognized by the cross-border e-commerce export B2C industry. We are one of the leading players in China's cross-border e-commerce export B2C apparel and footwear market, according to Frost & Sullivan. We have been awarded the "Best Cross-border E-commerce Brand Award (最佳跨境電商品牌獎)" for six consecutive years in a row since 2016.

We have a strong design team with extensive experience in designing with the support of our extensive database and big data analysis, and the capability to quickly identify fashion trend and address customers' evolving needs.

Our success is attributable to our strong design capabilities. Different from other apparel merchants, our design team comprises designers with deep experience in data analysis. As of June 30, 2022, our design team consisted of 344 staff, among which, 31.1% of them had strong experience in digital operations and solid industry-related background. Leveraging their proven data analysis capabilities, we are able to accurately identify fashion trend and customers' demand. In addition, the composition of our design team reduces our reliance on any individual designer. We have maintained a stable design team with steady growth. The number of our designers increased from 155 as of December 31, 2019, to 227 as of December 31, 2020, to 297 as of December 31, 2021, and further to 344 as of June 30, 2022. As of June 30, 2022, we had 103 designers with over three years of experience, accounting for over 29.9% of our design team. We have also greatly invested in design team to enhance our design capabilities. In 2019, 2020 and 2021 and the first half of 2022, the total employee benefit we paid to our design team amounted to RMB18.9 million, RMB26.6 million, RMB46.0 million and RMB27.4 million, respectively, representing 18%, 27%, 37% and 37% of our staff costs for the relevant period, respectively.

In addition, leveraging our years of large-scale operating expertise, we have mature capabilities to collect and analyze market data. Our chief technology officer has extensive working experience in the field of big data and internet. We collect and analyze the information of the top 100 competing products on Amazon and Wish on a real-time basis, including brand, price, variation, rating, comments and their respective ranking, to identify the growth trend of different types of products as well as the fashion elements expected to be popular in the current or the coming season. Through our vast market study and historical order information, we have accumulated a database, including pattern, design and other fashion elements, which makes us more competitive amongst industry peers. As of June 30, 2022, our database comprised approximately 62,680 apparel and footwear styles, among which over 9,000 were newly-added in the first half of 2022. Moreover, our proven capabilities in big data analysis enable us to precisely identify the seasonal fashion trend and consumer preference, and timely integrate such elements into our designs. Leveraging our extensive industrial experiences and the composition of our data-oriented design team, we are able to apply our design innovation process in the design of all types of products for the effective cultivation of hot-selling products under each product category in a short time, laying a solid foundation for our brands and the extension of lifespan of our products.

Our extensive experiences in design and advantage in research and development enable us to capture market opportunities, integrate new elements into our design and timely launch new products. To quickly respond to our customer needs, we are able to complete design and trial production in seven days, in the shortest case, and deliver to our customers in 15 days. Also, we believe our data-driven design process enables us to improve our design efficiency and reduce design failure.

Benefiting from our strong design capability and historical fashion database, we are able to design and launch over 10,000 new fashion styles which are well received by our customers per year. In the first half of 2022, among all of our products sold, over 78.8% of them were hot-selling products in terms of sales income. In addition, in the first half of 2022, we placed additional orders to procure more from our OEM suppliers for 84.5% of our products, to satisfy the unmet customer demand.

We have extensive experience in the digital management and integration of our supply chain, thereby holding leading position in the industry.

It is critical for us to react rapidly, and to synchronize our products with the changing market trends and customer preference while maintaining an optimal cost control. Therefore, maintaining efficient management on our supply chain for prompt response is important to us. To this end, we have developed our proprietary IT systems, including ERP system, SCM system, GMS system, warehousing system and e-mail management system, to achieve effective control over the whole industry chain, from product design to warehousing and delivery. Leveraging our digitalized operation system, we are able to efficiently manage our supply chain. For example, we utilize our SCM system to review our supplier statistics, such as fee quote, financial record, price level, defect rate and delivery accuracy, so as to better evaluate our suppliers, reduce their order rejection rate and optimize our procurement thereby controlling our costs, securing the procurement quality and improving our procurement efficiency. In order to efficiently introduce new products while minimizing their slow-moving risk, we only place a preliminary order for a small production volume, ranging from dozens to a thousand as the first batch of the new product, with the OEM suppliers. To promptly respond to the market trends, we are able to shorten the time period from preliminary sample production to the launch of first batch of products to seven days at the shortest situation.

Further, we have established and maintained close relationships with over 200 OEM suppliers. Utilizing our ERP system connecting such OEM suppliers and us, we can effectively place orders and achieve rapid delivery. We have also built a network of quality OEM suppliers of all types of products located in major production bases such as Zhejiang, Guangdong and Anhui provinces, through which our suppliers nearby can quickly respond to our orders and request. Also benefited from our deep collaboration with OEM suppliers, we can reduce our procurement costs.

We also have deep cooperation with numerous downstream suppliers, including logistics and warehousing service providers. As of June 30, 2022, we had 62 domestic and 19 international logistics service suppliers, providing our customers with flexible delivery choices while at the same time reducing our delivery expenses. Leveraging the synergies among different stages of the supply chain, including design, procurement, logistics and warehousing, we are able to adjust and control the production of our OEM suppliers against real-time sales performance for better cultivation of new products. We believe our long-term relationships with quality suppliers and our efficient procurement arrangement under our integrated supply chain, enable us to timely launch new products, effectively compete with other industrial peers and reduce our operating cost. Our cost-to-income ratio, representing the portion of our cost of inventories sold in our revenue, decreased from 26.6% for the year ended December 31, 2019, to 24.0% for the year ended December 31, 2020, and further to 20.0% for the year ended December 31, 2021. Our cost-to-income ratio further decreased from 20.7% for the six months ended June 30, 2021 to 18.0% for the six months ended June 30, 2022.

In addition, we have integrated big data into our supply chain. For example, we have built our own information database of suppliers for different types of fabric and accessories from which we can select our new products efficiently. We estimate the inventory level of our products based on our daily sales report, sales statistics of competing products and our inventory report, and manage our inventories based on our estimate, to improve our inventory turnover and shipment efficiency. As of June 30, 2022, our inventories at cost aging within one year represented approximately 79.6% of our total inventories.

We have strong self-owned brands and extraordinary brand cultivation capability.

We have successfully built the brand matrix comprising various self-owned brands for different types of products and an efficient branding model. Leveraging our industry experience accumulated in the past ten years, we have good understanding of the apparel market in the U.S. and Europe, in particular, women's apparel and keen insights in the industry fashion trend, which enable us to achieve a leadership position. Our brands have been broadly recognized by the industry and well received by our customers. For example, our women sweater brand, "Imily Bela," is popular on Amazon, evidenced in the fast growth of its sales volume since 2018. From 2018 to 2021, products under the brand of "Imily Bela" achieved growth rates of 36.1% and 41.8% in terms of sales volume and annual GMV, respectively. In the first half of 2022, the sales volume of products under the brand of "Imily Bela" reached over 211,000 pieces with semi-annual GMV of over RMB36.1 million.

Over the years, we have cultivated a number of key brands and hot-selling products. Our key brands "Imily Bela," "Runcati" and "Dellytop" were recognized as Famous Cross-border E-commerce Export Brands of Zhejiang Province (浙江跨境電商出口知名品牌) in 2021. As of the Latest Practicable Date, we had cultivated multiple well-known brands for our apparel and footwear products, targeting different customers. In particular:

- our sports brand "Aurgelmir," launched in 2019, focuses on yoga clothing and ski suit. Its first ski suit launched in December 2019 was recognized as Top 5 Amazon best-seller products of its category in February 2021. In addition, four hot-selling women's yoga pants under this brand ranked Top 50 Amazon best-seller products in 2020, and ranked Top 30 Amazon best-seller products in May 2021;

- our footwear brand "Jolimall," launched in June 2019 on our self-operated online stores, has reached accumulated sales volume of 2.3 million pieces during the Track Record Period, with an annual GMV of over RMB270 million;

- our casual men's apparel brand "Runcati," a brand launched in 2017 focuses on cotton and linen shirts, men's pajamas and sweatshirts. It launched series of self-designed cotton and linen shirts on Amazon, the accumulated sales volume of which reached 410,000 pieces as of June 30, 2022. In particular, a cotton and linen shirt launched in August 2018 recorded significant growth in the sales volume and improvement on the ranking. The monthly GMV of this shirt in April 2021 was seven times as much as that of April 2020. In addition, monthly GMV of this shirt reached over RMB2.5 million in June 2021. As of June 30, 2022, this shirt ranked Top 3 Amazon best-seller products of its category;

- our women's apparel brand "Dellytop," a brand focusing on women's tops launched in 2015, introduced autumn and winter tops using our self-developed waffle fabric, the sales volume of which exceeded 110,000 pieces in 2021. Such tops ranked Top 2 Amazon best-seller products of its category in 2020; and

- our women's apparel brand "Cicy Bell," a brand focusing on women's suits and women's tops launched in 2019, reached a GMV of over RMB80 million in 2021. The first women's suit launched under "Cicy Bell" has been well received by the market, as evidenced by an accumulated sales volume of 470,000 pieces as of June 30, 2022 and the ranking of Top 1 Amazon best-seller product of its category on both December 26, 2020 and February 13, 2022.

We have effective e-commerce operating capabilities.

Leveraging our experiences and our understanding of the e-commerce ecosystem, we have gained experiences in the selection of best-seller products by e-commerce platforms, precise marketing and launching hot-selling products. We have gained strategic advantage in the marketing on Amazon and Wish. Benefiting from our multi-platform operating experiences, we have cultivated numerous hot-selling product links for different types of products and established our strong capabilities of cultivating hot-selling products in a short time. Meanwhile, we have adopted diverse internet marketing strategies and accumulated solid experience in marketing our products through social media platforms and/or by KOLs. Our marketing experts are responsible for the marketing planning, with the intention to access the consumers' pain points and market precisely, thereby cultivating hot-selling products and improving the rating of our online stores. Our extensive experiences in optimizing keywords and descriptions of our products and strong capabilities to adjust our advertisement mix and launch highly-efficient advertisement in a cost-effective manner, enable us to cultivate hot-selling products and attract more customers.

Powered by our strong capability to analyze operating data, deep understanding in the marketing strategy for hot-selling products, and vast experience in identifying products' sales trend and estimating sales volume per season, we are able to digitalize our marketing plan and attract the segmented traffic on each leading platforms. In addition, we have extensive experience and proven capability in data analysis to precisely identify the demands from each group of customers, providing solid and timely data support for our product development and satisfactory product pricing strategies. We closely monitor our product ranking, our competitors' pricing strategies and our inventory level, through which we are able to adjust our pricing in a timely manner for better profitability.

Leveraging our comprehensive marketing experiences, we have established effective strategies for the first stocking for new products, ranking improvement, advance stocking for hot-selling products and end-of-season inventory sell-off, through which we can maintain our inventories at a reasonable level at the entire cycle while improving our sales performance.

Our marketing efforts are also supported by our sophisticated and multilingual customer service team, who aims to provide our customers with pleasant shopping experiences.

Benefited from our strong e-commerce operating capabilities, we are able to effectively promote our products and constantly improve our products in accordance with customers' feedback, thereby extending the lifespan of our hot-selling products. As a result, our hot-selling products have a lifespan of up to four years. In addition, leveraging our strong e-commerce operating capabilities and supported by our sales efforts, we can further improve the sales volume of our hot-selling products to achieve better economies of scale and lower our inventory level, thereby further improving our profitability.

We are led by an experienced and dedicated management team.

Led by Mr. Hua, we have a management team with strong operational experience, execution capability and industry expertise. Mr. Hua, being the founder of our Group, an executive Director, the chairman of the Board and the chief executive officer of our Company, has in-depth understanding of the cross-border e-commerce industry, and extensive industrial and managerial experience. In addition, members of our senior management team have rich technological and managerial experience. Over the years, we have also established our diversified corporate culture and attractive incentive scheme to maintain efficient execution, constant innovation, and strong competitive strengths. For example, our human resources management ecosystem provides our employees with flexibilities to switch their positions in order to stimulate their creativity and vitality. Further, to better motivate our employees, we have developed a comprehensive performance evaluation system taking into account a series of factors. For example, we value the employees' loyalty by taking into account their length of employment with us and working experience on one hand, and the hot-selling products they designed and applause rate on the other. We believe our effective evaluation system helps us attract and retain skilled and qualified personnel for our sustainable growth. We value cooperation and collaboration. From new product development, product design and pattern making, OEM procurement, follow-up for each order, to after-sales services, each of our departments and sub-business departments cooperate and collaborate closely while specializing in their respective area, to prioritize efficiency and achieve economies of scale among our back-end supply chain team.

Our management and business team mainly comprises young talents with entrepreneurial spirit, in-depth knowledge in e-commerce operations, extensive experience accumulated in apparel and footwear industry, and solid multi-channel operation practice. Over the years, we have maintained a stable key management and professional team, who have contributed to our sustainable growth. In addition to Mr. Hua, our management team has an average of six years of experiences working with us. Moreover, 18.0% of our design team has served our Group for over five years.

OUR STRATEGIES

We endeavor to become a world renowned e-commerce fashion brand to meet our global customers' fashion needs on a timely and seamless basis. (致力於成為一家國際知名的時尚服飾及鞋履產品運營商,讓全球用戶及時便捷地獲得滿意的服飾及鞋履產品). We intend to pursue the following strategies:

Keep pace with fashion trend and technology innovation and continue to develop fashion products.

Keeping pace with fashion trend and constantly launching hot-selling products are crucial to our success. We intend to further enhance our capabilities to develop and launch new products through constant technological innovation, to capture evolving customer needs. To this end, we plan to devote more resources to enhancing our product design capabilities, including investment in the development of digitalized information system, new pattern and fabric and accessories. In addition, we will introduce more product categories, such as sports apparel, underwear and home wear products to further diverse our product portfolio.

We intend to establish an intelligent and automatic design system and bring in AI and big data technologies. We expect to gradually deploy AI design technologies to provide our designers with a better platform to leverage, and in turn to improve design efficiency. We plan to collaborate with third parties with extensive experience in the application of AI and big data technologies, to further improve our design efficiency through collecting, processing and analyzing massive consumption data to analyze the fashion trend and fashion elements based on the historical sales statistics of our hot-selling products and other competing products. For instance, we expect our designers to utilize our intelligent algorithm to analyze fashion elements from massive sales statistics, to understand the fashion trend. Further, we intend to use the AI tools to provide our designers with suggestion on fabric and pattern, to improve their design efficiency and product hit rate.

We will further diversify our database of pattern, fabric and accessory and fashion elements. In addition, we plan to further upgrade the algorithm of our digitalized design system, which can automatically merge the latest pattern and the big data from our extensive database into the design blueprints, thereby shortening our design cycle and improving our hit rate of hot-selling products.

We expect to use approximately HK$[**REDACTED**] million of the [**REDACTED**] of the [**REDACTED**] for this business strategy, while the remaining expenses for such plan is expected to be financed by our operating cash flow, borrowings from financial institutions and/or other equity or debt financing. See "Future Plans and Use of [**REDACTED**]."

Continue to integrate supply chain resources to improve operating efficiency and expand our global footprint.

We intend to constantly optimize our digitalized supply chain and develop supplier management system to enhance our operating efficiency. To achieve this, we will provide our OEM suppliers with access to our supplier management system comprising raw material request information, procurement plan and supplier rating, through which they can review and take our orders efficiently. We can also monitor our inventories to maintain them at a reasonable level. We will establish and further improve our sales and marketing system which integrates our historical operating data, to provide suggestions for each stage of our operations from product development, order delivery to inventory management. Moreover, we intend to further shorten the time to commence product trial production and market acceptance test, to meet customers' evolving demand more efficiently.

In addition, we plan to improve the quality of raw materials while reducing their cost from the supply end. To this end, we plan to devote more efforts in the research and development of fabric and accessories. We will constantly improve our use of fabric and accessories based on our customer feedbacks. As to commonly-used fabric and accessories, we will adopt centralized procurement strategy to further enhance their quality and reduce our cost.

We will adjust the regional distribution of our supply chain, gradually switching our focus from China to Southeast Asia and subsequently establishing our global supply chain, through which we expect to further reduce our product costs and maintain the stability of our supply chain. To improve the delivery efficiency and for our further business development, we will devote more resources in the construction of domestic warehousing and logistics bases covering raw material manufacturing sites and ports. We will establish a well-connected warehouse network gradually through a combination of establishing our own warehouses and leasing from third parties, to achieve a global coverage of our supply chain distribution, thereby improving our supply chain operating efficiency, and lowering our warehousing and logistics costs. We may also strategically form alliance with renowned cross-border logistics service providers to enhance our overseas delivery capacity.

We expect to use approximately HK$[**REDACTED**] of the [**REDACTED**] of the [**REDACTED**] for this business strategy, while the remaining expenses for such plan is expected to be financed by our operating cash flow, borrowings from financial institutions and/or other equity or debt financing. See "Future Plans and Use of [**REDACTED**]."

Build brand matrix for our overseas operations and further expand our localized operations.

We plan to upgrade our brand matrix for our overseas operations. We will target each apparel category and/or integrated categories, with the intention to expand our brand categories and fashion styles and build our own brand matrix for customers at different age group with different consumption power. These operations enable us to target different customer groups to enhance their loyalty and our brand premium.

Further, we expect to adopt differentiated and localized branding strategies for each apparel category and fashion style for our overseas market. We will continue to pursue opportunities to collaborate with local brands in the overseas market to obtain strong capability to manage supply chain and more localized design elements. We will also pursue suitable acquisition opportunities to acquire local brand to enhance our localized operations.

We have been focused on the North America and European markets since our commencement of cross-border e-commerce business. In 2021, our market share in North America and Europe reached approximately 1.0% and 0.2% respectively in terms of GMV of apparel and footwear products generated from cross-border e-commerce export B2C platforms. We will continue to enhance our market position in the U.S and Europe and explore other overseas markets. We will continue to diversify our product portfolio and pursue opportunities to cooperate with other major overseas third-party e-commerce platforms, such as Wayfair and Lotte.

We expect to use approximately HK$[**REDACTED**] of the [**REDACTED**] of the [**REDACTED**] for this business strategy, while the remaining expenses for such plan is expected to be financed by our operating cash flow, borrowings from financial institutions and/or other equity or debt financing. See "Future Plans and Use of [**REDACTED**]."

Build large-scale independent self-operated online stores to enhance brand recognition and customer loyalty.

According to Frost & Sullivan, the market size of China's cross-border e-commerce export B2C market attributable to self-operated online stores increased from RMB203.4 billion in 2017 to RMB698.3 billion in 2021, and is forecasted to further increase to RMB1,491.0 billion by 2026, representing a CAGR of 16.4% from 2021 to 2026. According to the same source, sellers who sell products through self-operated online stores attract and retain customers through strengthening the infrastructure of their stores, diversifying their product portfolio and gradually establishing brand awareness among customers. Leveraging our years of experience in the cross-border sale of apparel products and in-depth understanding of the e-commerce ecosystem, we will develop our own server network for our large-scale independent self-operated online stores.

Over the years, we have accumulated extensive data in relation to sales performance of our products, and strong capabilities to develop new products and efficiently manage our supply chain, all of which have laid solid base for the establishment of our large-scale independent self-operated online store. We will devote more resources in our IT research and development and brand promotion. For example, we plan to cooperate with precise marketing service providers and social media platforms to further enhance our brand awareness, brand recognition and market position in overseas markets, thereby further enhancing customer loyalty.

We believe our customers will have access to more flexible and diversified product offering through our large-scale independent self-operated online stores, which would further enhance their loyalty with us.

We expect to use approximately HK$[**REDACTED**] of the [**REDACTED**] of the [**REDACTED**] for this business strategy, while the remaining expenses for such plan is expected to be financed by our operating cash flow, borrowings from financial institutions and/or other equity or debt financing. See "Future Plans and Use of [**REDACTED**]."

Explore suitable opportunities to invest in or acquire targets along the industry chain to explore synergies.

We will also keep pursuing opportunities to invest in or acquire suitable targets along the industry chain, horizontally and vertically, to extend our supply chain and expand the network of our brand partners, thereby enhancing our competitive strengths.

Horizontally, we intend to cooperate with selected domestic and overseas fashion brands with small-to-medium size. Leveraging their localized customer base, industry experience as well as operating capabilities, we will be able to integrate the local elements into our design technique and database, to improve the efficiency of localization-oriented design, lower the research and development costs to localize our products and increase the conversion rate and repeat customer rate. In addition, leveraging the procurement channels and supply chain of such local brands, we will be able to cooperate with more domestic OEM suppliers to further enhance our competitive strengths in the local supply chain. By catering to the customer preference of local markets, we will be able to build up a well-connected brand network regionally and globally, hence synchronizing our global product resource with localized customer demands and market trends.

Vertically, we intend to explore suitable opportunities to invest in or acquire companies along the supply chain, such as raw material suppliers and garment manufacturers, to further improve production efficiency, cost control and product supply stability, and vertically integrate our supply chain system. We expect to provide our customers with better experience in the logistics services while reducing logistics costs and improving operating efficiency. We believe that our enhanced cooperation with vertical industry players will further improve our speed of response to the market trend and in turn customer experience, strengthen our resource integration capability, as well as our operating efficiency.

We expect to use our internal resources and external fundings to implement this strategy.

OUR BUSINESS MODEL

We are one of the largest cross-border e-commerce companies in China focusing on the sale of apparel and footwear products through third-party e-commerce platforms. Since our inception in 2011, we have been primarily focusing on the sale of a wide range of self-designed apparel, footwear and other products worldwide. Leveraging our fully integrated and efficient supply chain, we are able to provide our customers with fashion apparel and footwear products at competitive price. Our products are sold through major third-party e-commerce platforms and our self-operated online stores to customers located in over 80% of the countries and regions globally, including among others, the United States, Germany and France.

The following table sets forth a breakdown of our revenue by type of products for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
Sale of apparel products	1,146,892	80.3	1,338,415	70.5	1,833,677	78.2	824,458	74.9	1,016,658	79.6
Sale of footwear products	256,409	17.9	401,130	21.1	453,615	19.3	229,337	20.8	258,087	20.2
Sale of other products[(1)]	25,553	1.8	158,564	8.4	59,251	2.5	46,891	4.3	2,782	0.2
Total	**1,428,854**	**100.0**	**1,898,109**	**100.0**	**2,346,543**	**100.0**	**1,100,686**	**100.0**	**1,277,527**	**100.0**

Note:

(1) Primarily represent sale of electronic devices (such as earphones, home cameras and signal boosters), stationery and sporting goods, etc.

Our Products

Sale of Apparel Products

Since our inception, we have focused on the design and sale of fashion apparel products, in particular, women's apparel products. We provide our customers with a comprehensive range of apparel products, including among others, sweaters, T-shirts, coats and jackets, dresses, trousers and sportswear. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our revenue generated from sale of apparel products amounted to RMB1,146.9 million, RMB1,338.4 million, RMB1,833.7 million, RMB824.5 million and RMB1,016.7 million, accounting for 80.3%, 70.5%, 78.2%, 74.9% and 79.6% of our total revenue for the same periods, respectively.

Sale of Footwear Products

Starting from 2016, we have expanded our product portfolio and started to sell footwear products. In particular, we commenced the operation of our self-operated online store to focus on the sale of footwear products in 2018 and recorded significant growth. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our revenue generated from sale of footwear products was RMB256.4 million, RMB401.1 million, RMB453.6 million, RMB229.3 million and RMB258.1 million, accounting for 17.9%, 21.1%, 19.3%, 20.8% and 20.2% of our total revenue for the same periods, respectively.

Sale of Other Products

In recent years, we have also offered different types of other products, such as electronic devices, stationery and sporting goods. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our revenue generated from sale of other products was RMB25.6 million, RMB158.6 million, RMB59.3 million, RMB46.9 million and RMB2.8 million, accounting for 1.8%, 8.4%, 2.5%, 4.3% and 0.2% of our total revenue for the same periods, respectively.

Our Sales Channels

We have established a broad sales channel covering different sales platforms. To reach online customers and efficiently promote our products, we began selling products through major third-party e-commerce platforms since 2012 and have since expanded our sales channels to include our self-operated online stores in 2018. As of the Latest Practicable Date, our sales channels consisted of (i) Amazon, (ii) Wish, (iii) other third-party e-commerce platforms such as eBay and AliExpress, and (iv) our self-operated online stores. According to Frost & Sullivan, Amazon, Wish, AliExpress and eBay are the major third-party e-commerce platforms. In 2021, the total market share of these four third-party e-commerce platforms in China's cross-border e-commerce export B2C market as measured by GMV generated by China-based sellers was 56.5%. Amazon has been bearing the largest market share and accounted for approximately 71.6% of the total GMV generated by China-based sellers of these four third-party e-commerce platforms in 2021, followed by AliExpress and eBay, which accounted for approximately 15.5% and 7.8%, of the above-mentioned GMV, respectively, according to the same source. To capture the vast market opportunities on the major e-commerce platforms, we have also devoted great efforts to promoting our sales on such platforms and achieved rapid growth. In 2019, 2020 and 2021 and the six months ended June 30, 2022, our sale through Amazon and Wish constituted 86.0%, 76.7%, 84.2% and 92.3%, respectively, of our total revenue during the same periods. Our reliance on such third-party e-commerce platforms was primarily due to their dominant positions in China's cross-border e-commerce export B2C market.

Considering (i) Amazon's expected growth in the apparel and footwear e-commerce market in the United States in the coming years, the GMV of which is estimated to reach US$70.9 billion in 2026, from US$51.6 billion in 2021, representing a CAGR of 6.6% from 2021 to 2026, according to Frost & Sullivan; (ii) Amazon's dominant market position in the apparel and footwear e-commerce market in the United States, the market share of which is estimated to reach 51.3% in 2026, from 48.7% in 2021, while another two leading market players in this market, namely, Walmart and eBay, are expected to collectively hold 23.0% of the market share in 2026, according to Frost & Sullivan; and (iii) leveraging our experience in exploring business in the United States and the established market position on third-party e-commerce platforms, such as Amazon, we intend to capture the great market potential provided by the United States market, in particular, Amazon, and further strengthen our sale of apparel and footwear products to the United States through diversification of SKUs, expansion of our design team, establishment of more self-owned brands, as well as more investment in sales and marketing activities; we expect that the concentration of our sale through Amazon will sustain in the near future. In order to gradually reduce our reliance on such platforms in the future, we will continue to devote great efforts to developing our self-operated online stores. For risks in relation to our reliance on a few third-party e-commerce platforms, in particular, Amazon, see "Risk Factors – Risks Relating to Our Business and Industry – Disruption of our relationships and unfavorable changes in terms of our arrangements with third-party e-commerce platforms, in particular, Amazon and Wish, could have a material adverse effect on our business and results of operations."

Taking into account that (i) despite the fact that Amazon was our most important third-party e-commerce platform since 2019, we also operate and are actively expanding our sale on other third-party e-commerce platforms with growth potential and self-operated online stores, (ii) we were the second largest platform-based sellers in terms of GMV generated through Amazon amongst all platform-based sellers on Amazon in China's cross-border e-commerce export B2C apparel and footwear market in 2021, according to Frost & Sullivan, (iii) our strong capacities in product cultivation and self-design as evidenced by the numerous hot-selling products we had cultivated during the Track Record Period, and the fact that over 90% of our products were self-designed, which distinguished us from other market players and empowered us to continue the growth on Amazon; and (iv) we have maintained good relationships with Amazon in the past without any material dispute, our Directors are of the view and the Joint Sponsors concur that our relationship with Amazon is mutually beneficial and the likelihood that the relationship with Amazon may be materially adversely changed or terminated is low.

We established our self-operated online stores in 2018 with the intention to strengthen our operation. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our sale through our self-operated online stores amounted to RMB109.7 million, RMB362.6 million, RMB257.3 million, RMB172.6 million and RMB74.8 million, respectively.

The following table sets forth the breakdown of our revenue by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Third-party E-commerce Platforms										
Amazon	450,152	31.5	615,117	32.4	1,672,349	71.2	629,382	57.2	1,157,463	90.6
Wish	778,482	54.5	841,108	44.3	304,125	13.0	224,981	20.4	21,745	1.7
Others(1)	84,019	5.9	49,663	2.6	75,805	3.2	43,292	3.9	21,095	1.7
Sub-total	**1,312,653**	**91.9**	**1,505,888**	**79.3**	**2,052,279**	**87.4**	**897,655**	**81.5**	**1,200,303**	**94.0**
Self-operated Online Stores	109,708	7.7	362,601	19.1	257,319	11.0	172,612	15.7	74,756	5.8
Others(2)	6,493	0.4	29,620	1.6	36,945	1.6	30,419	2.8	2,468	0.2
Total	**1,428,854**	**100.0**	**1,898,109**	**100.0**	**2,346,543**	**100.0**	**1,100,686**	**100.0**	**1,277,527**	**100.0**

Notes:

(1) Primarily include eBay and AliExpress.

(2) Primarily represent our offline sale of apparel and other products to corporate customers. Corporate customers may place orders either through third-party e-commerce platforms or offline directly to us. For sale through third-party e-commerce platforms, the transaction flow is the same as that of our customers and such revenue is included in revenue generated through third-party e-commerce platforms. For procurement orders they directly placed offline, we deliver products as requested and they settle the payment subsequently. Our revenue generated from offline sale of apparel and other products to corporate customers increased significantly during the years ended December 31, 2019, 2020 and 2021, primarily due to the diversification of our product offerings which was in line with the expansion of our business and our sale to Jiahe Group and Super Summer. Our revenue generated from offline sale of

apparel and other products to corporate customers decreased in the first half of 2022, primarily as we strategically focused more on our principal business, namely, sale of apparel and footwear products to overseas individual customers, and reduced sale of other products, in particular, furniture and outdoor and sports goods to corporate customers during the same period.

For detailed discussion of our sales channels, see "– Our Business Process – Sales and Marketing – Third-party E-commerce Platforms" below.

Our Geographical Coverage

In addition, we have a worldwide customer geographical coverage. As of the Latest Practicable Date, our products had been primarily sold to customers located in over 80% of countries and regions globally, including among others, the United States, Germany and France. For detailed discussion of our geographical coverage, see "– Our Business Process – Our Geographical Coverage" below.

OUR PRODUCTS

Our Product Portfolio

Our extensive product portfolio primarily comprises apparel and footwear products. The following table sets forth a breakdown of our revenue, sales volume, average selling price and price range by our key product category for the periods indicated:

	Year ended December 31,											
	2019				2020				2021			
	Revenue[1]	Sales volume[1]	Average selling price[1]	Price range	Revenue[1]	Sales volume[1]	Average selling price[1]	Price range	Revenue[1]	Sales volume[1]	Average selling price[1]	Price range
	RMB'000	'000 pc	RMB	RMB	RMB'000	'000 pc	RMB	RMB	RMB'000	'000 pc	RMB	RMB
Apparel Products[2]	1,146,892	12,737	90	7-331	1,338,415	13,628	98	7-343	1,833,677	13,837	133	6-353
Footwear Products[2]	256,409	1,180	217	60-399	401,130	1,676	239	69-346	453,615	1,773	256	62-382
Other Products[3]	25,553	1,077	24	6-309	158,564	5,341	30	3-2,414	59,251	700	85	3-1,044
Total	**1,428,854**	**14,994**	**95**	**6-399**	**1,898,109**	**20,645**	**92**	**3-2,414**	**2,346,543**	**16,310**	**144**	**3-1,044**

	Six months ended June 30,							
	2021				2022			
	Revenue[1]	Sales volume[1]	Average selling price[1]	Price range	Revenue[1]	Sales volume[1]	Average selling price[1]	Price range
	RMB'000	'000 pc	RMB	RMB	RMB'000	'000 pc	RMB	RMB
	(unaudited)							
Apparel Products[2]	824,458	6,974	118	7-549	1,016,658	6,378	159	10-387
Footwear Products[2]	229,337	1,021	225	82-439	258,087	908	284	101-444
Other Products[3]	46,891	799	59	3-1,989	2,782	20	139	3-1,692
Total	**1,100,686**	**8,794**	**125**	**3-1,989**	**1,277,527**	**7,306**	**175**	**3-1,692**

Notes:

(1) The returned products were excluded from the calculation of revenue, sales volume and average selling price.

(2) During the Track Record Period, the prices of apparel and footwear products sold by us might be lower than the low-end of such price range when we offered discount to customers, while the prices of certain apparel and footwear products for winter season sold by us might be higher than the high-end of such price range. For illustration purpose, during the calculation of such price range, we excluded outliers from our statistical data of all products within their respective product category, representing approximately 2% of the orders of which the prices were either extremely high or extremely low, which we believe may distort statistical analysis and be less indicative. The extremely low prices were primarily the prices for promotional products, while the extremely high prices were primarily the prices for products that are sold occasionally in small quantity.

(3) Mainly include electronic devices (such as earphones, home cameras and signal boosters), stationery and sporting goods, etc. The high-end of price range for other goods sold in 2020, 2021 and the first half of 2021 and 2022 were relatively high, primarily as we sold outdoor sporting goods in the same periods. For illustration purpose, during the calculation of such price range, we excluded outliers from our statistical data of all other products, representing approximately 2% of the orders of which the prices were either extremely high or extremely low, which we believe may distort statistical analysis and be less indicative. The extremely low prices were primarily the prices for promotional products, while the extremely high prices were primarily the prices for products that are sold occasionally in small quantity.

The following table sets forth a breakdown of our sales income, sales volume, average selling price and price range by subcategory of our apparel products for the periods indicated:

	Year ended December 31,												Six months ended June 30,							
	2019				2020				2021				2021				2022			
	Sales income(1)	Sales volume	Average selling price(2)	Price range(3)	Sales income(1)	Sales volume	Average selling price(2)	Price range(3)	Sales income(1)	Sales volume	Average selling price(2)	Price range(3)	Sales income(1)	Sales volume	Average selling price(2)	Price range(3)	Sales income(1)	Sales volume	Average selling price(2)	Price range(3)
	RMB'000	*'000 pc*	*RMB*	*RMB*	*RMB'000*	*'000 pc*	*RMB*	*RMB*	*RMB'000*	*'000 pc*	*RMB*	*RMB*	*RMB'000*	*'000 pc*	*RMB*	*RMB*	*RMB'000*	*'000 pc*	*RMB*	*RMB*
Women's apparel and related products(4)	1,139,022	13,669	83	7-289	1,309,778	16,343	80	7-278	1,868,530	14,424	130	6-281	840,292	7,631	110	7-296	1,166,951	7,272	160	11-360
Men's apparel products	192,904	1,594	121	13-331	226,815	1,683	135	14-343	306,457	1,948	157	10-353	136,253	977	139	18-367	155,659	975	160	24-387
Children's apparel products	39,232	601	65	7-211	32,279	449	72	7-207	79,731	645	124	8-214	17,714	192	92	13-222	51,312	392	131	21-229
Other apparel products	3,894	42	93	10-267	3,934	60	66	7-278	2,922	49	60	7-296	2,524	46	55	13-549	148	2	74	10-225
Total apparel products	**1,375,052**	**15,906**	**86**	**7-331**	**1,572,806**	**18,535**	**85**	**7-343**	**2,257,640**	**17,066**	**132**	**6-353**	**996,783**	**8,846**	**113**	**7-549**	**1,374,070**	**8,641**	**159**	**10-387**

Notes:

(1) The sales income included transaction amount of apparel products returned to us. As excluded from our revenue, the total transaction amount of apparel products returned to us, according to our internal record, amounted to RMB165.3 million, RMB190.9 million, RMB383.6 million, RMB144.6 million and RMB339.6 million in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively, representing approximately 12.0%, 12.1%, 17.0%, 14.5% and 24.7%, respectively, of the total transaction amount of our apparel products delivered for the same periods. The products returned to us are recorded under the general apparel product category instead of the breakdown for each subcategory.

The increase in transaction amount of apparel products returned to us in 2021 was primarily due to the increase of our sale through Amazon under the FBA model, which provided customers with more flexible return policy as compared with those delivered through international direct mail method. As a result, we recorded increased product return rate in that year.

The significant increase in transaction amount of apparel products returned to us in the first half of 2022 was primarily as (i) the high inflation and the increasing interest rates in the United States in the first half of 2022 had negatively affected the spending power and changed the purchasing habits of our customers in the United States, resulting in more conservative consumption and more frequent product return, as confirmed by Frost & Sullivan, as a result of which, customers may purchase several products and only keep their most favorable product while returning the rest after fitting; and (ii) Amazon adopted a flexible product return policy allowing unconditional product returns within 30 days upon delivery. Accordingly, we recorded increased product return rate during the same period.

(2) The calculation of sales volume and average selling price included apparel products returned to us. The increase of the average selling prices of the women's apparel and related products, men's apparel products and children's apparel products in 2021 was caused by the increase of our sale through Amazon, which primarily targets mid- to high-end customers with strong spending power and our selling prices on which are relatively high.

(3) For illustration purpose, during the calculation of price range, we excluded outliers from our statistical data of all apparel products within their respective product subcategory, representing approximately 2% of the orders of which the prices were either extremely high or extremely low, which we believe may distort statistical analysis and be less indicative. The extremely low prices were primarily the prices for promotional products, while the extremely high prices were primarily the prices for products that are sold occasionally in small quantity.

(4) Women's apparel and related products include apparel products for women and related products, such as accessories.

Our Key Brands and Hot-Selling Products

We have strong self-owned brands and outstanding brand cultivation capabilities. We have successfully built the brand matrix comprising various self-owned brands for different types of products and an efficient branding model. During the Track Record Period, we had cultivated over 300 brands, among which, 87 were our key brands, with annual sales of over RMB10.0 million each.

The following table sets forth certain of our key brands during the Track Record Period:

Key brands	Logo	Type of products	Major sales platforms	Sample	
Women's Apparel					
Imily Bela	Imily Bela®	Women's and children's apparel	Amazon		
Saodimallsu	Saodimallsu	Women's apparel	Amazon		
Dellytop	Dellytop	Women's apparel	Amazon		
Tutorutor	Tutorutor	Women's apparel and swimsuit	Amazon		

Key brands	Logo	Type of products	Major sales platforms	Sample	
Farktop	Farktop	Women's apparel	Amazon		
Men's Apparel					
Runcati	Runcati	Men's apparel	Amazon		
Women suit					
Cicy Bell	CICY BELL	Women's suit	Amazon		
Footwear					
Jolimall	Joli Jolimall	Footwear	Self-operated online store, Wish		
Sportswear					
Aurgelmir	Aurgelmir	Women's sportswear	Amazon		

Over the years, we have cultivated numerous hot-selling products with annual sales of more than 2,000 pieces. Our product designs are data-driven, and our hot-selling products are known for their stable sales volumes and income in the first three to four years since launch and long life cycles. The high sales volume and long life cycle of our hot-selling products also enable us to lower our procurement costs leveraging our strong supply chain thereby achieving relatively higher gross margin than other products. With our experience in the apparel industry and multi-brand development, we had designed and sold 6,473 hot-selling products as of June 30, 2022.

The following table sets forth our top 10 hot-selling products on Amazon for the six months ended June 30, 2022 and their respective sales volume during the Track Record Period:

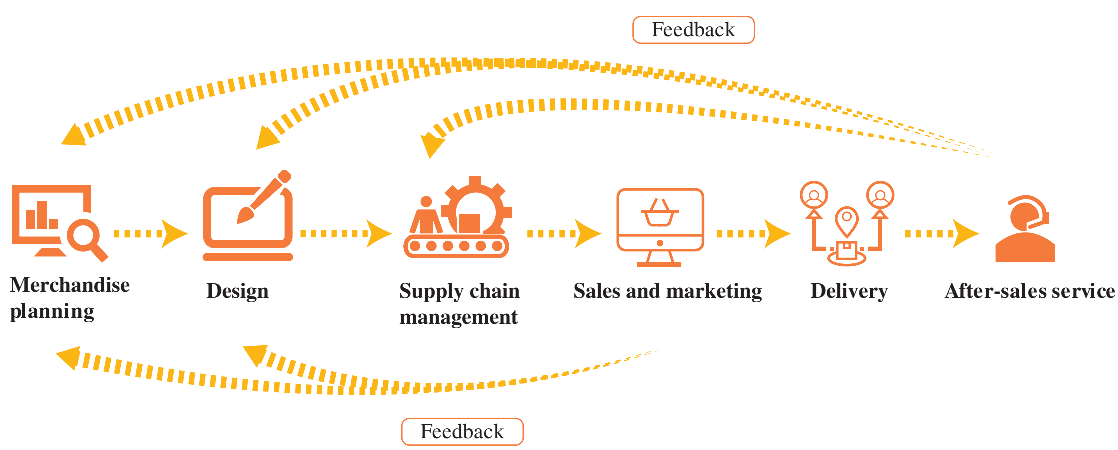
					Sales volume			
					Year ended December 31,			Six months ended June 30,
Photo	Brand	Product type	Year of Launch	Platform	2019	2020	2021	2022
					(’000 pc)			
	Cicy Bell	Women suit	2019	Amazon	0.8	21.7	208.1	242.7
	Langwyqu	Women tops	2021	Amazon	–	–	39.3	88.1
	Makkrom	Men shirt	2018	Amazon	10.6	27.7	109.7	77.6
	Yobecho	Women dress	2019	Amazon	19.7	48.7	149.6	76.4
	Runcati	Women shirt	2018	Amazon	24.3	36.7	122.8	76.0

Photo	Brand	Product type	Year of Launch	Platform	Sales volume			
					Year ended December 31,			Six months ended June 30,
					2019	2020	2021	2022
					('000 pc)			
	Wenrine	Women tops	2019	Amazon	13.9	20.6	78.1	67.4
	Hestenve	Men shirt	2020	Amazon	–	3.8	52.9	51.7
	Jeanewpole	Women dress	2019	Amazon	–	11.7	86.2	49.4
	Beautife	Women tops	2020	Amazon	–	–	60.5	48.7
	Langwyqu	Women tops	2021	Amazon	–	–	0.9	46.1

Generally, our hot-selling products have stable sales volumes and income in the first three to four years since launch and long life cycles. For example, the hot-selling products we launched in 2019 had continuously contributed sales income in 2019, 2020 and 2021 which continued in 2022. Different from our hot-selling products, certain of our other products are also able to contribute sustainable sales income for over three years, although not as much as that of our hot-selling products. Generally, the life cycle of our hot-selling products is more than five years and the life cycle of our other products is nearly two years. Our hot-selling products launched in 2019 recorded accumulated sales income of over RMB1.7 billion from 2019 to the first half of 2022, while our remaining products launched in 2019 recorded accumulated sales income of over RMB500.0 million during the same periods. Leveraging the sustainable sales volumes and income and long life cycle of our hot-selling products and utilizing our integrated supply chain, we are able to negotiate for better procurement price when we place additional orders with our OEM suppliers, thereby reducing our procurement costs.

OUR BUSINESS PROCESS

Our business process involves merchandise planning, design, supply chain management, sales and marketing, delivery, as well as after-sales services. The following diagram illustrates our typical business process.



Merchandise Planning

Our ability to quickly launch fashion apparel and footwear products of the season to obtain and expand our market share depends on our capabilities to carry out merchandise planning for our product design and marketing. Our product planning department consisting of our most experienced designing director(s) (設計師總監), operating director(s) (運營總監) and supply chain director(s) (供應鏈總監), is actively involved in the market-oriented planning of our product design and marketing.

Our merchandise planning comprises planning and development of new products and cultivation of hot-selling products. We generally schedule new product planning prior to each new season, to determine our major products of the season, the production volume of each type of products, style and specifications of our major products and the launch time. Meanwhile, we commence hot-selling product cultivation at the same time, by analyzing the historical sales performance, the competitiveness of our existing hot-selling products, and the overall fashion and retailing trends, to determine the production volume and launch time, and thus ensuring the timely and sufficient supply of our hot-selling products. With in-depth market observation and understanding of the fashion trend, our merchandise planning helps address the evolving market demand properly and timely.

Data-Driven Product Design

Our success depends highly on our ability to design the products that can be well-received by the market. Our core competitiveness is our independent data-driven design capabilities. Since our inception, the vast majority of our products were self-designed, which distinguished us from other market players in the cross-border e-commerce export B2C apparel and footwear industry, and empowered us with the strong capabilities of fast product design, a good understanding of customers' demand and quick response to the market. During the Track Record Period, over 90% of our products were self-designed. We also procure a small amount of products from OEM suppliers that were either designed by them or third parties.

Product Design Database

Our data-driven design capabilities are supported by our product design database comprising massive design data, such as customer profiles and preferences, product styles, fabric and accessories samples, digital patterns, and fashion elements that we have accumulated during our operations over the years. Benefiting from our extensive data, our designers are able to efficiently apply patterns, fabric and accessories and user reviews from our database to new garment styles, to better satisfy customer demand and improve their satisfaction.

As of June 30, 2022, we had approximately 62,680 apparel and footwear styles and approximately 59,850 fabric and accessory samples accumulated in our product design database.

Product Design Team

Our experienced in-house fashion-conscious and data-driven design team consisted of 344 members as of June 30, 2022. Our design team comprises a front-end fashion research team and a back-end product design team. Our front-end fashion research team is mainly responsible for observing and analyzing the fashion trend of a series of products targeting a specific customer group and selecting variations on the fashion elements for the current season based on the previous sales statistics and the estimated upcoming fashion trend. To grasp a sense of the market and the access to the latest fashion trend, our front-end fashion research team browses fashion websites, global social media platforms and online platforms, and studies the sales of new apparel products frequently. On the other hand, our back-end design team focuses on designing and styling a series of appealing products and identifying the fabric and accessories used in collaborating with our procurement team. We employ different design groups for each product category, such as sweaters, T-shirts and shoes, to maximize the utilization of specialized design skills for each category. Most of our designers have accumulated experience in data analysis, which is essential to efficiently carry out marketing research and analysis. We hold design meetings frequently to review the sales performance of our products and customer feedback, to further improve and upgrade the quality of our products. In 2021, we significantly expanded our design team to enhance our design capacity for our operations on Amazon. Our new design team has achieved satisfactory performance, including the introduction of a number of products under new categories, such as outdoor clothing, men's yoga clothing, infant and kids clothing, and the cultivation of more products recognized as Top 100 Amazon best-seller products. We believe all these efforts would have laid a solid base for our future growth.

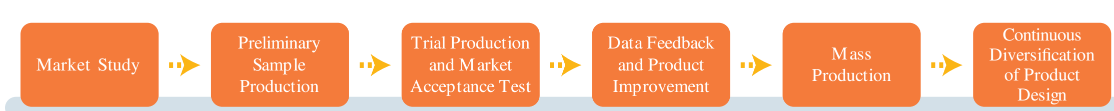
Product Design Model and Training

Different from traditional apparel enterprises whose design team normally focuses on offline design without the support of online market data analysis and sales data feedback, we adopt a model of designer organization and training, under which our designers are distributed in dozens of teams. All design team share our database and design back-end products in a standardized process, from analyzing data, collecting popular elements from the internet, drawing digital samples, and selecting fabric and accessories to completing a garment style. A design team and a sales team are further merged into a unit to timely and efficiently obtain sales statistics of a garment style. This model not only diversifies our products but enables them to better fit the market need.

Our mature and standardized product design and training model enables our designers to utilize their own design experience and empower them to improve their design capabilities, and in turn quickly enhance our design and development capabilities.

Product Design Process

Product design is crucial to our success as a cross-border e-commerce provider in exporting B2C apparel and footwear products. Our typical product design process is illustrated as follows:



- *Market Study.* Based on the merchandise planning and complemented by the market and product positioning, our experienced and data-driven designers conduct market study, mainly through online research, to analyze customers preferences and the most recent popular elements to select the pattern, color, detailed elements, size, and fabric and accessories to be used, leveraging our comprehensive database of fashion elements, fabric and accessories and patterns. Designers then formulate detailed two-dimensional sketches or three-dimensional product images using editing software for the subsequent trial production.

- *Preliminary Sample Production.* To visualize design concepts into prototypes, our design team selects proper fabric and accessories and produces samples based on the design sketches or product images.

- *Trial Production and Market Acceptance Test.* To efficiently introduce new products while minimizing their slow-moving risk, we only place a preliminary order for a small production volume, ranging from dozens to a thousand, with the OEM suppliers as the first batch of the new product. It generally takes seven to 10 days from preliminary sample production to the launch of the first batch of products.

- *Data Feedback and Product Improvement.* We closely monitor the sales performance of our new products and consumer responses regularly. To this end, our digital system collects customer feedbacks using keywords searches such as comments on our fabric and accessories and pattern, to generate report for our design team to follow up. Based on the analysis of sales statistics and customer feedbacks of our products, we keep optimizing our product design and coordinating with relevant OEM suppliers to improve their production technology, optimize our product portfolio, and further enhance our customer satisfaction.

- *Mass Production.* Based on the sales performance and ranking of our products, we conduct internal evaluation utilizing our SCM system to predict future sales performance of such products in the following three months. For products with stable historical sales performance and positive customer feedback, we place relatively large-scale production orders with the OEM suppliers and require them to purchase designated fabric and accessories, to satisfy future orders while at the same time enhancing our bargaining power and cost advantage.

- *Continuing Diversification of SKU Design.* We focus on iterating our products by continuously adding new features (such as decoration details or color) into our existing products and launching new products to better cater to the evolving customer needs. Leveraging our evolving database such as fashion element database, our designers are able to rapidly expand our product portfolio. In addition, benefiting from our deep understanding of customer preference, we are able to cultivate hot-selling products and prolong the lifespan of our hot-selling products, strengthening the competitiveness of our products.

Customers value self-designed products. Our strong capabilities in market study and analysis enable us to identify evolving market needs, and our experienced design team enables us to respond to the market timely.

Supply Chain Management

We strategically focus on the design and marketing of our apparel and footwear products. In light of the abundant apparel production capacity in China, we procure from OEM suppliers instead of maintaining our own production facilities. Therefore, all of our products are produced by third-party manufacturers on an OEM basis. For details of our OEM suppliers, see "– Supply Chain Management – Our OEM Suppliers." We also leverage our SCM system to manage our OEM suppliers online, through which we are able to digitally allocate the orders to our OEM suppliers based on their previous performance and monitor the progress on an ongoing basis.

Sales and Marketing

As of the Latest Practicable Date, our products have been sold through either third-party e-commerce platforms or our self-operated online stores to customers located in over 80% of the countries and regions globally, including among others, the United States, Germany and France.

Third-party E-commerce Platforms

Collaboration with Third-party E-commerce Platforms

We have been focusing on overseas third-party e-commerce platforms since 2014. Amazon, Wish and other third-party e-commerce platforms we cooperate with are all scalable, popular and reputable e-commerce B2C platforms with a global online retail network, and it is an industry norm for market participants like us to sell products through such third-party e-commerce platforms. According to Frost & Sullivan, in 2021, the total market share of Amazon and Wish in China's cross-border e-commerce export B2C market as measured by GMV generated by China-based sellers was 43.3%. Compared to offline sales channels, the scalability of e-commerce platforms allows us to penetrate target regions at relatively low entry cost, which in turn, will facilitate our customer acquisitions. Besides, leveraging the large customer base of, and vast user traffic on major third-party e-commerce platforms, we can reach more customers who have online shopping habit, achieve more market exposures from customers and enjoy premium marketing resources on these third-party e-commerce platforms, as well as quickly ramp up the sales of new products.

Sale Through Amazon

According to Frost & Sullivan, Amazon was the largest third-party cross-border e-commerce export B2C platforms in 2021 on which China-based sellers generated GMV of US$163.7 billion for the same year, accounting for approximately 71.6% of the total GMV generated by China-based sellers on Amazon, Wish, eBay and AliExpress in 2021. Being the largest third-party e-commerce platform, Amazon has attracted and maintained a large and diverse customer pool comprising loyal customers worldwide with strong spending powers, in particular, those in the United States and Europe. In addition, Amazon has strong local service capabilities and convenient after-sales services which enhance its capability to attract and maintain its customers. Moreover, the overall quality and customer satisfaction of products on Amazon are relatively high, as a result of which, customers on Amazon generally have stronger spending power and products sold on Amazon have a longer life cycle and a higher gross profit. Therefore, sellers on Amazon are in a better position to manage their cost and inventories. Further, leveraging our experience accumulated over our years of operations on Amazon and the relatively long life cycle of products sold through Amazon, we are able to better estimate our Amazon's sales volume and manage our supply chain to achieve better profitability. According to Frost & Sullivan, apparel and footwear products on Amazon are growing rapidly with huge market potential, which is expected to reach approximately RMB591.7 billion, attaining a CAGR of approximately 20.7% between 2021 and 2026.

Attracted by the strong customer spending power as well as the diversified customer needs on Amazon, we commenced our sale through Amazon's Seller Central program in the United States in 2014. In 2019 and 2020, our revenue generated from sale through Wish contributed most to our total revenue, but our sale through Amazon grew rapidly and our revenue generated from Amazon contributed most to our total revenue in 2021 and the first half of 2022. We expect this trend to continue. Our revenue generated from sale through Amazon amounted to RMB450.2 million, RMB615.1 million, RMB1,672.3 million, RMB629.4 million and RMB1,157.5 million, respectively, accounting for 31.5%, 32.4%, 71.2%, 57.2% and 90.6%, respectively, of our total revenue in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022.

We sell our products through Amazon's Seller Central program, one of Amazon's retail seller programs. Under Amazon's Seller Central program, we sell products at retail price to customers on Amazon directly while we use certain services offered by Amazon, such as picking, packaging, distribution, return and warehouse services, and pay service fees to Amazon separately, ranging from 15% to 17% calculated on the total sales amount. In addition to retail price, our customers are also obligated to pay Amazon their consumption tax or other similar tax together with their purchase price. We primarily use Amazon's FBA services where we ship inventories to Amazon's warehouses and Amazon fulfills the order to our customers on our behalf. To a lesser extent, we use Amazon's FBM services where we typically arrange shipment through third-party logistics service providers from our or our OEM suppliers' warehouses in China to our customers directly.

Amazon offers standardized arrangements for all sellers, which are set out on Amazon's website. We entered into such agreements with Amazon under the Seller Central program, the salient terms of which are set out as follows:

- *Term and termination.* The term of Amazon's service starts on when we register or when we first use Amazon's Seller Central services, whichever occurs first. We may unilaterally terminate the agreement at any time on notice to Amazon. Amazon may unilaterally terminate the agreement (i) upon 30 days advance notice; and (ii) if we materially breach the agreement and do not rectify our breach within seven days, or without notice upon the occurrence of a number of stipulated events, including using our account for deceptive or fraudulent purpose;

- *Logistics.* When we do not deliver under Amazon's FBA model, we can determine the shipping and handling charges. We engage third-party logistics service providers to ship products to customers and we are responsible for the shipping expenses, customs duties, taxes, and other charges which we normally charge customers for the same. We retain ownership of the products and generally bear the risk of damage or loss until the products are sold and delivered to the customers;

- *Fulfilment and warehouse services.* We usually use the FBA services, where Amazon will ship products from their warehouses to our customers on our behalf. We bear shipping expenses, custom duties, taxes, and other charges. We retain ownership of the products and generally bear the risk of damage or loss until the products are sold and delivered to the customers;

- *Product return.* Our customers are generally allowed to return the purchased products at the sole discretion of Amazon. Products shipped from Amazon under FBA model, can be returned within a period of time upon receipt of shipment. Some products have different policies or requirements associated with them. Generally, the return period is 30 days in most cases. In case product return is allowed, Amazon will make refunds to customers in the manner Amazon determines and we will reimburse Amazon for all refunds;

- *Credit control.* Amazon generally settles outstanding balance with us every 14 days;

- *Consumption tax.* The consumption tax imposed on our products is generally included in the payment by customers. Amazon collects and remits relevant tax in accordance with relevant laws and regulations, if applicable, on behalf of us; and

- *Platform service fees.* We shall pay Amazon the applicable service fees as set out in the applicable service fee schedule, ranging from 15% to 17% calculated on the total sales amount. Amazon settles the outstanding balance with us after deducting the service fees they charge us.

During the Track Record Period, neither had our seller stores on Amazon been suspended by Amazon, nor had our sales proceeds been withheld by Amazon, resulting in any material adverse impact on our business operations or financial results.

Sale Through Wish

According to Frost & Sullivan, Wish was the fourth-largest third-party cross-border e-commerce export B2C platform in 2021 on which China-based sellers generated GMV of US$11.7 billion for the same year, accounting for approximately 5.1% of the total GMV generated by China-based sellers on Amazon, Wish, eBay and AliExpress in 2021. Wish covers a wide customer base consisting of customers from over 100 countries. As compared with other third-party e-commerce platforms, Wish has more younger customers who have great demand for fast fashion products, as a result of which, we believe Wish's operating mechanism facilitates the fast launch of our hot-selling products. Therefore, we have historically achieved remarkable sales success on Wish.

We commenced our sale through Wish in the United States and Europe in 2015. Targeting customers at young ages with fast-changing demands and relatively low spending power, we generally set relatively low prices for the products we sell through Wish, thus generating lower gross profit compared to that of Amazon. Our revenue generated from sale through Wish amounted to RMB778.5 million, RMB841.1 million, RMB304.1 million, RMB225.0 million and RMB21.7 million, respectively, accounting for 54.5%, 44.3%, 13.0%, 20.4% and 1.7%, respectively, of our total revenue in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022.

Wish offers standardized arrangements for all sellers, which are set out on Wish's website. We entered into such agreements with Wish, the salient terms of which are set out as follows:

- *Term and termination.* The term of Wish's service starts on when we register;
- *Logistics.* We are generally obligated to ship products to our customers directly and bear the costs;
- *Product return.* Our customers are generally allowed to return the purchased products within a period of time and are eligible for a refund. Generally, the return period is 30 days in most cases. If the confirmed fulfilment date is five calendar days or more after an order's release date, we are responsible for 100% of the cost of a refund on that order;
- *Credit control.* Wish generally settle outstanding balance with us every half month;
- *Consumption tax.* The consumption tax imposed on our products is generally included in the payment by customers and Wish collects and remits relevant tax in accordance with relevant laws and regulations, if applicable, on behalf of us; and

- *Platform service fee.* We shall pay Wish the applicable service fees as described in the applicable service fee schedule, which is generally 15% calculated on the total sales amount. Wish settles the outstanding balance with us after deducting the service fees they charge.

Similar as Amazon, our customers on Wish are also obligated to pay Wish their consumption tax or other similar tax together with their purchase price.

Sale Through Other Third-party E-commerce Platforms

Apart from Amazon and Wish, we also sell products through various other third-party e-commerce platforms, including eBay, AliExpress, TikTok and Fanno to different countries. Our revenue generated from sale through these third-party e-commerce platforms amounted to RMB84.0 million, RMB49.7 million, RMB75.8 million, RMB43.3 million and RMB21.1 million, respectively, accounting for 5.9%, 2.6%, 3.2%, 3.9% and 1.7%, respectively, of our total revenue in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022.

Similar to Wish, other third-party e-commerce platforms, such as eBay, AliExpress, TikTok and Fanno also offer standardized arrangements for sellers, which are set out below:

- *Term.* The term of service starts on when we register or when we first use their service;

- *Logistics arrangement.* There is no restriction on us to choose logistics service providers for product delivery except for that to some countries as specified by AliExpress;

- *Product return.* Our customers are generally allowed to return the purchased products within a period of time and eligible for a refund. On AliExpress, customers are generally required to return the products in ten days after applying for the refund, while on eBay, sellers have the rights to set their own return policies, including but not limited to the time period and the cost bearer. On Fanno and TikTok, customers are generally required to return products within 14 days upon delivery;

- *Platform service fee.* The service fee we pay to AliExpress varies depending on the types of products we sell, ranging from 5% to 8% of the total sales amount. eBay charges us a service fee, ranging from 10.9% to 11.7% of the total sales amount, depending on the sites for different countries. Fanno and TikTok charge us based on the purchase price paid by the customers per order; and

- *Tax payments*. All applicable taxes for our sale through these third-party e-commerce platforms are required to be collected, remitted and paid by us and/or such platforms in accordance with relevant laws and regulations.

Our Self-Operated Online Stores

Apart from e-commerce platforms, we also sell products through self-operated online stores to customers across countries such as the United States and Australia. As of the Latest Practicable Date, all of our self-operated online stores were operated on proprietary websites. We commenced our sale through self-operated online stores in 2018, focusing on the sale of footwear products. We used to sell footwear products through self-operated online stores mainly under the brand "Jolimall" during the Track Record Period, which had been replaced by our new brand, "Tinstree" since the second half of 2021. We also launch new brands through such platforms from time to time.

The most prominent features of our self-operated online stores are our digital advertising, considerate customer service and evolving sales potential in the market. Self-operated online stores collect complete customer profiles so we can closely interact with them. Our typical customer base is women aging from 25 to 40, and our main products are women's shoes typically with unit prices between US$25 to US$40.

We typically arrange shipment through third-party logistics service providers from our warehouses to our customers directly and bear the shipping expenses, applicable taxes in connection with shipping, and other charges imposed on our products. We generally allow customers on self-operated online stores to unconditionally return our products within 14 days upon receipt, or within 30 days due to certain reasons including unfit sizes, product defects, packaging defects, and delivery delay.

Our self-operated online stores experienced rapid growth in 2019 and 2020. In 2021, to enhance profitability and concentrate our resources to cultivate our brands and streamline our self-operated online store business, we strategically cultivated selected self-operated online stores with better sales performance in the first half of 2021, while reducing selling and marketing efforts on other self-operated online stores, thus recorded decreased revenue generated from sale through self-operated online stores in the same year. Our revenue generated from sale through our self-operated online stores amounted to RMB109.7 million, RMB362.6 million, RMB257.3 million, RMB172.6 million and RMB74.8 million, respectively, accounting for 7.7%, 19.1%, 11.0%, 15.7% and 5.8%, respectively, of our total revenue in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022.

Key Operating Data of Our Business

The following table sets forth the key operating data of our online seller stores on Amazon for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Key operating data				
Number of orders[1] *(in thousands)*	3,127	4,115	11,103	7,876
Sales income[1] *(RMB in millions)*	574.8	758.5	2,103.2	1,574.4
Average price per order *(RMB)*	183.8	184.4	189.4	199.9
Range of order size[2] *(RMB)*	47-491	49-502	49-584	64-394
Return rate[3] (%)	18.5	17.1[4]	19.8[5]	25.5[6]
Repeat customer rate[7] (%)	N/A	N/A	N/A	N/A

Notes:

(1) The number of orders refers to the number of orders placed by customers and shipped by us, and the sales income refers to the total transaction amount of the orders placed by customers and shipped by us. The calculation of number of orders and the sales income included returned products, and excluded canceled orders and transactions with our corporate customers through third-party e-commerce platforms.

(2) The range of order size is broad as the order size may vary significantly depending on the quantity and price of products purchased in one single order. For illustration purpose, the range of transaction size of Amazon, Wish and other third-party ecommerce platforms refers to the range of transactions size of our top 20 online seller stores with the largest transaction volume, under their respective category. When calculating the price range, we excluded outliers from our statistical data, representing approximately 2% of the orders of which the prices were either extremely high or extremely low, which we believe may distort statistical analysis and be less indicative. The extremely low prices were primarily the prices for promotional products, while the extremely high prices were primarily the prices for products that are sold occasionally in small quantity.

(3) Return rate was calculated by dividing the transaction amount of products returned to us by our sales income during the relevant year/period. Given the time difference between product delivery, revenue recognition and product return, the amount of returned products may include products ordered in the previous year/period and returned in the relevant year/period and does not reflect products ordered in the relevant year/period and returned in the following year/period.

(4) We recorded decreased product return rate for our sale through Amazon in 2020, primarily because footwear products sold represented a decreased portion of our total revenue in 2020 as compared to that in 2019, which normally have a relatively high product return rate due to the discrepancies in shoe's size among different regions.

(5) We recorded increased product return rate for our sale through Amazon in 2021, as footwear products sold represented an increased portion of our total revenue in 2021 as compared to that in 2020. In addition, the increased product return rate was also attributable to more flexible product return policies adopted by Amazon since August 2021.

(6) We recorded increased product return rate for our sale through Amazon in the first half of 2022, primarily as (i) the high inflation and the increasing interest rates in the United States in the first half of 2022 had deteriorated the spending power and changed the purchasing habits of our customers in the United States, resulting in more conservative consumption and more frequent product return, as confirmed by Frost & Sullivan, as a result of which, customers may purchase several products and only keep their most favorable product while returning the rest after fitting; and (ii) Amazon adopted a flexible product return policy allowing unconditional product returns within 30 days upon delivery.

(7) Due to the system restriction, we do not have full user data for customers chose FBA model. As a result, we do not have full statistics to calculate repeat customer rate of our seller stores on Amazon.

The following table sets forth the key operating data of our online seller stores on Wish for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Key operating data				
Number of orders *(in thousands)*	12,029	15,186	4,096(2)	223(2)
Sales income *(RMB in millions)*	863.3	916.0(1)	305.2(2)	20.4(2)
Average price per order *(RMB)*	71.8	60.3	74.5	91.1
Range of order size *(RMB)*	14-262	13-267	14-319	20-343
Return rate (%)	8.4	8.9	5.8	4.8
Repeat customer rate(3) (%)	33.8	40.1(4)	23.2(5)	7.5(5)

Notes:

(1) The increase of the sales income generated from Wish in 2020 was generally in line with the fluctuation of our revenue generated from sale through Wish. Our revenue generated from Wish increased in 2020, primarily due to our increased sales through Wish to North America in 2020, as (i) Wish had adopted more flexible shipment policies; and (ii) we continued to focus more on the development of our sale to North American market through third-party e-commerce platforms, including Wish.

(2) The number of orders and sales income of our online seller stores on Wish experienced significant decline in 2021 and the first half of 2022, as we strategically shifted our business focus to sale through Amazon. In addition, as confirmed by Frost & Sullivan, there was a decline in the growth rate of GMV generated by China-based sellers on Wish since 2019, which resulted in significant decreases in both the number of orders and sales income of our online seller stores on Wish in 2021 and the first half of 2022. According to Frost & Sullivan, the annual growth rate of Wish was approximately -5.1%, 12.7% and -30.5% for the years ended December 31, 2019, 2020 and 2021, respectively.

(3) Repeat customer rate is calculated by dividing the number of customers who purchased from our seller stores more than once and the products had been shipped during the relevant year/period, by the total number of customers who purchased from our online seller stores and the products had been shipped during the relevant year/period.

(4) The increased repeat customer rate of Wish in 2020 was primarily due to higher online consumption facilitated more orders due to the outbreak of COVID-19 in 2020, especially in the first half of 2020.

(5) The decreased repeat customer rate of Wish in 2021 and the first half of 2022 was primarily due to the reduction in the investment in the marketing and advertising activities for our sale through Wish since the second half of 2020, with the intention to concentrate our resources on Amazon.

The following table sets forth the key operating data of our online seller stores on other third-party e-commerce platforms for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Key operating data				
Number of orders *(in thousands)*	1,094	755[1]	1,088[2]	287[3]
Sales income *(RMB in millions)*	107.4	55.9[1]	79.9[2]	24.0[3]
Average price per order *(RMB)*	98.1	74.0	73.4	83.5
Range of order size *(RMB)*	31-461	19-631	23-616	17-348
Return rate (%)	10.0	6.9	6.1	8.8
Repeat customer rate (%)	16.2	15.1	13.4	11.4[4]

Notes:

(1) The number of orders and sales income of our online seller stores on other third-party e-commerce platforms, experienced decrease in 2020, as certain new stores on other third-party e-commerce platforms recorded unsatisfactory sales performance and we subsequently consolidated our seller stores to focus on the operations on certain third-party e-commerce platforms, such as Joom and Walmart.

(2) The number of orders and sales income of our online seller stores on other third-party e-commerce platforms increased in 2021, primarily due to our increased sales through AliExpress. We newly established a number of online seller stores on AliExpress in the second half of 2020 and the first half of 2021. The increase was also attributable to more selling and marketing efforts on such platform.

(3) The number of orders and sales income of our online seller stores on other third-party e-commerce platforms decreased in the first half of 2022, primarily due to (i) less revenue generated from eBay in the first half of 2022, as in accordance with our Group's business strategies to focus on the sale of apparel and footwear products and gradually reduce our sale of other products since 2022, we reduced our sale of other products on eBay, such as furniture and sports goods, which were our primary products sold on such platform, and (ii) less revenue generated from Joom during the same period, mainly as we ceased our sale to certain countries or regions such as Russia and Ukraine that may subject us to sanction risks thus generated less revenue from there.

(4) The declining repeat customer rate of our online seller stores on other third-party e-commerce platforms during the Track Record Period, was primarily due to our reduction in investment in marketing and advertising activities on other third-party e-commerce platforms especially those failed to record satisfactory business performance, with the intention to concentrate our resources on Amazon.

The following table sets forth the key operating data of our self-operated online stores for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Key operating data				
Number of orders[1] *(in thousands)*	424	1,185[2]	757[5]	215[5]
Sales income[1] *(RMB in millions)*	117.2	406.9	274.9[5]	83.9[5]
Average price per order *(RMB)*	276.1	343.5[3]	363.0	390.1
Range of order size *(RMB)*[4]	118-833	102-1,110	180-1,158	142-455[7]
Return rate (%)	4.8	5.5	5.3	5.4
Repeat customer rate (%)	4.7	7.4[6]	7.0	7.5

Notes:

(1) The number of orders refers to the number of orders placed by customers and shipped by us, and the sales income refers to the total transaction amount of the orders placed by customers and shipped by us. The calculation of number of orders and the sales income included returned products, and excluded canceled orders and transactions with our corporate customers through our self-operated online stores.

(2) The number of orders increased significantly in 2020, as we expanded our operations of self-operated online stores and newly commenced operations of a large number of self-operated online stores during the same year.

(3) The increase in the average price per order in 2020 was primarily due to the rising logistics cost caused by COVID-19, as well as more footwear products sold with relatively high unit prices.

(4) The range of order size is broad as the order size may vary significantly depending on the quantity and price of products purchased in one single order. For illustration purpose, the above range of transaction size refers to the range of transactions size of our top 20 self-operated online stores with the largest transaction volume. When calculating the price range, we excluded outliers from our statistical data, representing approximately 2% of the orders of which the prices were either extremely high or extremely low, which we believe may distort statistical analysis and be less indicative. The extremely low prices were primarily the prices for promotional products, while the extremely high prices were primarily the prices for products that are sold occasionally in small quantity.

(5) The number of orders and sales income of our self-operated online stores decreased in 2021 and the first half of 2022, primarily as (i) we adjusted our operating strategies in the first half of 2021 to focus on the cultivation of selected self-operated online stores with better sales performance and profitability potential, which needs ramp-up time before the realization of normal growth, and (ii) we reduced our investment in the sales and marketing for our self-operated online stores during the same period.

(6) The increased repeat customer rate of our self-operated online stores in 2020 was primarily due to our efforts to cultivate selected self-operated online stores with better sales performance and profitability potential. The increased repeat customer rate was also in line with the increased sales through self-operated online stores in 2020.

(7) We recorded a relatively small range of order size for sale through our self-operated online stores in the first half of 2022, primarily due to decreased sale to corporate customers through self-operated online stores, resulting in relatively less procurement in a single order by individual customers as compared with those by corporate customers.

Our Business Maturity

Life Cycles of Our Stores

Among 392 existing seller stores we operated on Amazon as of the Latest Practicable Date, approximately 72.4% of them have been under operation for over one year, approximately 40.3% have been under operations for over two years, approximately 24.0% have been under operations for over three years, approximately 23.2% have been under operations for over four years and approximately 15.3% have been under operations for over five years. In addition, as we have registered a number of new stores on Amazon in 2021, 27.6% of our existing stores operated on Amazon have existed for less than one year.

Among 159 existing seller stores we have operated on Wish as of the Latest Practicable Date, all of them have been under operations for over four years, approximately 89.3% have been under operations for over five years, approximately 57.9% have been under operations for over six years and approximately 22.0% have been under operations for over seven years.

Among 150 existing seller stores we have operated on other third-party e-commerce platforms as of the Latest Practicable Date, approximately 83.8% of them have been under operations for over one year, approximately 55.8% have been under operations for over two years, approximately 35.1% have been under operations for over three years and approximately 7.8% have been under operations for over four years.

Among 238 existing self-operated online stores as of the Latest Practicable Date, approximately 96.7% of them have been under operations for over one year, approximately 68.0% have been under operations for over two years and approximately 12.0% have been under operations for over three years.

Online Seller Stores on Amazon

The following tables set forth indicators illustrating the maturity of our online seller stores on Amazon for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Average number of orders per store per day	67.7	55.6[(2)]	119.3	121.3
Average sales value per order[(1)] *(RMB)*	184.4	185.2	189.9	198.7

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Average daily sales per store *(RMB)*				
Stores established before 2019	14,661.9	17,497.4	36,496.9	49,036.9
Stores established in 2019	1,299.3	9,143.8	20,953.5	23,784.4
Stores established in 2020	–	1,716.8	16,405.9	22,361.0
Stores established in 2021	–	–	9,063.7	12,255.8
Stores established in 2022	–	–	–	2,027.8

Notes:

(1) The sales value of our online seller stores on third-party e-commerce platforms included canceled orders and returned orders, and excluded the transactions with our corporate customers through third-party e-commerce platforms.

(2) The average number of orders per store per day experienced decrease in 2020, primarily as we strategically focused more on sale through Amazon, and established a number of new online seller stores on such platform.

The average daily sales per store on Amazon increased constantly during the Track Record Period, aligning to their operating history, which also reflected our business focus on Amazon.

	Year ended December 31,			Year ended December 31,			Six months ended June 30,		
	2019	2020	Growth Rate[1]	2020	2021	Growth Rate[1]	2021	2022	Growth Rate[1]
			(%)			*(%)*			*(%)*
Same store net sales income *(RMB'000)*	424,367	526,651	24.1	569,513	1,101,766	93.5[2]	579,686	846,565	46.0[3]
Same store net sales income per store *(RMB'000)*	4,515	5,603		5,476	10,594[2]		3,669	5,358	
Same store gross profit *(RMB'000)*	312,504	381,728		411,930	837,949		448,467	646,357	
Same store gross profit margin *(%)*	73.6	72.5		72.3	76.1		77.4	76.4	

Notes:

(1) Same store growth rate generally provides a year-to-year comparison of store performance, as it excludes the growth due to the opening of new stores by only comparing the business and financial performance of those stores that have been in operation in both years. We define our same stores as those stores operate on third-party e-commerce platforms with a duration of over 360 days for one year.

(2) The growth of the same store net sales incomes and same store net sales income per store on Amazon increased significantly in 2021, primarily due to our efforts to enhance our business presence on Amazon.

(3) The slowed growth of same store net sales income in the first half of 2022 was primarily due to the negative impact brought by the high inflation and the increasing interest rates in the United States in the first half of 2022 on the spending power and the purchasing habits of our customers, resulting in more conservative consumption, as confirmed by Frost & Sullivan. This was also attributable to the increasingly intense competition from other sellers on Amazon.

Online Seller Stores on Wish

The following tables set forth indicators illustrating the maturity of our online seller stores on Wish for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Average number of orders per store per day	57.1	73.8[1]	15.8[2]	3.2[2]
Average sales value per order *(RMB)*	72.4	60.6[3]	77.2[4]	91.1[4]
Average daily sales per store *(RMB)*				
Stores established before 2019	5,540.1	5,832.4	1,528.2[5]	333.2[5]
Stores established in 2019	623.0	2,874.0	796.8[5]	174.6[5]
Stores established in 2020	–	1,105.6	579.0[5]	159.1[5]
Stores established in 2021[6]	–	–	–	–
Stores established in 2022[6]	–	–	–	–

Notes:

(1) The increase in the average number of orders per store in 2020 was generally in line with the fluctuation in our revenue generated from sale through Wish. Our revenue generated from Wish increased in 2020, primarily due to our increased sales through Wish to North America in 2020, as a result of our continued focus on our sale to North American market through third-party e-commerce platforms, including Wish.

(2) The decrease of average number of orders per store per day in 2021 and the first half of 2022, was primarily due to the reducing promotion activities on Wish during the same year/period, as we have gradually shifted our business focus to Amazon.

(3) The decrease of average sales value per order in 2020 was primarily due to more types of product we launched during the same year with relatively low unit prices, such as socks, underwear and pets' clothes.

(4) The average sales value per order increased in 2021 and the first half of 2022, as we enhanced the management of existing stores on Wish, especially focusing on the launching and promoting of more profitable products.

(5) We recorded decreased average daily sales per store in 2021 and the first half of 2022, primarily due to the adjustment of our business focus and reduction of promotion activities on Wish.

(6) We did not establish any new seller stores on Wish in 2021 and the first half of 2022.

	Year ended December 31,			Year ended December 31,			Six months ended June 30,		
	2019	2020	Growth Rate	2020	2021	Growth Rate	2021	2022	Growth Rate
			(%)			*(%)*			*(%)*
Same store net sales income *(RMB'000)*	751,024	668,444	(11.0)	688,199	263,814[1]	(61.7)[1]	49,907	8,171	(83.6)[1]
Same store net sales income per store *(RMB'000)*	1,976	1,759		1,662	637[1]		891	146	
Same store gross profit *(RMB'000)*	508,830	470,375		485,372	197,985		37,424	6,143	
Same store gross profit margin *(%)*	67.8[2]	70.4[2]		70.5[3]	75.0[3]		75.0	75.2	

Notes:

(1) After we gradually shifted our business focus to Amazon, we gradually reduced our promotion activities for online seller stores on Wish since 2021, as a result of which, we recorded a decrease in the same store net sales income and same store net sales income per store on Wish in 2021 and the first half of 2022, and further led to the negative performance of the same store growth rate of Wish during the respective year/period.

(2) The same store gross profit margin of our online seller stores operated on Wish increased from 67.8% in 2019 to 70.4% in 2020, primarily due to the increased sales volume of certain products with relatively high gross profit margins, such as sleepwear and housecoat.

(3) The same store gross profit margin of our online seller stores operated on Wish increased from 70.5% in 2020 to 75.0% in 2021, primarily due to higher selling prices of our products to align with the increased logistics service fees, which was caused by the spread of COVID-19 in overseas countries during the same year. The increased logistics service fees were mainly included in freight and insurance cost in selling expenses and distribution costs and not part of our freight and insurance cost in cost of sales thus had no impact on our cost of sales for such sales. The decrease was also attributable to the reduced sale of products with relatively low gross profit margin through Wish.

Online Seller Stores on Other Third-party E-commerce Platforms

The following tables set forth indicators illustrating the maturity of our online seller stores on other third-party e-commerce platforms for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Average number of orders per store per day	6.2	7.5	20.2[(1)]	10.7[(3)]
Average sales value per order *(RMB)*	89.3	75.4	74.3	82.3
Average daily sales per store *(RMB)*				
Stores established before 2019	636.6	638.5	1,384.5	456.0[(3)]
Stores established in 2019	465.8	493.8	790.6[(2)]	98.7[(3)]
Stores established in 2020	–	597.7	2,301.0[(2)]	1,345.9[(3)]
Stores established in 2021	–	–	1,579.0[(2)]	1,308.9[(3)]
Stores established in 2022	–	–	–	1,082.6

Notes:

(1) We recorded a significant increase in the average number of orders per store per day in 2021, as we reduced the number of online seller stores operated on other third-party e-commerce platforms to focus on certain third-party e-commerce platforms, such as Joom and Walmart.

(2) We recorded increased average daily sales per store in 2021, primarily due to the reduction of the number of seller stores we operated on other third-party e-commerce platforms as well as the enhanced management of the sales performance of our existing seller stores.

(3) We recorded decreased average daily sales per store in the first half of 2022, primarily attributable to (i) less revenue generated from eBay in the first half of 2022, as in accordance with our Group's business strategies to focus on the sale of apparel and footwear products and gradually reduce our sale of other products since 2022, we reduced our sale of other products on eBay, such as furniture and sports goods, which were our primary products sold on such platform, and (ii) less revenue generated from Joom during the same period, mainly as we ceased our sale to certain countries or regions such as Russia and Ukraine that may subject us to sanction risks thus generated less revenue from there.

	Year ended December 31,			Year ended December 31,			Six months ended June 30,		
	2019	2020	Growth Rate	2020	2021	Growth Rate	2021	2022	Growth Rate
			(%)			*(%)*			*(%)*
Same store net sales income *(RMB'000)*	8,917	8,652	(3.0)	23,208	32,237	38.9[(1)]	25,127	8,261	(67.1)[(4)]
Same store net sales income per store *(RMB'000)*	217	211		422	586		785	258	
Same store gross profit *(RMB'000)*	5,861	4,695		14,688	21,087		17,119	5,406	
Same store gross profit margin *(%)*	65.7[(2)]	54.3[(2)]		63.3[(3)]	65.4[(3)]		68.1	65.4	

Notes:

(1) Through our attempts on certain new third-party e-commerce platforms in 2019 to 2020, we are able to focus on those platforms with more profitable potential and strategically enhanced the management of our existing stores to improve the sales performance of each store. Therefore, the same store growth rate of online seller stores on other third-party e-commerce platforms experienced a significant increase in 2021.

(2) The same store gross profit margin of our online stores operated on other third-party e-commerce platforms, decreased from 65.7% in 2019 to 54.3% in 2020, as the same stores in 2019 and 2020 on other third-party e-commerce platforms were primarily seller stores on Joom, through which we sold products with relatively lower selling prices in 2020 as compared to 2019 in order to promote the turnover of our inventories, which resulted in lower same store gross profit margin in 2020.

(3) The same store gross profit margin of our online stores operated on other third-party e-commerce platforms, increased from 63.3% in 2020 to 65.4% in 2021, primarily due to higher selling prices of our products, as the spread of COVID-19 in overseas countries to align with the rising logistics service fees during the same period. The increased logistics service fees were mainly included in freight and insurance cost in selling expenses and distribution costs and not part of our freight and insurance cost in cost of sales thus had no impact on our cost of sales for such sales.

(4) We recorded negative growth rate of same store net sales income of our online stores operated on other third-party e-commerce platforms in the first half of 2022 as compared with that in the same period of 2021, primarily due to less revenue generated from eBay caused by reduced sale of other products and Joom caused by the cessation of sale to certain countries or regions such as Russia and Ukraine as discussed above.

Self-operated Online Stores

The following tables set forth the indicators illustrating the maturity of our self-operated online stores for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Average number of orders per store per day	18.2	10.3[(1)]	16.6	26.6
Average sales value per order *(RMB)*	299.0	365.1	345.8	352.3
Average daily sales per store *(RMB)*				
Stores established before 2019	10,298.9	–[(2)]	–[(2)]	–[(2)]
Stores established in 2019	5,452.4	7,755.5	1,518.1[(3)]	4,824.6
Stores established in 2020	–	2,932.3	7,015.7	3,488.2[(4)]
Stores established in 2021	–	–	4,796.0	17,063.6[(4)]
Stores established in 2022	–	–	–	5,171.1

Notes:

(1) The decrease of average number of orders per store per day in 2020 was primarily caused by the large number of newly-established self-operated online stores during the same year, as we have gradually expanded self-operated online store operations since 2019. As we recorded limited revenue at the ramp up stage, the average number of orders per store per day has been adversely affected.

(2) Our self-operated online stores established before 2019 did not record any sales in 2020, 2021 and the first half of 2022, as we voluntarily closed or ceased operations of such seller stores in 2019. Although our seller stores established before 2019 recorded high average daily sales per store in 2019, such sales performance was mainly due to our significant marketing and advertising investment on the limited number of seller stores we established in 2018. We voluntarily terminated those seller stores in 2019 due to their unpromising profitability potential.

(3) In 2021, we recorded decreased average daily sales per store for the stores established in 2019, primarily because we generally devote more resources on newly-established self-operated online stores with more profitability potential to enhance profitability and concentrate our resources to cultivate brand awareness instead of evenly distributing on each store we operate. Hence, in 2021 we reduced our promotion activities on stores established in 2019 thus recorded decreased average daily sales per store.

(4) In the second half of 2021 and the first half of 2022, we strategically devoted more resources on certain newly established self-operated online stores while reducing the investment in those established ones to concentrate our resources, streamline our store matrix and cultivate our selected self-operated online stores with better sales performance and profitability potential, thus we recorded decreased average daily sales per store in the stores established in 2020 and increased average daily sales per store in the stores established in 2021.

	Year ended December 31,			Year ended December 31,			Six months ended June 30,		
	2019	2020	Growth Rate[1]	2020	2021	Growth Rate[1]	2021	2022	Growth Rate[1]
			(%)			*(%)*			*(%)*
Same store net sales income *(RMB'000)*	81,672	94,329	15.5	73,632	84,181	14.3	53,370	11,840[2]	(77.8)[2]
Same store net sales income per store *(RMB'000)*	1,899	2,194		2,166	2,476[2]		2,426	538[2]	
Same store gross profit *(RMB'000)*	63,698	74,802		57,998	67,792		42,541	9,474	
Same store gross profit margin *(%)*	78.0	79.3		78.8	80.5		79.7	80.0	

Notes:

(1) We define our same stores as those operated online stores operate in both periods with a duration of over 300 days for one year or 150 days for a half year.

(2) We recorded decreased same store net sales income and same store net sales income per store in the first half of 2022 as compared with that in the same period of 2021, mainly as (i) we adjusted our operating strategies in the first half of 2021 to focus on the cultivation of selected self-operated online stores with better sales performance and profitability potential, which needs ramp-up time before the realization of normal growth in sales income, and (ii) we reduced our investment in the sales and marketing for our self-operated online stores during the same period.

Our Geographical Coverage

As of the Latest Practicable Date, our products have been primarily sold to customer located in over 80% of the countries and regions globally.

During the Track Record Period, and up to the Latest Practicable Date, the United States had been our largest market. Our revenue generated from sale of products to customers in the United States accounted for 58.8%, 69.0%, 85.5%, 79.6% and 95.0%, respectively, of our total revenue in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022. The U.S. implemented several rounds of import tariffs on products of Chinese origin in hundreds of categories in the Harmonized Tariff Schedule of the United States and, the PRC government has also been imposing tariffs on certain products imported from the U.S. into the PRC responding to the U.S. tariffs. All of our products sold to the United States are subject to additional tariffs, with the vast majority of them are subject to a tax rate of 7.5% while the remaining subject to a tax rate of 25.0% since 2018. In addition, as such additional trade restrictions imposed may further escalate the tensions between the countries, it may lead to further escalation in trade tensions between China and the U.S. or even to a trade war, or the perception that such escalation or trade war could occur. Thus it may have negative impact on the economies of not only the two countries concerned, but the global economy as a whole.

Taking into account that (i) our logistics service providers are generally responsible for the declaration and payment of all applicable customs duties and tariff, which are included in the lump-sum logistics service fees or we will reimburse them the customs duties actually incurred based on the terms of the logistics service agreements; (ii) our logistics service providers may from time to time adjust their service fees, considering a combination of various factors, such as their freight costs, human resource costs as well as the imposition of additional tariff. Accordingly, our average unit logistics costs, which are calculated by dividing the total inbound and outbound shipping and insurance fees by the total sales volume of the period, increased by 13.9% from RMB25.9 in 2019 to RMB29.5 in 2020, and further increased by 26.1% from RMB29.5 in 2020 to RMB37.2 in 2021. Our average unit logistics costs further increased to RMB50.2 in the first half of 2022. Our total logistics service fees, including inbound and outbound shipping charges and related insurance fees, increased from RMB412.2 million in 2019 to RMB546.6 million in 2020, and further to RMB634.9 million in 2021. Our total logistics service fees increased from RMB287.5 million in the first half of 2021 to RMB366.9 million in the first half of 2022. Despite such increase in the total logistics service fees, the total logistics service fees as a percentage of our total revenue remained relatively stable during the Track Record Period, being 28.9% in 2019, 28.8% in 2020, 27.1% in 2021 and 28.7% in the first half of 2022, primarily by increasing selling prices of our products and passing the additional costs to customers to maintain our profitability; (iii) during the Track Record Period, the additional tariffs imposed had been passed to our customers through the increase of our selling prices without any material adverse impact on our competitiveness as evidenced by our continuous growth; (iv) besides, it has been noted that positive negotiations have been recently carried out between China and the U.S. in many fields to ease the bilateral tension; and (v) nevertheless, if any additional tariffs are imposed on our products, we will be able to pass the increased expenses to our customers without weakening our market competitiveness based on our past experience, as such tariff would be applicable to all similar products exported to the U.S. from China; our Directors are of the view that our ability to carry out our business with customers and/or our collaborative partners in the U.S. and other countries is unlikely to be impeded by the U.S.-China trade tensions and the development in China's relationships with the U.S. and other countries. However, to gradually reduce our reliance on the U.S. market, we have actively explored the market in Southeast Asia and Europe through a combination of sale through third-party e-commerce platforms and our self-operated online stores.

In particular, we intend to explore business opportunities on more third-party e-commerce platforms. Since October 2021, we have successfully established and commenced operation of our seller stores on more third-party e-commerce platforms, such as TikTok and Fanno. In addition, we plan to further expand our sale to Europe through Amazon and Walmart and certain newly-established third-party e-commerce platforms, such as TikTok and Fanno. We have accumulated extensive experience in the operation on third-party e-commerce platforms when expanding our U.S. market through Amazon. Since the European and the U.S. customers generally have similar apparel style preference and quality demand, we plan to first introduce our hot-selling products in the U.S. market to European customers to expand our market shares. We will then gradually expand our design team targeting European market to develop more localized products to further improve customer stickiness and enhance our market position. In addition, we expect to expand our operating team targeting European market to a team of 25 staff within one year and gradually expand to 100 staff within three years. Moreover, we intend to invest more in the marketing activities for our sale in the European market. We plan to increase our annual marketing expenses and distribution costs for European market to RMB20.0 million in the next year, RMB40.0 million in the year after and further to RMB80.0 million in the third year. We expect our enhanced designing, operating capabilities and marketing efforts would enable us to gain more market share in Europe. We also plan to actively explore Southeast Asia market where we have seen rapid growth in recent years. We believe we would be able to expand our European and Southeast Asia markets, leveraging the vast unmet local demand and our past experience in exploring other markets. Moreover, we are exploring suitable opportunities to relocate part of our supply chain to Southeast Asia through identifying quality OEM suppliers to procure apparel and footwear products, establishing our own manufacturing sites in Southeast Asia, or acquiring garment manufacturers and fabric and accessories manufacturers located in Southeast Asia, if suitable opportunities arise. See "Future Plans and Use of [**REDACTED**]." If the trade tensions between China and the U.S. escalate, we may utilize the manufacturing site in Southeast Asia to produce exports for the U.S., in order to avoid incurring any additional tariff imposed under the trade tensions between China and the U.S..

Based on the foregoing and having (i) reviewed the legal opinion on the potential tariff or trade related impacts associated with the Group's sales to the U.S. in light of the regulatory development issued by and discussed with the Company's U.S. legal advisors, (ii) reviewed the legal memo issued by the International Sanctions Legal Advisors to understand that the expansion of the U.S. sanctioned targets which might have arisen due to the U.S.-China trade tensions do not have any material and adverse impact on the Company's operation, (iii) reviewed the Accountant's Report and the Group's revenue breakdown by countries and regions for the Track Record Period, which showed an increasing trend for the Track Record Period of the Group's revenue from the U.S., notwithstanding the U.S.-China trade tensions already existed since the Trump Administration, (iv) conducted desktop searches on the U.S.-China trade tensions, and (v) discussed with Frost & Sullivan to understand that the cross-border e-commerce industry in the PRC will be benefited from the Chinese government's favorable policies in the long run, nothing has come to the Joint Sponsors' attention that could cause the Joint Sponsors to disagree with the Directors' views on the impact of the U.S.-China trade tensions on the Company's operations and financial performance as disclosed above.

The following table sets forth a breakdown of our revenue by geographical location of our customers for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
North America										
United States	840,173	58.8	1,309,955	69.0	2,007,191	85.5	876,302	79.6	1,213,163	95.0
Others[(1)]	59,621	4.2	68,347	3.6	22,190	1.0	13,154	1.2	6,931	0.5
Sub-total	**899,794**	**63.0**	**1,378,302**	**72.6**	**2,029,381**	**86.5**	**889,456**	**80.8**	**1,220,094**	**95.5**
Europe										
Germany	93,751	6.6	80,744	4.3	71,021	3.0	46,562	4.2	19,459	1.5
United Kingdom	48,453	3.4	67,425	3.6	42,207	1.8	20,233	1.8	10,129	0.8
France	80,526	5.6	55,155	2.9	20,815	0.9	12,781	1.2	2,730	0.2
Italy	24,108	1.7	21,434	1.1	7,035	0.3	3,898	0.4	1,601	0.1
Others[(2)]	167,820	11.7	156,849	8.2	96,498	4.1	71,603	6.5	12,567	1.0
Sub-total	**414,658**	**29.0**	**381,607**	**20.1**	**237,576**	**10.1**	**155,077**	**14.1**	**46,486**	**3.6**
Asia										
Israel	4,752	0.3	4,771	0.3	4,412	0.2	2,527	0.2	1,403	0.1
Japan	16,755	1.2	39,879	2.1	19,751	0.8	17,926	1.6	478	0.0
Others	16,292	1.1	11,887	0.6	25,937	1.1	18,300	1.7	2,138	0.2
Sub-total	**37,799**	**2.6**	**56,537**	**3.0**	**50,100**	**2.1**	**38,753**	**3.5**	**4,019**	**0.3**
Others[(3)]	**76,603**	**5.4**	**81,663**	**4.3**	**29,486**	**1.3**	**17,400**	**1.6**	**6,928**	**0.6**
Total	**1,428,854**	**100.0**	**1,898,109**	**100.0**	**2,346,543**	**100.0**	**1,100,686**	**100.0**	**1,277,527**	**100.0**

Notes:

(1) Include countries such as Canada.

(2) Include countries such as Spain and Netherlands.

(3) Include countries such as Australia.

Seller Store Management

With the intention to establish our brand recognition, we have adopted differentiated branding strategies for our sale through third-party e-commerce platforms and our self-operated online stores.

We normally operate a number of seller stores on each third-party e-commerce platform to sell our products, which is in line with the industry norm as confirmed by Frost & Sullivan. As of the Latest Practicable Date, we had 379 subsidiaries operating seller stores on Amazon, 82 subsidiaries operating seller stores on Wish and 46 subsidiaries operating seller stores on other third-party e-commerce platforms, while each of our subsidiaries operates at least one seller store on third-party e-commerce platforms. For our seller stores on third-party e-commerce platforms that we strategically focusing on brand establishment and cultivation, such as Amazon, Walmart, AliExpress and JD International, we primarily implement the branding strategy of "operating a single brand in one seller store" ("單店單品牌"), which is supplemented by "operating multiple brands in one store" ("單店多品牌"), in terms of the number of seller stores. For our seller stores on other third-party e-commerce platforms, we generally sell products without brand registry, which is in line with the general practice of the majority of e-commerce enterprises on these platforms. Through expansion of our seller store network on third-party e-commerce platforms, we were able to adopt differentiated marketing strategy, including brand, types of SKU, targeted customers and SKU application scenarios for each seller store, to obtain and expand our market share efficiently, which is also the industry practice as advised by Frost & Sullivan. We mainly operate a single brand in a large number of seller stores on third-party e-commerce platforms, among which, some of these seller stores are operated under the same brand on the same third-party e-commerce platforms to target at different sales regions or customers, which is in line with the industry practice as confirmed by Frost & Sullivan. After consulting our legal advisors as to all applicable jurisdictions and obtaining confirmations from those third-party e-commerce platforms, the Directors are of the view that our seller store arrangements are permitted by and in compliance with the policies of all those platforms.

Leveraging our branding strategies and well-connected seller stores network, we are able to (i) better serve our customers with diversified needs and preferences in different regions, by providing them with a flexible mixture of differentiated SKUs in different brands, type and style in different seller store; (ii) mitigate concentration risk of a single seller store on one third-party e-commerce platform, and (iii) more efficiently operate and manage its seller stores through allocating such seller stores among different teams of the operating department.

Through our subsidiaries, Zibuyu HK and Xingzezhi HK, we registered and operated numerous self-operated online stores with the intention to develop our brand matrix and diversify our SKU offering. In line with industry practice, we register each self-operated online store with unique domain name reflecting the name of the seller store, which are operated as parallel e-commerce platforms. Each company can register numerous domain names when needed thus we registered a large number of self-operated online stores under the names of Zibuyu HK and Xingzezhi HK for our differentiated SKU. We implement the branding strategy of operating under a single brand for all of our products sold through our self-operated online stores, in order to cultivate the unified branding image and enhance the brand awareness of our products sold through self-operated online stores.

The following table sets forth the movement of the number of our self-operated online stores during the Track Record Period and up to the Latest Practicable Date:

	Year ended December 31,			**Six months ended June 30,**	**Subsequent to June 30, 2022 and up to the Latest Practicable Date**
	2019	**2020**	**2021**	**2022**	
As of the beginning of the period	4	84	422	383	307
Newly opened	85	351	135	15	0
Terminated	(5)	(13)	(174)[1]	(91)[1]	(69)[1]
As of the end of the period	**84**	**422**	**383**	**307**	**238**

Note:

(1) In 2021 and the first half of 2022, we strategically cultivated selected self-operated online stores with better sales performance and profitability potential to enhance profitability and concentrate our resources to cultivate brand awareness, hence we closed a number of self-operated online stores.

The following table sets forth the movement of the number of our seller stores on third-party e-commerce platforms during the Track Record Period and up to the Latest Practicable Date:

	Year ended December 31,			Six months ended June 30,	Subsequent to June 30, 2022 and up to the Latest Practicable Date
	2019	2020	2021	2022	
As of the beginning of the period	858	963	1,019	982	720
Newly opened	475	265	192	56	20
Terminated	(370)[(1)]	(209)[(1)]	(229)[(2)]	(318)[(2)]	(39)[(2)]
As of the end of the period	963	1,019	982	720	701

Notes:

(1) Large number of seller stores were terminated in 2019 and 2020, primarily because we established and commenced operations of a number of seller stores in 2019 and 2020 on certain new third-party e-commerce platforms and only recorded limited revenue contribution at the ramp up stage. We subsequently terminated the operations of most of those seller stores primarily due to their unsatisfactory financial performance since their commencements.

(2) Large number of seller stores operating on third-party e-commerce platforms were terminated in 2021 and the first half of 2022, primarily because (i) large number of seller stores operating on Wish were terminated during the same period as we gradually shifted our business focus to Amazon, and (ii) we voluntarily closed all the seller stores registered under the names of the two employees on a third-party e-commerce platform in June 2022 instead of acquiring into our Group, as they cannot be transferred to us due to the restriction of such platform.

In order to commence operations of a large number of seller stores in a shorter time to achieve rapid growth of our business during our expansion stage we sought authorization from some of our employees, and their family members and friends, to register certain seller stores under their names or the names of companies owned by them (the "**Authorizing Individuals and Companies**") only for the operation of seller stores since 2015. We adopted this arrangement in order to achieve rapid growth during our expansion stage. Certain third-party e-commerce platforms allow companies or individuals to register seller stores, while certain third-party e-commerce platforms only allow companies to register seller stores, so we have seller stores registered under the names of Authorizing Individuals or Authorizing Companies. Generally, the operating data team under our operating department can gather requisite information from the Authorizing Individuals and Companies and register seller stores more efficiently. It generally takes (i) a total of approximately three to seven days for an Authorizing Individual to complete the registration of a seller store under his/her own names on third-party e-commerce platforms; and (ii) a total of approximately 10 to 21 days for an Authorizing

Individual to complete the registration of an Authorizing company with local SAIC bureau first and subsequently the registration of a seller store under the name of such Authorizing company on third-party e-commerce platforms. Comparably, it generally takes longer time for us to register a subsidiary of our Group, and subsequently the seller store under the name of such subsidiary on third-party e-commerce platforms, mainly due to the additional time for internal administrative procedures, which could take up to about a month or even longer for us to register a subsidiary of our Group and subsequently the seller store.

As the expansion in stores network enabled us to better implement our differentiated sales and marketing strategies thereby attracting more new customers and sales, generating more profit, and therefore increasing the performance bonus, which is primarily calculated based on the operating profit, for our employees of the operating department, they are motivated and engaged in contributing to our daily business operation by voluntarily providing their authorizations and/or encouraging/arranging their family members and friends to provide authorization for our registration of more seller stores at our expansion stage. In addition, employees of other than those of operating department who provided their or their family members' or friends' authorizations were mainly our Directors, employee shareholders of the Company through offshore holding companies and the management members of our Group. As they have deep involvement, high commitment and strong belonging to our Group, they were also motivated and willing to voluntarily provide and encouraged their family members and friends to provide their authorizations. The remaining were our employees of other departments and/or their family members and friends who voluntarily provided their authorizations to our Group. The employees' family members and friends provided their authorizations without any monetary reward from us. To our best knowledge, they provided such authorizations for the sake of their personal relationship with our employees, and the overall risks for them to provide authorization to the Company solely for the purpose of registering Authorizing Companies and/or seller stores is low because the Group would bear all the costs and liabilities incurred from the maintenance of the Authorizing Companies and operation of the seller stores.

As of the Latest Practicable Date, we owned and operated 701 seller stores at nine third-party e-commerce platforms. As we have already built a relatively diversified stores network comprising numerous subsidiaries for differentiated sales and marketing strategies and we have achieved stable growth of business and no longer need to register numerous new subsidiaries in order to register numerous seller stores within a short period of time, we believe that our future expansion of sales network could be fulfilled by registering seller stores under the names of our existing or new subsidiaries. Moreover, the performance bonus for our employees is calculated primarily based on the operating profit of the seller stores they operate, instead of the type or number of seller stores they operate.

Given that: (i) the performance bonus is determined primarily based on the operating profit of the seller stores operated by our employees, also taking into account other business and financial indicators, instead of the type or number of seller stores they operate; (ii) considering our Group's business has gradually reached maturity compared to the beginning of the Track Record Period, evidenced in our relatively diversified stores network comprising numerous subsidiaries implementing differentiated sales and marketing strategies and we have achieved stable growth of business, thus no longer rely on the registration of numerous new subsidiaries to register numerous seller stores within a short period of time, we believe our future expansion of sales network could be fulfilled by registering seller stores under the names of our existing or new subsidiaries; and (iii) the large number of hot-selling products we have incubated during the Track Record Period, the life cycle of which is more than five years and will be constantly iterated by newly developed hot-selling products, are able to consistently contribute revenue to existing seller stores, we do not expect the termination of our Third-party Seller Store Arrangement would have any material adverse impact on our employees' performance, as well as our operating and financial performance going forward.

Since March 2021, we acquired the vast majority of the Authorizing Companies and the seller stores registered under the names of Authorizing Individuals into our Group to enhance our management and control on these seller stores. In addition, all seller stores used to register under the names of Authorizing Individuals on one third-party e-commerce platform had been voluntarily closed by us in June 2022, as they cannot be transferred to us due to the restriction of such third-party e-commerce platform. As of June 30, 2022, all Authorizing Companies and other seller stores registered under the names of Authorizing Individuals had been either acquired or voluntarily closed by us. As a result, there remained no authorization arrangement with Authorizing Individuals and Companies as of the same date. Taking into account that since the cessation of Third-party Seller Store Arrangement, our revenue still increased by 13% in the second half of 2021 as compared with that of the first half year, our Directors confirm that the cessation of Third-party Seller Store Arrangement did not and will not have any adverse impact on our operations and financial performances. In addition, our revenue increased by 16.1% for the six months ended June 30, 2022 as compared with that of the same period in 2021.

As advised by Frost & Sullivan, based on their interview with experts and their review of public information, it is the industry practice for e-commerce operators to operate numerous seller stores registered under the names of third parties and this arrangement is not uncommon in China, taking into account (i) the similar arrangements adopted by several companies in the PRC in China's cross-border e-commerce export B2C market, which also focus on sale of products to overseas through third-party e-commerce platforms, and (ii) no restrictions in the industry to prohibit this arrangement. Other than the employment relationship between such employees and us, the shareholding and/or directorship between certain of those employees and us, and the related party transactions and balances, including loans and repayment of loans from related parties and the interest thereon, purchase of inventories, trade and other payables, other receivables and payables to related parties, as disclosed "Financial Information – Related Party Transactions" and Note 34 of the Accountant's Report in Appendix I to this document, to their best knowledge after making reasonable enquiries, our Directors confirm that they are not aware of any relationships with respect to finance and business aspects, between those Authorizing Individuals and Companies and our Company, our subsidiaries and their respective shareholders and directors during the Track Record Period and up to the Latest Practicable Date.

Relevant Restrictions related to Our Seller Store Arrangements

The following table sets forth the relevant restrictions related to our Multiple Seller Store Arrangement and Third-party Seller Store Arrangement imposed by Amazon and Wish:

Platforms	Relevant Restrictions related to Seller Store Arrangements:
Amazon	• ***Relevant restrictions related to Multiple Seller Store Arrangement on Amazon:*** According to Amazon's Selling Policies and Seller Code of Conduct, it states that: "*You may only maintain one Seller Central account for each region in which you sell unless you have a legitimate business need to open a second account and all of your accounts are in good standing. If any of your accounts are not in good standing, we may deactivate all of your selling accounts until all accounts are in good standing. Examples of a legitimate business justification include: (i) owning multiple brands and maintain separate businesses for each, (ii) manufacturing products for two distinct and separate companies, or (iii) being recruited for an Amazon program that requires separate accounts.*" • ***Relevant restrictions related to Third-party Seller Store Arrangement on Amazon:*** There is no provision prohibiting the adoption of Third-party Seller Store Arrangement on Amazon.
Wish	• ***Relevant rules related to registration on Wish:*** According to Wish's Merchant Policies, it states: "*1.1 Information provided at registration must be true and correct* *Information provided at registration must be accurate, true, and correct. This includes, but is not limited to, merchant identity, identification document(s), and merchant's country of domicile.*" Wish may further impose suspension, funds withholding or freeze, user ban, account termination or ban, or other account use or access restriction on the merchant's account if the aforementioned rule has been violated or deemed to be violated, unless the eligible proof has been provided.

Platforms	Relevant Restrictions related to Seller Store Arrangements:
	• ***Relevant restrictions related to Multiple Seller Store Arrangement on Wish:*** According to Wish's Merchant Policies, it states: "*each entity may have one account only. If any company or person has multiple accounts all accounts risk suspension*." Although Wish's Merchant Policies do not provide a clear definition of "entity" in above-mentioned provision, after consulting our U.S. lawyer, our Directors are of the view that, "entity" refers to a single entity which is registered with a seller account on Wish, instead of a group as a whole. • ***Relevant restrictions related to Third-party Seller Store Arrangement on Wish:*** Wish's Merchant Policies does not provide a clear policy on Third-Party Seller Stores Arrangement.

In addition to Amazon and Wish, during the Track Record Period, we also adopted Multiple Seller Store Arrangement and/or Third-party Seller Store Arrangement on third-party e-commerce platforms, including Walmart, eBay, Joom, TikTok, Fanno, AliExpress and JD International, through which we generated significantly less revenue than that of Amazon and Wish.

With respect to the third-party e-commerce platform with restrictions on Multiple Seller Store Arrangement and there is inconsistency between our practice and the relevant restrictions, considering (i) the confirmation from such platform acknowledging our Multiple Seller Store Arrangement and Third-party Seller Store Arrangement and confirming our compliance with its rules and (ii) the consultation with our legal advisor to applicable jurisdiction, our Directors are of the view that, our Multiple Seller Store Arrangement and Third-party Seller Store Arrangement on such platform are in compliance with its policies and all relevant laws and regulations of the applicable jurisdiction. With respect to the remaining third-party e-commerce platforms, taking into account the confirmations obtained from those third-party e-commerce platforms acknowledging our Multiple Seller Store Arrangement and Third-party Seller Store Arrangement and confirming our compliance with their rules, and after consulting our legal advisors as to all applicable jurisdictions for the remaining third-party e-commerce platforms, our Directors are of the view that our Multiple Seller Store Arrangement and Third-party Seller Store Arrangement on the remaining third-party e-commerce platforms are in compliance with their policies and all relevant laws and regulations of all applicable jurisdictions. Based on the confirmations obtained from all third-party e-commerce platforms we operate on, our Multiple Seller Store Arrangement and Third-party Seller Store Arrangement were permitted by all those platforms.

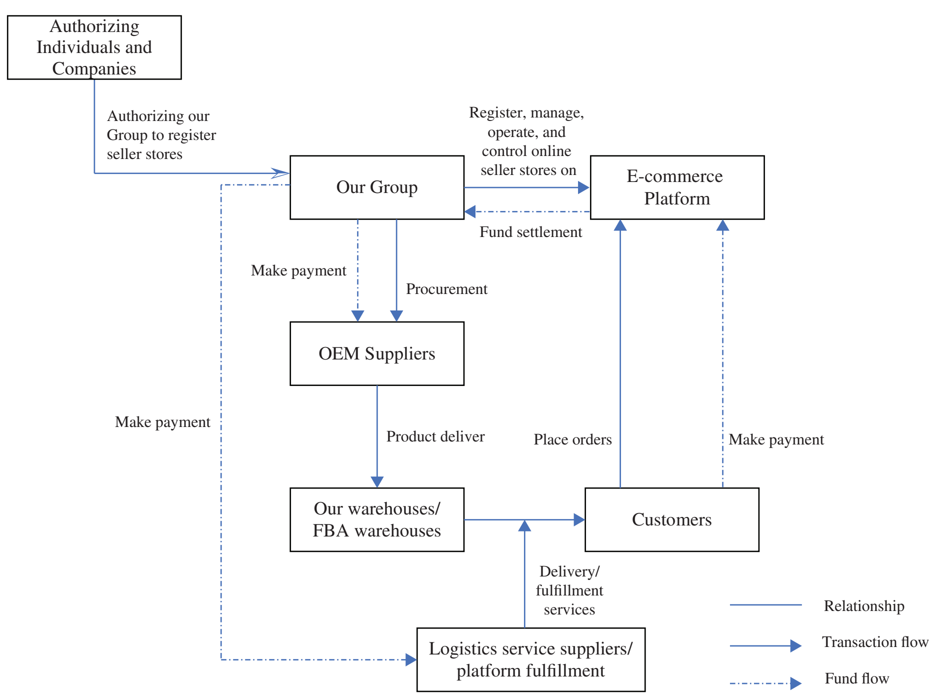
Based on the above and having (i) reviewed the relevant third-party platforms' policies published on their websites, the Group's agreements with such platforms, transaction records of the Third-party Seller Stores and the confirmation received in connection with such compliance matter, and (ii) discussed with the Company's management, its legal advisors as to applicable jurisdictions and its industry consultant, nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' views above in connection with the compliance with the relevant rules of the relevant platforms and the relevant laws and regulations of applicable jurisdictions.

Operations of the Seller Stores

Upon the completion of the registration of the seller stores, our operating department will assign seller stores to our operating teams to commence operations. We have implemented a series of measures to prevent Authorizing Individuals and shareholders of Authorizing Companies to amend the information of the seller stores, including: (i) to the extent practicable, prohibiting authorizing employees to operate the seller stores registered under the names of their own, their family members or friends or the companies owned by them; (ii) for the login email and verification mobile number used for verification when log in the seller store account or amend its relevant information, using designated login email and verification mobile number and assigning designated employees to keep such information; (iii) assigning our legal and compliance department to keep the original business licenses of the Authorizing Companies and their company seals; and (iv) designating the head of our operating teams to communicate with the client manager of third-party e-commerce platforms. Despite our efforts to avoid assigning seller stores to the authorizing employees to operate, our Directors confirm that during the Track Record Period, there were six seller stores assigned to authorizing employees for operation. To the best knowledge of our Directors, their family members and friends did not involve in the operation of the seller stores registered under their names nor had them been part of the Group's operating teams. During the Track Record Period, we were not aware of any attempt by the Authorizing Individuals and Companies to amend the information of the seller stores. Historically, in the event that any authorizing employees ceased to be employed by the Group, the authorization of them or their family and friends or the relevant Authorizing Companies would not be affected and we continued to use the relevant seller stores pursuant to the authorization agreement, as such authorization has no fixed term, unless being terminated upon a mutual agreement of both signing parties. If the former employees or their family members and friends decided not to or ceased to cooperate with our Group, as transitional arrangement, the Group would arrange change of the registered owners of the relevant seller store accounts or the shareholders of the relevant Authorizing Companies to other Authorizing Individuals who are willing to cooperate through entering into new authorization with such other Authorizing Individuals for the continuity of our Group's management under the same operation mode of authorization arrangement. As of June 30, 2022, there remained no authorization arrangement with Authorizing Individuals and Companies.

We have over 40 parallel operating teams managed under our operating department and each operating team is responsible for the operations of a number of sellers stores, widely distributing on different third-party e-commerce platforms. The purpose of this parallel operating arrangement is for better implementation of our differentiated sales and marketing strategies for our diversified brands and different types of products on each third-party e-commerce platform targeting their respective key customers. As the seller stores are operated by parallel operating teams, the widely distributed stores network on third-party e-commerce platforms enables us to reach out to customers of different age and spending power, thereby exposing our brands and products to a wider group, consistently attracting new customers and increasing our market recognition. We place our brands and products on different platforms in response to diversified customers' preference of those online platforms. For instance, the customers at Amazon generally have stronger spending power and Wish has more younger customers who have great demand for fast fashion products. When determining the price for our products, we mainly consider the competitiveness of our products and customers' acceptance, as well as our targeted profit on such platform. Accordingly, prices of our products on different third-party e-commerce platforms may vary, depending on, among others, our costs and expenses operating on such platforms. However, the price differences among products under the same brand sold on different seller stores on the same platform are usually insignificant under our pricing policy for seller stores operated on the same platform.

The following chart illustrates the transaction and fund flow of our seller stores registered under the names of Authorizing Individuals and Companies on the third-party e-commerce platforms:



Similar to the seller stores registered under our subsidiaries' names, during our operation of seller stores registered under the names of Authorizing Individuals and Companies, our Group enters into OEM procurement agreements, fulfillment service agreements and delivery agreements with our service providers to procure products from OEM suppliers and arrange logistics service suppliers or third-party e-commerce platform fulfillment services for the product delivery. The Authorizing Individuals and Companies are not the contractual parties of any of such arrangement. Meanwhile, as all of the bank accounts used for payment collection by all seller stores are registered under the name of our subsidiaries, instead of the seller stores, or the Authorizing Individuals and Companies, all sales proceeds paid by the customers for our products are directly transferred from the e-commerce platforms' funds pool to our subsidiaries' bank accounts. During the Track Record Period and up to the Latest Practicable Date, there was no fund transfer between our Group and such Authorizing Individuals and Companies in relation to our sale on the third-party e-commerce platforms.

Centralized Management of the Seller Stores

The key terms of the authorization agreements with the Authorizing Individuals and Companies are:

- ***Term***. The authorization agreements have no fixed term.

- ***Store registration***. The Authorizing Individuals and Companies shall provide us requisite information for the registration of seller stores and are prohibited from changing account information, modifying or closing the seller stores registered under their name without our prior consent.

- ***Store operation***. We have the full rights to operate the seller stores and generate income from such operation. The Authorizing Individuals and Companies are prohibited from accessing the seller accounts and have no right to interfere with our operations.

- ***Authorization fees, costs and expenses***. The authorization is free of charge. All costs and expenses arising from or in connection with our operations shall be borne by us.

- ***Accounts***. All income generated from the operation of such seller stores shall be directly deposited into our designated accounts which are registered under the names of our subsidiaries. All accounting books are kept by us.

- ***Termination***. The agreements can be terminated upon a mutual agreement of both parties.

- ***Dispute resolution***. Any dispute arising from the authorization agreements shall be negotiated between both parties before filing with the people's court for the commencement of legal proceedings.

After consulting our PRC Legal Advisors and engaging an internal control advisor to perform a review over selected areas of our internal control (the "**Internal Control Consultant**"), and taking into account that (i) the authorization agreements provide terms covering all material aspects in connection with the operation of the seller stores registered under the names of Authorizing Individuals and Companies, including store registration, store operation and accounts management; (ii) the authorization agreements have no fixed term and can last until being terminated upon both parties' consensus; (iii) our PRC legal advisors are of the view that the authorization agreements are legally binding and do not violate any mandatory prohibitive provision of the PRC laws and regulations; (iv) our Internal Control Consultant carried out follow-up review on our enhanced internal control on the authorization arrangements and did not have any further recommendation; and (v) the confirmations obtained from relevant third-party e-commerce platforms acknowledging our Third-party Seller Store Arrangement and the relevant liabilities' bearers, our Directors believe those third-party e-commerce platforms are aware that our Group bears all the rights and liabilities arising from the operation of third-party seller stores during the Track Record Period instead of the Authorizing Individuals or Authorizing Companies, and the authorization agreements were sufficient for the purpose of operating the above-mentioned seller stores and for our Company to exercise control over these seller stores. Our Directors also confirm that the third-party e-commerce platforms on which we operate were aware that all of the seller stores on their platforms were operated by our Group, despite that the majority of them were registered under the name of Authorized Individuals and Companies instead of our Group and we had not been penalized by any third-party e-commerce platform due to the above-mentioned arrangement during the Track Record Period and up to the Latest Practicable Date.

In addition, from accounting aspect, the Authorizing Individuals and Companies act as our agent while we are the principal of sale of goods to the customers through third-party e-commerce platforms. We purchase inventories, set the prices of the products, engage logistics service suppliers and provide after-sales services to the customers. When the goods are delivered to the customers and the customers obtain control of the goods, the performance obligation of transferring the promised goods are satisfied and relevant revenue should be recognized by our Group. Accordingly, the cost of inventories, related marketing expenses and distribution costs occurred are also recognized in our accounting report. Regardless of whether the seller stores are registered under our Group or under the Authorizing Individuals and Companies, we directly record the revenue, expenses, assets, liabilities and relevant cash flows in relation to the sale of our products through such seller stores in our accounting books and records. Our reporting accountants did not find the above-mentioned accounting treatment inappropriate from accounting prospective.

For the years ended December 31, 2019, 2020 and 2021, we generated net sales income of RMB1,298.4 million, RMB1,498.1 million and RMB929.3 million, respectively, from the seller stores registered under the names of Authorizing Individuals and Companies (excluding those generated after being acquired into our Group), among which, RMB1,032.0 million, RMB1,102.7 million and RMB790.5 million was generated from 911, 742 and 686 seller stores which were registered under the names of Authorizing Companies, respectively, and RMB266.3 million, RMB395.5 million and RMB138.8 million was generated from 354, 403 and 383 seller stores which were registered under the names of Authorizing Individuals, respectively. For the six months ended June 30, 2022, the net sales income from the seller stores registered under the names of Authorizing Individuals and Companies (excluding those generated after being acquired into our Group) further declined to RMB9.1 million, all of which were from 283 seller stores registered under the names of Authorizing Individuals. During the Track Record Period, the seller stores registered under the names of Authorizing Individuals and Companies held no net assets.

The following table sets forth the number of Authorizing Individuals and Companies and the number of seller stores registered under their names which contributed net sales income (excluding those generated after being acquired into our Group) for the periods and as of the dates indicated:

	Year ended December 31,			Six months ended June 30,	As of June 30,
	2019	**2020**	**2021**	**2022**	**2022**
Number of Authorizing Individuals and Companies[(1)]:					
Employees	354	403	383	2[(3)]	–
Companies owned by employees	142	206	256	–	–
Companies owned by employees' family members and/or friends	140	57	62	–	–
Companies jointly owned by employees, and employees' family members and friends[(2)]	4	3	4	–	–
Number of seller stores registered under the names of:					
Employees	354	403	383	283[(3)]	–
Companies owned by employees	617	524	553	–	–
Companies owned by employees' family members and/or friends	273	202	117	–	–
Companies jointly owned by employees, and employees' family members and/or friends[(2)]	21	16	16	–	–

Notes:

(1) Due to the different platforms' policies, seller stores were registered under the names of Authorizing Individuals or Authorizing Companies on third-party e-commerce platforms that allow companies or individuals to register seller stores, and under the names of Authorizing Companies on third-party e-commerce platforms which only allow companies to register seller stores. Authorizing employees had already registered seller stores under individuals' names for our business.

(2) Refer to companies of which the shareholders comprised employees and employees' family members and/or friends.

(3) All 283 seller stores registered under the names of two employees and contributed net sales income for the six months ended June 30, 2022 had been voluntarily closed by us in June 2022, as they cannot be transferred to us due to the restriction of the third-party e-commerce platform. As of June 30, 2022, all Authorizing Companies and other seller stores registered under the names of Authorizing Individuals had been either acquired or voluntarily closed by us.

During the Track Record Period, except for certain seller stores registered on Wish, each of the Authorizing Individual only registered one seller store. Comparably, the number of seller stores registered under the names of each Authorizing Company ranged from one to 61 with an average of approximately 3.

The following table sets forth the revenue attributable to the seller stores registered under the names of Authorizing Individuals and Companies (excluding those generated after being acquired into our Group) for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Employees	266,324.0	395,452.1	138,797.6	9,055.9
Companies owned by employees	769,445.1	837,636.5	608,474.0	–
Companies owned by employees' family members and friends	230,956.7	236,383.9	173,265.9	–
Companies jointly owned by employees, and employees' family members and/or friends	31,643.7	28,655.9	8,721.8	–
Total	**1,298,369.5**	**1,498,128.4**	**929,259.3**	**9,055.9**

The following table sets forth the movement of the number of seller stores registered under the names of Authorizing Individuals and Companies during the Track Record Period:

		As of December 31,			As of June 30,
		2019	2020	2021	2022
Seller stores registered under the names of:					
Employees	As of the beginning of the period	177	331	383	290[2]
	Newly opened	182	72	–	–
	Terminated	(28)	(20)	(93)[1]	(290)[2]
	As of the end of the period	**331**	**383**	**290[2]**	**–**
Companies owned by employees	As of the beginning of the period	425	411	504	–
	Newly opened	212	165	67	–
	Terminated	(226)	(72)	(571)[1]	–
	As of the end of the period	**411**	**504**	**–**	**–**
Companies owned by employees' family members and friends	As of the beginning of the period	205	184	115	–
	Newly opened	75	28	3	–
	Terminated	(96)	(97)	(118)[1]	–
	As of the end of the period	**184**	**115**	**–**	**–**
Companies jointly owned by employees, and employees' family members and/or friends	As of the beginning of the period	22	17	16	–
	Newly opened	1	–	–	–
	Terminated	(6)	(1)	(16)[1]	–
	As of the end of the period	**17**	**16**	**–**	**–**

Notes:

(1) Since March 2021, we acquired the vast majority of the Authorizing Companies and seller stores registered under the names of Authorizing Individuals into our Group to enhance our management and control on these seller stores. After acquisition, we own such seller stores. Besides, we also terminated the operations of certain sell stores registered under the names of Authorizing Individuals and Companies due to their unsatisfactory historical sales performance.

(2) All 290 seller stores registered under the names of Authorizing Individuals as of December 31, 2021 had been voluntarily closed by us in June 2022, as they cannot be transferred to us due to the restriction of the third-party e-commerce platform.

The following table sets forth the average revenue attributable to the seller stores registered under the names of Authorizing Individuals and Companies (excluding those generated after being acquired into our Group) for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
		(RMB'000)		
Average revenue attributable to seller stores registered under the names of[1]:				
Employees	752	981	362[2]	31[3]
Companies owned by employees	1,247	1,599	1,100	–
Companies owned by employees' family members and/or friends	846	1,170	1,468	–
Companies jointly owned by employees, and employees' family members and/or friends	1,507	1,791	545[2]	–

Notes:

(1) The average revenue attributable to the seller stores registered under the names of Authorizing Individuals and Companies is calculated based on the total revenue attributable to the type of seller stores during the periods indicated, divided by the number of such type of seller stores during the relevant period.

(2) As all the seller stores registered under employees, as well as the majority of seller stores registered under companies jointly owned by employees, and employees' family members and/or friends are operated on Wish, our business performance on Wish has a greater impact on such seller stores. After we shifted our business focus to Amazon, we gradually reduced our promotion activities for seller stores on Wish in 2021, as a result of which, we recorded decreased average revenue from the seller stores registered under the names of the aforesaid Authorizing Individuals and Companies in 2021, especially those seller stores registered under the names of our employees.

(3) We recorded decreased average revenue from the seller stores registered under the names of the Authorizing Individuals in the first half of 2022 as we reduced our promotion activities on such seller stores in order to shift our business focus to Amazon as well as terminate the operation of seller stores registered under the names of employees for internal control purpose.

The following table sets forth the range of revenue attributable to the seller stores registered under the names of Authorizing Individuals and Companies (excluding those generated after being acquired into our Group) for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Range of revenue attributable to seller stores registered under the names of:				
Employees	RMB77.0 -RMB8.8 million	RMB91.7 -RMB7.3 million	RMB232.5 -RMB2.3 million	RMB19.9 -RMB0.3 million
Companies owned by employees	RMB19.2 -RMB28.4 million	RMB24.9 -RMB42.1 million	RMB23.8 -RMB20.5 million	–
Companies owned by employees' family members and friends	RMB0.7 -RMB14.5 million	RMB134.0 -RMB19.4 million	RMB1,513.2 -RMB17.3 million	–
Companies jointly owned by employees, and employees' family members and/or friends	RMB3,252.6 -RMB4.2 million	RMB0.3 million -RMB3.6 million	RMB904.9 -RMB1.7 million	–

The following table sets forth the movement of the number of seller stores registered under the names of Authorizing Individuals and Companies during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
As of the beginning of the period	829	943	1,018	290(3)
Newly opened(1)	470	265	70	–
Store closure(2)	(356)	(190)	(185)	(290)(3)
Terminated due to acquisition into our Group	–	–	(613)	–
As of the end of the period	**943**	**1,018**	**290(3)**	**–**

Notes:

(1) We did not register any new accounts under the names of Authorizing Individuals and Companies since June 2021 and will not register any accounts under Third-party Seller Store Arrangement thereafter.

(2) We generally consider to close a seller store based on a number of factors in the ordinary course of business, such as the net sales income, repeat customer rate and applause rate of such seller store. Our Directors confirm that none of such terminations was due to any material violation of rules of the third-party e-commerce platforms.

(3) All 290 seller stores registered under the names of Authorizing Individuals as of December 31, 2021 had been voluntarily closed by us in June 2022, as they cannot be transferred to us due to the restriction of the third-party e-commerce platform.

The following table sets forth the product return rate of seller stores by type of Authorizing Individual and Companies during the Track Record Period:

	Year ended December 31,			**Six months ended June 30,**
	2019	**2020**	**2021**	**2022**
		(%)		
Employees	8.8	9.3	6.0	5.2
Companies owned by employees	13.0	13.2	15.8[(1)]	–
Companies owned by employees' family members and friends	14.3	14.6	17.7[(1)]	–
Companies jointly owned by employees, employees' family members and friends	10.4	10.0	9.5	–

Note:

(1) In 2021, we operated more seller stores registered under the names of companies owned by employees and companies owned by employees' family members and friends on Amazon, as compared to Wish and other third-party e-commerce platforms. As Amazon provides customers with more flexible product return policies, the increased proportion of the seller stores on Amazon resulted in higher product return rates recorded by seller stores registered under the names of companies owned by employees and companies jointly owned by employees' family members and friends in 2021.

In order to enhance the management and control of these seller stores, starting from March 2021, we acquired the vast majority of the Authorizing Companies and the seller stores registered under the names of Authorizing Individuals into our Group at nominal or nil consideration to our Group as these Authorizing Companies had no assets or any paid-up registered capital, thus own such seller stores. We paid a total of RMB299 for the above-mentioned acquisitions. After the completion of acquisition of Authorizing Companies, such Authorizing Companies become our wholly-owned subsidiaries. As a result, all seller stores previously registered under the names of Authorizing Individuals and Companies are owned by us. We also voluntarily terminated certain seller stores registered under the names of Authorizing Individuals that cannot be transferred to us due to the restriction of the third-party e-commerce platform. Our operation of other seller stores remains stable. As of the Latest Practicable Date, we owned and operated 701 seller stores on nine third-party e-commerce platforms.

Internal Control Measures and Compliance

During the internal control review, our internal control consultant did not identify any material weakness in our internal control procedures in relation to our Third-party Seller Store Arrangement. Our Multiple Seller Store Arrangement and Third-party Seller Store Arrangement had not materially violated and will not materially violate the relevant restrictions of all third-party e-commerce platforms on which we operate as of the Latest Practicable Date. Our senior management regularly monitors the operation of such seller stores to identify any potential operating and compliance risks in a timely manner.

We have established internal management procedures in relation to the establishment of seller stores, including review of identities of the registers and other relevant information. No newly-established seller store will be permitted to operate without our internal review and approval. Our internal control consultant is of the view that the enhanced internal control measures are adequate and effective to prevent the reoccurrence of Third-party Seller Store Arrangement.

During the Track Record Period and up to the Latest Practicable Date, none of the seller stores registered under the names of Authorizing Individuals and Companies were involved in any material non-compliance incidents or legal proceedings.

Based on the foregoing and having reviewed the relevant internal policies adopted by the Company and the internal control report and discussed with the Company's internal control consultant, nothing has come to the Joint Sponsors' attention that would cause any doubt on the adequacy and effectiveness of such measures.

Delivery and Warehousing

Warehousing

To store a large volume of SKUs of products to meet the expected customers' demand, we leased 12 warehouses located in the PRC as of the Latest Practicable Date, occupying an aggregate GFA of 105,134.5 sq.m. During the Track Record Period and up to the Latest Practicable Date, we did not have any overseas warehouses.

To further increase our warehousing capacity in a cost-efficient manner, we also use third-party warehouses as our supplemental warehousing facilities. We expect to expand our domestic warehousing capacity and establish an intelligent warehousing and logistics network in China.

Delivery

We have multiple choices of delivery arrangement primarily based on our customers' demand and the nature and sales channel of products. Our delivery arrangement can be primarily categorized into (i) delivery through third-party e-commerce platform fulfillment services; and (ii) delivery by logistics service providers, based on the type of logistics service providers. First, we use logistics services provided by third-party e-commerce platforms we cooperate with. For example, for product sale through Amazon, we use the FBA services where we ship inventories from our domestic warehouses to Amazon's overseas FBA warehouses and Amazon ships the product to our customers on our behalf per the order. We have also engaged Independent Third-Party logistics service providers for delivery services. Normally we ship products through designated third-party logistics service providers from our domestic warehousing facilities to customers per the order directly, such as Amazon's FBM services we use. During the warehousing and logistics process under FBM model, we directly deliver products from our domestic warehouses to the customers through logistics service suppliers. For more details of our logistics service suppliers, see "– Supply Chain Management – Our Logistics Service Providers."

Our delivery arrangement can also be mainly categorized into FBA method and international direct mail method. Under international direct mail method, products are primarily delivered from domestic warehouses directly to overseas customers through international logistics arrangements provided by third-party logistics service providers engaged by us. Under the FBA model, we deliver products from our domestic warehouses to Amazon's warehouses through logistics service providers and stored our products at Amazon's warehouses. Subsequently, products will be delivered to the customers' end by Amazon once orders are received.

In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, the total logistics service fees, representing the aggregate amount of the inbound and outbound shipping charges and related insurance fees incurred in the relevant year, amounted to RMB412.2 million, RMB546.6 million, RMB634.9 million, RMB287.5 million and RMB366.9 million, respectively. We usually settle logistics service fees with our logistics service providers on a weekly or monthly basis. In practice, our logistics service providers are responsible for all relevant tax in connection with export and import customs clearance such as customs duties. Our warehousing fees include our warehouse rental expenses, relevant staff benefit expenses and expenses for packaging materials which are recorded under our selling expenses and distribution costs. Our warehousing fees also include the property management fees for our warehouses which are recorded under our general and administrative expenses. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our total warehousing fees amounted to RMB18.1 million, RMB24.4 million, RMB32.3 million, RMB15.1 million and RMB17.2 million, respectively.

From time to time, we may be unable to deliver products to our customers on third-party e-commerce platforms on a timely basis due to temporary shortage of inventories. We are responsible for losses arising from any delay in shipment caused by the shortage of our products, while our logistics service providers are generally liable to compensate for our losses arising from failing to deliver on-time. However, we may have difficulties to initiate the refund process at certain third-party e-commerce platforms without the purchasers' application through the relevant third-party e-commerce platforms, nor can we directly reach the customer. In addition, certain of our overseas logistics services had been adversely affected as a result of the spread of COVID-19 in some counties after June 2020. As a result, we failed to deliver certain products to our overseas customers. As of the Latest Practicable Date, products for which we had received payment from customers but had not been delivered amounted to approximately RMB5.9 million. We had not recognized any revenue for such sales. The relevant payment was recorded as cash and cash equivalents and our obligations to fulfill the contract were recorded as contract liabilities.

To resolve this, we have adopted a series of measures, including (i) proactively contacting third-party e-commerce platforms trying to reach those affected customers to initiate refund process, and (ii) devoting great efforts to delivering products that had been delayed due to the impact of COVID-19 in 2020. As of the Latest Practicable Date, the vast majority of our affected products had been delivered to our customers. Taking into account the above, we expect the delayed delivery during the Track Record Period would not materially and adversely affect our business, results of operations and financial condition. During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints from our customers due to our delayed delivery nor had we received any notice from or been penalized by third-party e-commerce platforms for the same.

Except as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material disruption in the delivery of our products or suffer any material loss as a result of delays in delivery or poor handling of goods. As advised by our PRC Legal Advisors, we did not violate the prohibitive provisions of applicable custom laws and regulations during the Track Record Period and up to the Latest Practicable Date.

After-Sales Services

We provide our customers with comprehensive after-sales services. For details, see "– Our Customers – Customer Services and Customer Feedback."

Product Return, Exchange and Recall

Our product exchange and refund policies follow the standard rules of third-party e-commerce platforms we cooperate with, which are stipulated in the agreements entered into with such platforms. For product return policy for our sale through third-party e-commerce platforms and our self-operated online stores, see "– Sales and Marketing."

The value of products returned to us from the third-party e-commerce platforms (which were excluded from our revenue) amounted to RMB189.7 million, RMB214.7 million, RMB438.0 million, RMB159.0 million and RMB404.3 million in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 12.3%, 12.4%, 17.6%, 15.2% and 25.0%, respectively, of our products delivered during the same periods, lower than the general product return rate on Amazon and Wish. According to Frost and Sullivan, the product return rate of apparel and footwear products sold on Amazon ranges from 25% to 30% and the average return rate of apparel and footwear products sold on Wish is approximately 25%. Since 2022, it has been seen that the product return rate of apparel and footwear products sold on Amazon has been increasing. The increased product return rate in the first half of 2022 was primarily affected by the high inflation and the increasing interest rates in the United States. Most product return cases on Amazon, Wish and our self-operated online stores are due to unfit sizes and customer dissatisfaction. The value of products returned to us from our self-operated online stores amounted to RMB5.6 million, RMB22.5 million, RMB14.6 million, RMB11.0 million and RMB4.5 million in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 4.8%, 5.5%, 5.3%, 5.9% and 5.4%, respectively, of our products delivered during the same periods. Customers are generally required to keep the product and original packaging undamaged and not to affect the product resell value. During the Track Record Period and up to the Latest Practicable Date, there were no product recalls, product returns, product liability claims, or customer complaints that materially and adversely affected our business.

PRICING

In line with the industry norm, we adopted market-oriented pricing approach. We principally offer customers products at competitive prices. We price our products based on, to the extent practicable, a series of factors including:

- historical purchase volume and sales statistics;
- customer review;
- selling prices of comparable products and competitive landscape of our products;
- market trends;
- costs or expenses to operate on such third-party e-commerce platforms;
- product positioning and target customer base; and
- foreign exchange rate fluctuations.

Our product operation department (產品運營部) determines the retail pricing plan for each product taking into account the above-mentioned factors. Generally, we set competitive prices for our products. In addition, we take into account our target customers to determine the price. We review our pricing strategies from time to time and adjust the prices of our products from time to time.

SEASONALITY

Our sales and results of operations are subject to seasonal fluctuations. We typically achieve higher revenue from sale of our autumn and winter collections due to the higher average unit selling price of our autumn and winter apparel. In addition, we typically carry out more sales and marketing activities before and during holiday seasons, such as Black Friday, Christmas and New Year. We also actively participate in shopping events and promotion activities launched by third-party e-commerce platforms, such as Amazon Prime Day (亞馬遜會員日) and Wish Express Day, to capture more sales opportunities. On the other hand, our businesses are vulnerable to extreme or unusual weather conditions. For example, the extended period of warm weather during the winter season could render a portion of our products incompatible with such unseasonable conditions, and thus may affect our sales and inventories. For risks associated with our seasonal fluctuation, see "Risk Factors – Risks Relating to Our Business and Industry – Our sales are subject to seasonality, which could cause our results of operations and financial condition to fluctuate."

SUPPLY CHAIN MANAGEMENT

We apply big data analysis in our supply chain management process, from procurement of raw materials, logistics, to delivery to third-party e-commerce warehouses and customers. We have developed and operated ERP and SCM systems, to digitalize our supply chain management through closely connecting procurement orders, production, shipping and packing, and tracking logistics and inventories. Procurement orders generated in the ERP system are synchronized to the SCM system for suppliers to check, and the order status during production at the suppliers' end can be simultaneously synchronized back to the ERP system for our follow-up. Supported by our ERP system, orders are able to be processed automatically and accurately. The ERP system will automatically carry out replenishment testing upon the order entry, including manual testing as well as intelligent testing every four hours, through which we are able to monitor the inventory status on a real-time basis. After the product information reaches the warehouse, the packing will proceed. We check the product and customer information before shipment. Through our SCM system, we provide our customers with detailed information, including details of fabric and accessories, styles and customized demands. We closely monitor the progress of orders and periodically evaluate the performance of our suppliers. The SCM system also provides suppliers with necessary statistics about the fabric and accessories for production and the quantity needed. To protect data security, each supplier is independent and can only view its own order and the related fabric and accessories information.

Our suppliers primarily consist of third-party OEM suppliers and logistics service providers, most of whom are located in the PRC. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, we procured from 374, 376, 335 and 238 OEM suppliers, respectively, all of whom were located in the PRC. During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our OEM suppliers.

Our procurement department at our headquarters, consisting of 182 members as of June 30, 2022, is responsible for selecting qualified OEM suppliers and reviewing their performance, as well as negotiating the procurement particulars.

Our OEM Suppliers

Selection and Review of Our OEM Suppliers

We select our OEM suppliers based on stringent criteria to ensure the quality of our products. When selecting suppliers, we consider, among others, service or product quality, production or delivery capacity, pricing, location, qualifications, reputation and delivery schedule. Our exclusive OEM suppliers are OEM suppliers who only produce products for us exclusively. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had 25, 31, 46 and 37 exclusive suppliers, respectively. The following table sets forth the movement of the number of exclusive OEM suppliers during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
As of the beginning of the period	22	25	31	46
Newly engaged as exclusive OEM suppliers	17	11	23	8
Terminated to be exclusive OEM suppliers	(14)[1]	(5)	(8)	(17)[2]
As of the end of the period	**25**	**31**	**46**	**37**

Notes:

(1) We terminated the exclusive cooperation with 14 exclusive OEM suppliers in 2019, among which, (i) 12 of them failed to fulfill the more stringent requirements we newly imposed as part of our quality control enhancement; and (ii) two of them expanded their production capacities thus are able to take up more production orders from other companies, as a result they became our general OEM suppliers.

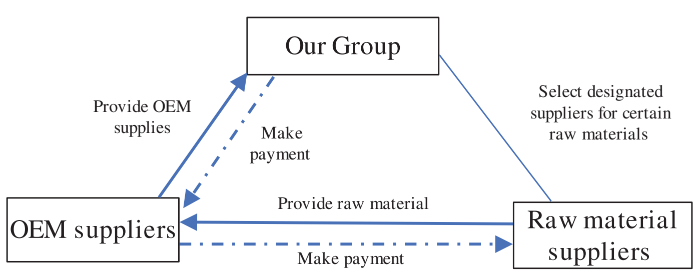
(2) We terminated the exclusive cooperation with 17 exclusive OEM suppliers in the first half of 2022, among which, (i) 13 of them expanded their production capacities thus are able to take up more production orders from other companies, as a result they became our general OEM suppliers; and (ii) four of them ceased the cooperation with us for business reason.

As of the Latest Practicable Date, our OEM supplier pool consisted of 794 OEM suppliers for our apparel products and 174 for our footwear products. Our suppliers are required to possess all licenses and permits necessary to conduct their operations. We routinely review and assess our OEM suppliers' performance to ensure the quality and stability of our supplies, and replace those suppliers who fail to meet our standards and requirements with others. See "– Quality Control."

Relationship with Our OEM Suppliers

We have built and maintained long-term and stable relationships with our major OEM suppliers, the majority of which have cooperated with us for more than three years. Leveraging our rich industry experience and expanded operational scale, we have strong bargaining power in negotiating price and other terms with our OEM suppliers. Raw materials used for the manufacture of apparel and footwear products mainly include synthetic materials, cotton and down. Generally, we require our OEM suppliers to procure certain raw materials based on various factors, including among others, our designs and specifications on the products, policies of third-party e-commerce platforms or our self-operated online stores, and regulations and policies of the country of delivery destination. Our OEM suppliers' costs to procure raw materials are included in their selling prices. For certain raw materials such as knitted fabrics, woven fabrics, buttons and zippers, we require our OEM suppliers to procure from our list of designated suppliers. We believe our OEM suppliers would provide us with sufficient support, and in any event, we could engage alternative OEM suppliers within a short period as replacements from our pool of suppliers, considering that normally there are abundant OEM supplier candidates available on the market as advised by Frost & Sullivan.

The following chart illustrates the transaction and fund flow between the OEM suppliers and us.



Arrangement with Our OEM Suppliers

We generally entered into annual framework agreements with our OEM suppliers and place orders as necessary. We specify the category, design, fabric and accessories, unit price, quantity and delivery schedule for each product.

The framework agreements with our major OEM suppliers include the following salient terms.

- *Terms and termination*. Generally one year subject to annual renewal.

- *Pricing*. Generally, a combination of cost for fabric and accessories, processing cost, and appropriate and reasonable profit.

- *Minimum purchasing requirement.* No minimum purchase is required.

- *Delivery.* Our suppliers are generally responsible for arranging the delivery to our designated warehouses and bearing the costs. In the event of delay in delivery, our OEM suppliers are obligated to pay us a penalty of RMB0.1 per supplied item per day, provided, however, if the total delayed products represent not more than 10% of our total procurement during that month, the late delivery penalties will be waived. The risks transfer to us after we complete the inspection and confirm the receipt of products.

- *Product return.* We are required to inspect our products within seven days. We are typically entitled to return or exchange certain supplies that do not meet our standards upon inspection after delivery and within one month after acceptance.

- *Sub-contracting.* Our OEM suppliers are not allowed to engage sub-contractors to produce products ordered by us.

- *Credit terms and payment.* We are typically given a credit term of one month. We normally pay our suppliers via wire transfer.

- *IP rights protection.* We enter confidential agreements with our OEM suppliers. Our OEM suppliers are generally not allowed to keep, use or leak our designs to third parties. In the event of infringement, they may be imposed a penalty of RMB500,000.

As result of the good relationships and successful experience with our major OEM suppliers, we can usually get quick response and have our additional demand satisfied in due course. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant shortage of or delay in the delivery of supplies, and we had not encountered any material difficulties in procuring products from OEM suppliers.

Our Logistics Service Providers

As of June 30, 2022, we had 62 domestic logistics service providers and 19 overseas logistics service providers, all of whom have extensive and reliable delivery networks. We select logistics service providers based on their geographical coverage and track record.

We have built and maintained long-term and stable relationships with our major logistics service providers, the majority of whom have cooperated with us for more than two years. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in procuring the logistics services from logistics service suppliers.

Arrangement with Our Logistics Service Providers

The framework agreements with our major logistics service providers include the following salient terms.

- *Terms and termination*. Generally one year subject to annual renewal.
- *Pricing*. Price is set according to the weight and distance of the product.
- *Contractual liabilities.* In the event of products lost, damaged or failed to deliver on-time, our logistics service providers are obligated to bear the stipulated damages.
- *Transfer of risks.* The logistics service providers bear the risks during transportation and related insurance expenses.
- *Sub-contracting*. The logistics service providers are not allowed to subcontract the work to third parties without prior written consent.
- *Credit terms and Payment.* We are typically given a credit term ranging from 15 days to one month. We normally pay our suppliers via wire transfer.
- *Customs duty.* Our major logistics service providers are typically responsible for all customs duties concerning export and import customs clearance.

Our Payment Service Providers

Third-party e-commerce platforms and our self-operated online stores provide customers with the flexibility to choose from a number of payment options. These payment options include online payments with credit cards, debit cards, and payment through third-party online payment platforms. To a much lesser extent, our logistics service providers in Japan also offer a "payment on delivery" payment option, under which our logistics service providers deliver products to the designated addresses by our customers and collect payment on site.

Arrangement with Our Payment Services Providers

The framework agreements with our major payment services providers include the following salient terms:

- *The scope of service*. The third-party payment service providers are responsible for the fund payment and receipt, and the fund settlement with us.

- *Terms and termination*. The payment services agreements generally have a term of one year. We have the rights to terminate the payment services agreements at any time without cause, while upon prior notice the third-party payment services providers have the rights to terminate the agreements.

- *Pricing*. Price is set according to the scope of the payment services provided.

- *Contractual liabilities.* We are responsible for the payment of all governmental fees and taxes and the claims from our customers.

- *Tax liabilities.* The service providers are not liable for the underlying transactions. We are responsible for the payment of any applicable taxes and customs duties and subject to foreign currency controls.

When our customer purchases products through third-party e-commerce platforms or our self-operated online stores, and choose to make online payment through third-party payment platforms, such as PayPal and Union Pay, such platforms will be considered as our payment service providers.

Our Five Largest Suppliers

The following tables set forth certain information of our five largest suppliers during the Track Record Period.

Six months Ended June 30, 2022

Supplier	Business nature	Major services purchased by us	Credit terms	Payment method	Purchase amount	As a percentage of our total purchases	Length of relationship	Size of operation	Business profile and background
					(RMB'000)	*(%)*			
Supplier A	Third-party e-commerce platform	Online platform services	Settle with us every 14 days	Deduct from sales proceeds	686,552	57.4%	Since 2014	Supplier A is the largest online e-commerce company in the United States and one of the first companies in the world to start e-commerce business. Supplier A has become the world's largest online retailer and the world's second largest internet company.	Supplier A is a cross-border e-commerce platform that facilitates transactions between merchants and customers on its platform.
Supplier E	Marketing service provider	Marketing services	Prepayment	Bank transfer	14,002	1.2%	Since 2021	Established in 2019, Supplier E is a Singaporean marketing service provider providing marketing services to its customers.	Supplier E primarily engages in the development of software and applications (except games and cybersecurity) and online marketing services.
Shenzhen Nanshan District Juli Clothing Factory (original name: Shenzhen Longgang District Juli Clothing Factory)	OEM supplier	OEM services	Settle with us every month	Bank transfer	13,854	1.2%	Since 2020	Established in 2019, Supplier F is an apparel merchant and OEM service provider.	Supplier F primarily provides finished goods, including apparel, hat, and footwear, as well as OEM services to its customers.
Zhejiang Yinghe International Logistics Co., Ltd.	Logistics service provider	Logistics services	Settle with us every month	Bank transfer	13,222	1.1%	Since 2020	Supplier G is a logistics service provider, focusing on providing logistics services to cross-border merchants.	The main business of Supplier G primarily includes agency services for international freight transportation, covering sea transportation, air transportation and land transportation.
Shanghai Linke International Freight Transportation Agency Co., Ltd.	Logistics service provider	Logistics services	Settle with us every month	Bank transfer	11,832	1.0%	Since 2020	Supplier H is an international freight transportation service provider, primarily providing agency services, covering import and export, air transportation and sea transportation, to its customers.	Supplier H primarily provides international transport services to its customers, covering logistics services, warehousing services, custom declaration services, and other services.
					739,462	61.9%			

Year Ended December 31, 2021

Supplier	Business nature	Major services purchased by us	Credit terms	Payment method	Purchase amount	As a percentage of our total purchases	Length of relationship	Size of operation	Business profile and background
					(RMB'000)	*(%)*			
Supplier A	Third-party e-commerce platform	Online platform services	Settle with us every 14 days	Deduct from sales proceeds	895,189	38.6%	Since 2014	Supplier A is the largest online e-commerce company in the United States and one of the first companies in the world to start e-commerce business. Supplier A has become the world's largest online retailer and the world's second largest internet company.	Supplier A is a cross-border e-commerce platform that facilitates transactions between merchants and customers on its platform.
Supplier B	Third-party e-commerce platform and logistic service provider	Online platform services and logistics services	Settle with us every 15 days	Deduct from sales proceeds and bank transfer	126,574	5.5%	Since 2015	Established in the United States, Supplier B is the largest mobile e-commerce platform in North America and Europe, on which 90% of the merchants are from China.	Supplier B is a cross-border e-commerce platform that facilitates the transactions between the sellers and customers. Supply B is the parent company of the cross-border e-commerce solutions service provider which provided logistics services to us. Such e-commerce solutions service provider provides services including ordering, collection, distribution, and tracking.
4PX Express Co., Limited	Logistics service provider	Logistics services	Prepayment	Bank transfer	44,286	1.9%	Since 2018	4PX Express Co., Limited is an international services provider, providing international express channels and system services to its customers.	4PX Express Co., Limited is an international services provider providing procurement management, inventory management, warehousing management, order processing, and logistics delivery services to its customers, which also cooperates with e-commerce platforms to provide information, fund and logistics solutions for cross-border e-commerce transactions.

Supplier	Business nature	Major services purchased by us	Credit terms	Payment method	Purchase amount	As a percentage of our total purchases	Length of relationship	Size of operation	Business profile and background
					(RMB'000)	*(%)*			
Supplier D	Logistics service provider	Logistics services	Settle with us every month	Bank transfer	34,632	1.5%	Since 2020	Supply D is the PRC subsidiary of a global transportation and logistics company established in the United States with an operating network covering more than 220 countries and regions around the world.	The parent company of Supplier D is an industry leader in the transportation and logistics industries, providing services including forwarding, ground freight, brokerage, logistics, and delivery services in more than 200 countries and regions.
Hangzhou Zhuoyue Supply Chain Management Co., Ltd.	Logistics service provider	Logistics services	Settle with us every 14 days	Bank transfer	30,028	1.3%	Since 2020	Established in 2019, Hangzhou Zhuoyue Supply Chain Management Co., Ltd. is a logistics service provider providing international transport services.	Hangzhou Zhuoyue Supply Chain Management Co., Ltd. provides a full range of logistics services, including service such as import, air transportation, sea transportation and customs declaration.
					1,130,709	48.8%			

Year Ended December 31, 2020

Supplier	Business nature	Major services purchased by us	Credit terms	Payment method	Purchase amount	As a percentage of our total purchases	Length of relationship	Size of operation	Business profile and background
					(RMB'000)	*(%)*			
Supplier B	Third-party e-commerce platform and logistics service provider	Online platform services and logistics services	Settle with us every 15 days	Deduct from sales proceeds and bank transfer	335,728	19.7%	Since 2015	Established in the United States, Supplier B is the largest mobile e-commerce platform in North America and Europe, on which 90% of the merchants are from China.	Supplier B is a cross-border e-commerce platform that facilitates the transactions between the sellers and customers. Supply B is the parent company of the cross-border e-commerce solutions service provider which provided logistics services to us. Such e-commerce solutions service provider provides services including ordering, collection, distribution, and tracking.
Supplier A	Third-party e-commerce platform	Online platform services	Settle with us every 14 days	Deduct from sales proceeds	292,414	17.2%	Since 2014	Supplier A is the largest online e-commerce company in the United States and one of the first companies in the world to start e-commerce business. Supplier A has become the world's largest online retailer and the world's second largest internet company.	Supplier A is a cross-border e-commerce platform that facilitates transactions between merchants and customers on its platform.
Supplier C	Marketing service provider	Marketing services	30 days	Bank transfer	62,529	3.7%	Since 2018	Established in China, Supplier C is a listed company on the Main Board of the Stock Exchange, and provides SaaS services to its customers.	Supplier C provides a series of SaaS products and services including but not limited to mobile marketing, statistical attribution, creation automation, traffic monetization, and cloud architecture cost optimization to its customers.
Jiahe Group[(1)]	Marketing service provider	Marketing services	30 days	Bank transfer	54,905	3.2%	Since 2020	Jiahe Group is a company established in Hong Kong in 2018. For details See "Financial Information – Related Party Transactions – Transactions with Related Parties – Purchase of Advertising Services" in this Document.	See "Financial Information – Related Party Transactions – Transactions with Related Parties – Purchase of Advertising Services" in this Document.
Yamichoice Inc.	Cross-border logistics service provider	Logistics services	Prepayment	Bank transfer	49,714	2.9%	Since 2020	Yamichoice Inc. is a cross-border logistics service provider established in the United States.	Yamichoice Inc. primarily provides cross-border freight forwarding services to its customers.
					795,290	46.7%			

Note:

(1) In May 2021, Jiahe Group was disposed to an Independent Third Party and we ceased to procure online advertising agency services from Jiahe Group when our contract with Jiahe Group expired upon mutual consent and engaged an Independent Third Party to provide similar services. We will not continue to procure advertising agency services from Jiahe Group.

Year Ended December 31, 2019

Supplier	Business nature	Major services purchased by us	Credit terms	Payment method	Purchase amount	As a percentage of our total purchases	Length of relationship	Size of operation	Business profile and background
					(RMB'000)	*(%)*			
Supplier B	Third-party e-commerce platform and logistics service provider	Online platform services and logistics services	Settle with us every 15 days	Deduct from sales proceeds and bank transfer	289,656	23.5%	Since 2015	Established in the United States, Supplier B is the largest mobile e-commerce platform in North America and Europe, on which 90% of the merchants are from China.	Supplier B is a cross-border e-commerce platform that facilitates the transactions between the sellers and customers. Supply B is the parent company of the cross-border e-commerce solutions service provider which provided logistics services to us. Such e-commerce solutions service provider provides services including ordering, collection, distribution, and tracking.
Supplier A	Third-party e-commerce platform	Online platform services	Settle with us every 14 days	Deduct from sales proceeds	197,255	16.0%	Since 2014	Supplier A is the largest online e-commerce company in the United States and one of the first companies in the world to start e-commerce business. Supplier A has become the world's largest online retailer and the world's second largest internet company.	Supplier A is a cross-border e-commerce platform that facilitates transactions between merchants and customers on its platform.
China Postal Express & Logistics	Logistics service provider	Logistics services	Settle with us every 15 days, credit term 30 days	Bank transfer	70,811	5.7%	Since 2017	China Post Express Logistics Co., Ltd., is a comprehensive express logistics service provider with the longest operating history and the widest express network coverage in China.	China Post Express Logistics Co., Ltd., mainly provides domestic express delivery, international express delivery, contract logistics and other value-added services to its customers.

Supplier	Business nature	Major services purchased by us	Credit terms	Payment method	Purchase amount	As a percentage of our total purchases	Length of relationship	Size of operation	Business profile and background
					(RMB'000)	*(%)*			
Supplier C	Marketing service provider	Marketing services	30 days	Bank transfer	43,311	3.5%	Since 2018	Established in China, Supplier C is a listed company on the Main Board of the Stock Exchange, and provides SaaS services to its customers.	Supplier C provides a series of SaaS products and services including but not limited to mobile marketing, statistical attribution, creation automation, traffic monetization, and cloud architecture cost optimization to its customers.
Jia Cheng International Logistics Co., Ltd	Logistics service and other cross-border e-commerce services provider	Logistics services	30 days	Bank transfer	39,567	3.2%	Since 2018	Jia Cheng International Logistics Co., Ltd is an integrated cross-border e-commerce service provider, with widely-distributed branches and business sites domestically and globally.	As an integrated logistics service provider, Jia Cheng International Logistics Co., Ltd is engaging in providing international express delivery and international freight forwarding services to its customers.
					640,600	51.9%			

Jiahe Group, our fourth largest supplier for the year ended December 31, 2020, is a company used to be controlled by a family relative of Ms. Yu, before its disposal to one of our former employees, who is an Independent Third Party in May 2021. Jiahe Group acted as our advertising agency from June 2020 to May 2021, when the contract between Jiahe Group and us expired upon mutual consent. Except for Jiahe Group (prior to its disposal to the Independent Third Party), all of our five largest suppliers during the Track Record Period are Independent Third Parties. For transactions with Jiahe Group, see "Financial Information – Related Party Transactions." To the best knowledge of our Directors, none of our Directors, their respective close associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period, except for Jiahe Group before May 2021. For the years ended December 31, 2020 and 2021, our consideration to Jiahe Group, which was on an actual basis and included the advertising fees for advertisement placement on social media platforms, net off the rebate provided by Jiahe Group, was RMB54.9 million and RMB5.8 million, respectively, representing 4.7% and 0.4% of our total selling expenses and distribution costs for the relevant year. Supplier A, a third-party e-commerce platform, was one of our five largest suppliers and also our customer during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, Supplier A procured a small amount of apparel products at the amount of approximately RMB0.3 million, RMB0.7 million, RMB0.5 million and RMB0.4 million, respectively, representing a negligible portion of our total revenue. During the same periods, the gross profit attributable to our sale to Supplier A amounted to approximately RMB0.2 million, RMB0.5 million, RMB0.4 million and RMB0.3 million, respectively, while the gross profit margin attributable to our sale to Supplier A was 80.2%, 81.5%, 82.8% and 80.5%, respectively. Other than Jiahe Group and Supplier A, none of our five largest suppliers during the Track Record Period was also our customers.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant return or exchange of supplies that did not meet our standards and had not suffered any significant loss or damage caused by quality problems with the supplies.

Inventory Management

In line with the industry norm, our inventories primarily consist of products procured from OEM suppliers. We have strict inventory management and control system that monitors each stage of the warehousing process, including procurement, storage, distribution, exchange, return, and disposal. Our warehousing personnel is responsible for the inspection, storage and distribution of inventories. All inventories are inspected upon receipt, recorded in-stock book, and stored in different areas according to their respective storage condition requirement, properties, usage and batch number. We review our inventories monthly. Our warehousing personnel also carries out regular check to ensure consistency among inventories and records.

We have implemented the following measures to monitor our inventory level:

- We procure inventories according to our sales plan and replenish products if necessary to meet our sales expectations;

- We have developed and deployed a digital ERP system, through which we can collect inventory and sales statistics on a real-time basis, enabling us to analyze and track the sales performance of our product and inventory level. See "– Information Technology Systems" for more details;

- Where inventories are unable to meet our sales expectation, we replenish such products from our OEM suppliers. Leveraging the good relationships with our OEM suppliers, we can generally place additional orders to fulfill our inventories;

- In anticipation of the greater demand for products for the forthcoming holidays and festivals, such as Amazon Prime Day, Black Friday, Christmas and New Year, we will stock up on products for up to two months of inventories; and

- For obsolete inventories that fail to sell for more than one year, we offer customers certain discount on the uniform retail prices of products to stimulate sales.

For details of our policy for provisions for inventories, see "Financial Information – Selective Items from Consolidated Statements of Financial Position – Inventories." For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our inventories turnover days were 175 days, 177 days, 304 days, 292 days and 442 days, respectively. During the same periods, we made provision for impairment loss of our inventories in the amount of RMB54.5 million, RMB24.6 million, RMB36.9 million, RMB30.9 million and RMB51.1 million, respectively. Due to the outbreak of COVID-19, we experienced shortage or delay in the supply of certain products in a short period of time. From February 2020 to March 2020, approximately 13% of the products we ordered in terms of product volume, were in short supply, higher than the annual average of approximately 3% under normal circumstance. As the logistics service providers and OEM suppliers have soon resumed normal, our business operation has not encountered material disadvantage. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage of inventory or obsoleteness of inventory.

QUALITY CONTROL

We believe that quality control is essential to our success. We have established and maintained stringent quality control system. As of June 30, 2022, our Quality Control Department comprised 74 staff.

Key aspects of our all-stage quality control system are as follows:

- ***Quality control at supplier selection stage:*** We follow stringent procedures in selecting OEM suppliers. In particular, we evaluate OEM supplier candidates, primarily focusing on their service or product quality, production capacity, pricing, location, qualifications, reputation, delivery schedule and inventory level. As the historical performance of our suppliers, especially their delivery timeline and product quality can be conveniently accessed and digitally analyzed through our SCM system, we are able to evaluate the cooperation of these suppliers on a data-oriented basis;

- ***Quality control at product production:*** We typically conduct on-site inspections to make sure sufficient quantities and proper qualities of supplies will be delivered in a timely manner;

- ***Quality control upon delivery.*** We have established a complete SCM system to assess ratings of suppliers and the quality of their products. For products delivered to our warehouses, we conduct inspection on both quantity and quality before acceptance of such products. We inspect products according to our quality standards and craft sheets (工藝單), from sewing techniques (stitch line, thread color, wash mark), sizes (chest, waist, shoulder, sleeve length, neck circumference), printing, wrinkling, smocking (打攬), fabric and accessories (color, quality, dirt), finishing techniques (後整工藝) (ironing (整燙), SKU managing, barcodes printing and packaging), to factory assessment (warehouse return rate, order delay rate).

MARKETING AND PROMOTION

During the Track Record Period, we primarily engaged in online marketing and promotional activities. We evaluate our marketing and promotion performance by a number of indicators, such as Return on Investment (ROI) by platforms or by stores within our operating teams. ROI is calculated based on revenue divided by selling and marketing costs allocated to the platforms or stores within the operating teams during the relevant period. Generally, the higher the ratio is, the better performance may be reflected, as this could imply more revenue generated from the same marketing and promotion efforts.

However, the ROI may not always be indicative when there are material fluctuations, and therefore, we also evaluate our marketing and promotion performance in combination with other indicators such as GMV, sale to return ratio, the number of new stores opened and new products launched to evaluate the overall effectiveness of our marketing and promotion activities. During the Track Record Period, we recorded a general decrease in our overall ROI, primarily due to our gradual shift of strategic focus from sale through Wish to sale through Amazon. Also, we substantially increased our marketing and advertising efforts to promote numerous new products during the initial sale of such products on Amazon, and it takes time for the sales to ramp up and gradually achieve profitability.

We market our products primarily through the following ways:

- ***Promotion by our self-operated online stores.*** We place advertisement on leading social media platforms, including Facebook, Instagram and Google, from time to time. Leveraging our content production capability and deep understanding of our products, we normally design and produce the initial advertisement content and place the advertisement on social media platforms through advertising agencies or authorized advertising resellers, to reach our potential customers precisely.

- ***Placing advertisement on e-commerce platforms***. We gain marketing support from third-party e-commerce platforms we cooperate with through capitalizing their vast user traffic. Our third-party e-commerce platform partners are also our traffic suppliers who offer us online traffic sources through navigations to our products and providing advertising spaces.

  Their services include (i) Cost Per Clicks (CPC), which is a pricing mechanism that charges us each time a visitor clicks on a sponsored link; and (ii) Demand-Side Platform (DSP), a precise marketing service provided by Amazon, which can help us increase our brand awareness both on and off the e-commerce platforms through buying display, video, and audio advertisements and programmatically reaching existing and new customers across the web on both Amazon sites and apps as well as through Amazon's publishing partners. Our ability to closely and consistently cooperate with the e-commerce platforms allows us to leverage the huge amount of platform traffic and further boosts our sales volume.

- ***Periodic sales and discounts.*** We offer sales and promotional discounts on our products to promote sales and reduce obsolete inventories, particularly during holidays and festival seasons such as Amazon Prime Day, Christmas, New Year and Black Friday. From time to time, we offer customers discount on the retail prices for excess inventory.

As of June 30, 2022, our sales departments have a total of 485 employees. They are responsible for our operation and sales activities. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our marketing and advertising expenses were RMB116.2 million, RMB263.2 million, RMB319.1 million, RMB146.2 million and RMB192.2 million, respectively, representing 8.1%, 13.9%, 13.6%, 13.3% and 15.0%, respectively, of our total revenue for the same periods. Our allocation of marketing and advertising expenses across sales channels including social media platforms and third-party e-commerce platforms, depends on our estimated advertising budgets and sales targets for our self-operated online stores and seller stores on the third-party e-commerce platforms, and we adjust our expense allocations from time to time based on their sales performance. For example, when we intend to promote our sale through self-operated online stores, we would spend more advertising expenses on social media platforms and vice versa.

OUR CUSTOMERS

Our customers are primarily retail customers who purchased our products either through major third-party e-commerce platforms, or our self-operated online stores directly. To a much lesser extent, our customers also include corporate customers such as third-party e-commerce platforms and other third-party merchants. Although we primarily target female customers aging from 18 and 45 years who seek quality womenswear with reasonable and affordable prices, given the dispersed base of our customers, we do not have a concentration risk. The revenue contributed by our five largest customers in each year during the Track Record Period accounted for less than 1.6% of our total revenue of the relevant year. Our five largest customers during the Track Record Period primarily comprised third-party e-commerce platforms, other third-party merchants and individual customers. Among our five largest customers, Jiahe Group, our second largest customer for the year ended December 31, 2021, was our fourth largest supplier for the year ended December 31, 2020. For the year ended December 31, 2021, Jiahe Group (i) purchased furniture and outdoor and sports goods from us with a consideration of approximately RMB14.2 million, representing 0.6% of our total revenue for the same period; and (ii) received warehousing and logistics services from us with a consideration of RMB1.5 million, representing a negligible portion of our total revenue for the same period. For the year ended December 31, 2021, the gross profit attributable to our sale of furniture and outdoor and sports goods to Jiahe Group amounted to approximately RMB1.5 million and warehousing and logistics services to Jiahe Group amounted to approximately RMB0.2 million, while the gross profit margin attributable to our sale of furniture and outdoor and sports goods and warehousing and logistics services to Jiahe Group was 10.2% and 11.2%, respectively. The gross profit of our sale of furniture and outdoor and sports goods to Jiahe Group were lower than the overall gross profit generated from our sale to corporate customers, primarily due to the relatively low selling prices of such products as (i) we intended to focus more on sale of apparel and footwear products and ceased to explore sale of furniture through e-commerce platforms thereby disposing the inventories we hold at relatively low prices; and (ii) we did not charge Jiahe Group outbound delivery fees, as the majority of such products were stored in overseas warehouses and we were not responsible for further delivery to the retail customers of Jiahe Group. In addition, Jiahe Group is responsible to pick up the remaining products at our domestic warehouses and arrange the subsequent delivery. As comparison, we are generally responsible for the outbound delivery of our sale of products to other corporate customers and our selling prices for such sale comprised outbound delivery fees, as those products were primarily stored in the domestic warehouses. Our outbound shipping charges and relevant insurance fees were mainly included in freight and insurance cost in selling expenses and distribution costs instead of our freight and insurance cost in cost of sales. Apart from the procurement of products, Jiahe Group also purchased warehousing and logistics services from us to store and deliver products procured from us and other third-party suppliers. The gross profit margin for our warehousing and logistics services to Jiahe Group were comparable to our gross profit margin for provision of similar services to other corporate customers during the same period. Besides, our fourth largest customer for the year ended December 31, 2020, an e-commerce platform which also provides logistics services, primarily procured sporting goods, apparels, and toys from us, was also our logistics service supplier during the Track Record Period. Our sales to the above-mentioned logistics service supplier amounted to approximately RMB3,726, RMB136,983, RMB93,811 and RMB624 for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. In addition, Supplier A was also our second largest and third largest customer for the years ended December 31, 2019 and 2020, respectively. See "– Supply Chain Management – Our Five Largest Suppliers." Other than the above-mentioned three customers, none of our five largest customers were our suppliers during the Track Record Period. As advised by Frost & Sullivan, it is the industry norm for e-commerce platforms to purchase products from e-commerce companies like us and provide platform services such as logistics or advertising services.

Our second largest customer for the year ended December 31, 2021 was Jiahe Group, which is a company used to be controlled by a family relative of Ms. Yu before its disposal to an Independent Third Party who is our former employee in May 2021. Before its disposal, Jiahe Group also provided us advertising agency services. For more information of the transactions with Jiahe Group, see "Financial Information – Related Party Transactions." Our largest customer for the years ended December 31, 2019, 2020 and 2021, Super Summer, used to be our subsidiary before we disposed it to an Independent Third Party in July 2019. Super Summer was incorporated solely for the purpose of registering online stores on the platform of Walmart. At the time of the incorporation of Super Summer, Walmart used to only accept companies incorporated in the U.S. to be registered as the beneficial owner of the online stores. However, the aforesaid registration requirement was abolished subsequently and as a result the PRC companies were allowed to be registered as the beneficial owner of the online stores. Therefore, the Group could register online stores on the platform of Walmart through its PRC subsidiaries with no necessity to manage or maintain an U.S. entity at a high cost. In addition, as our sale on the online platform of Walmart was insignificant and we focused our operations primarily on sale through online stores on Amazon, we disposed Super Summer to an Independent Third Party in July 2019. We generated revenue of RMB6.2 million from sale of products through Walmart by Super Summer for the year ended December 31, 2019, representing an insignificant portion of our total revenue during the same year. As the financial position and financial performance of Super Summer during the Track Record Period are immaterial to our Group's financial statements as a whole, and Super Summer did not regard the United States as the major geographical area of its operations, the disposal of Super

Summer was not treated as a discontinued operation in our Group's financial statements. The below table sets forth the selected financial information of Super Summer and its percentage in our Group as a whole for the year indicated:

	For the year ended/As of December 31, 2019			
	Assets	**Equity/ (deficit)**	**Revenue**	**Profit/(loss) before income tax**
Super Summer (*RMB'000*)	–	–	6,207	(30)
Percentage of Super Summer in our Group (%)	–	–	0.43	(0.03)

For more details on the disposal of Super Summer, please refer to "History, Reorganization and Corporate Structure – Reorganization – Offshore Reorganization – (v) Acquisition and Subsequent Disposal of Super Summer" of this document. Due to the established business arrangement, Super Summer continued to purchase from us after the reorganization as a corporate customer, at terms similar to other corporate customers. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, we generated revenue of RMB6.4 million, RMB27.4 million, RMB15.8 million, RMB12.7 million and RMB1.3 million, respectively, from sale to Super Summer after reorganization, which was in line with the sustained demand from the online stores on Walmart, as customers are more accustomed to online shopping due to the impact of COVID-19. Except for Jiahe Group and Super Summer, all of our five largest customers during the Track Record Period are Independent Third Parties. To the best knowledge of our Directors, none of our Directors, their respective close associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period, except for Jiahe Group before May 2021 and Super Summer before July 2019.

Customer Services and Customer Feedback

Customer Service and Feedback

We provide customer service to customers on both the e-commerce platform and our self-operated online stores, for which we allocate separated human resource and set different working flows, primarily responding to distinguished customer demands.

- ***Third-party e-commerce platforms***. Unlike our self-operated online stores, we cannot directly contact and closely interact with customers on third-party e-commerce platforms. All communications with such customers are conducted through communication channels provided by the platforms. In order to provide prompt responses to our customers of certain third-party e-commerce platforms, in addition to the customer service teams of those third-party e-commerce platforms themselves, we also retain our own customer service staff for our stores operated on such third-party e-commerce platforms. Our customer service staff primarily deal with the customers' requests for product exchange or return, which could not be fully solved by the platforms.

- ***Self-operated online stores.*** Aiming at responding to our customers effectively and efficiently, we retain a separate customer service department, who responds to our customers inquiries and complaints on a 24/7 basis. Our customers usually contact us for the following reasons: (i) to amend their orders, including types and quantities of products, size or color, and shipping address; (ii) to check the process progress of their order; (iii) to check the delivery status of their order; (iv) to report a defective, damaged, or missing item in their order; and (v) to initiate a return, exchange, or refund of their order.

We leverage our digital system to improve the quality as well as efficiency of our customer service. We employ our digitalized system to collect customers' feedback using keywords search and monitor, such as comments on our fabric and accessories and pattern, and generate a report for our design team to improve and upgrade our products. Our IT department independently develops and operates the e-mail management system for our self-operated online stores, which was initially designed to increase the responding efficiency. Integrated the functions of responding to customers' inquiries, receiving timely comments, checking the order information and logistics, recommending new series as well as precisely distributing the discount codes, we are able to promptly and effectively respond to the customers' inquires through the integrated e-mail management system.

We have also developed our own data analysis system to digitalize and visualize data for the operation of our self-operated online stores, based on data collection, big data analysis and core algorithm. Our self-developed data analysis system empowers our delicate operations with big data analysis, through which we can analyze vast operating data efficiently to reach decision for our operations.

We also provide various channels to ascertain customers' expectations and collect customers' comments. We mainly collect customer feedback through various channels, including but not limited to customer service hotline and comment collection surveys that we encourage customers to fill out.

Management of Customer Complaints

Given the nature of our business, we receive customer complaints from time to time. In line with the industry norm, customer complaints are usually in relation to the following categories by nature:

- ***Logistics:*** this typically occurs when a customer receives a damaged, defective or incorrect item from us.

- ***Product size and color:*** this typically occurs when a customer finds the size, or color of our products is not fit or matched as expected.

- ***Product quality:*** this typically occurs when a customer finds the quality of our products below his or her expectation.

On third-party e-commerce platforms we cooperate with, customer complaints are primarily handled by their own customer service teams, as they are directly responsible for the sales process on that platform. For those complaints they fail to solve, for example, those in relation to product exchange or return, our customer service team will follow up and handle accordingly. We usually reach out to the customers, to understand the issue and propose solutions to the extent possible. Our involvements in the customer complaint management vary depending on the internal policies of different third-party platforms. For example, we have been more involved in the customer complaint management and established an online store management team on Wish consisting of approximately 15 employees. By contrast, most of the customer complaints on Amazon are directly handled by sales operation staff from Amazon. On our self-operated online stores, we are responsible for handling customer complaints. In order to ensure prompt and proper handling of customer complaints, we have set up internal processes which we require our staff to follow. In order to maintain good customer relationships, we seek to resolve these complaints reasonably and amicably as soon as possible. When complaints of a similar nature recur, we hold internal discussions periodically to review such complaints and implement appropriate measures for rectification.

Customers generally accept complimentary services and/or products return and/or refunds to settle their complaints. We may also be required to pay monetary compensation to settle customer complaints. We review the grounds of the requests for refunds or compensation on a case-by-case basis, depending on the reasonableness of the customer's complaint and demand, as well as other factors such as resources that we may otherwise have to spend in handling the matter. During the Track Record Period and up to the Latest Practicable Date, in addition to product return or exchange, we had not incurred any material monetary compensation to settle customer complaints.

TRANSFER PRICING ARRANGEMENT

During the Track Record Period, we conducted our operations primarily through our subsidiaries in the PRC and Hong Kong. We primarily conducted our sales activities through Zibuyu HK, our subsidiary in Hong Kong. During the Track Record Period, our subsidiaries in China are responsible for the logistics, technical services, e-commerce operations, supply chain management, warehousing and IT support. Zibuyu HK then sells the products to our overseas customers through third-party e-commerce platforms or our self-operated online stores. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the relevant intra-Group transactions amounted to RMB537.5 million, RMB580.3 million, RMB680.5 million and RMB248.6 million, respectively.

The Organization for Economic Co-operation and Development (the "**OECD**"), an international organization of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Transfer Pricing Guidelines**"), which is generally followed by the relevant tax jurisdictions involved in the intra-Group transactions including Hong Kong and the PRC. According to the OECD Transfer Pricing Guidelines, the intra-Group transactions should be at arm's length basis to avoid distorted taxable income in different jurisdictions.

We have engaged international professional accounting firms as independent tax consultants to conduct annual transfer pricing review on our cross-border intra-Group transactions during the Track Record Period to ensure compliance with the relevant transfer pricing regulations and an independent transfer pricing consultant (the "**Transfer Pricing Advisor**") to conduct benchmarking studies on the intra-Group transactions during the Track Record Period in accordance with the OECD Transfer Pricing Guideline. Our Transfer Pricing Advisor determined that the transactional net margin method was the most appropriate transfer pricing methods to assess whether the transfer pricing arrangements related to the cross-border intra-Group transactions involved were consistent with the arm's length principle. A range of reasonable profit level was determined by reference to the range of reasonable profit level derived by comparable companies (the "**Comparable Profit Level Range**"). The Transfer Pricing Advisor has performed benchmarking study for the intra-Group transactions to search for reliable comparable companies with publicly available information. The Transfer Pricing Advisor has applied both quantitative and qualitative criteria to select comparable companies. Applying the quantitative criteria, the comparable companies must be companies which (i) had two years consecutive financial information available; and (ii) did not report two years consecutive losses. Applying the qualitative criteria, the comparable companies must be companies which engaged in sufficiently similar industries and activities of the companies involved in the intra-Group transactions. The Comparable Profit Level Range determined through the benchmarking study follows the OECD Transfer Pricing Guidelines and can be regarded as an arm's length profit level range.

The following table sets forth the Comparable Profit Level Range and the profit level of our subsidiaries in Hong Kong and the PRC for the periods indicated:

	Comparable Profit Level Range												Profit level indicator			
	Year ended December 31,									Six months ended June 30,			Year ended December 31,			Six months ended June 30,
	2019			2020			2021			2022			2019	2020	2021	2022
	Upper quartile	Median	Lower quartile	Upper quartile	Median	Lower quartile	Upper quartile	Median	Lower quartile	Upper quartile	Median	Lower quartile				
The PRC subsidiaries of our Group																
Hangzhou Zibuyu(1)	2.73%	1.87%	1.72%	3.33%	2.20%	1.71%	3.60%	1.79%	1.00%	3.60%	1.79%	1.00%	1.94%	1.92%	2.48%	2.70%
Huzhou Zibuyu(1)(2)	–	–	–	–	–	–	3.60%	1.79%	1.00%	3.60%	1.79%	1.00%	–	–	7.56%	3.67%
Zhejiang Zibuyu(3)	6.25%	4.26%	1.39%	5.80%	4.19%	2.61%	5.66%	2.35%	2.03%	5.66%	2.35%	2.03%	1.61%	4.41%	4.52%	4.03%
Hangzhou Junbuqi(1)	–	–	–	–	–	–	8.53%	5.16%	3.34%	8.53%	5.16%	3.34%	–	–	6.50%	4.61%
Hong Kong subsidiaries of our Group																
Zibuyu HK(3)	6.25%	4.26%	1.39%	5.80%	4.19%	2.61%	5.66%	2.35%	2.03%	5.66%	2.35%	2.03%	1.61%	4.41%	4.52%	4.03%

Notes:

(1) For our PRC subsidiaries, Hangzhou Zibuyu, Huzhou Zibuyu and Hangzhou Junbuqi, the Transfer Pricing Advisor has adopted full cost markup rate as the profit indicator for the comparison with the profit levels of the comparable companies during the periods indicated.

(2) Huzhou Zibuyu was established in December 2020.

(3) For intra-Group transactions with Zhejiang Zibuyu, the Transfer Pricing Advisor has selected Zibuyu HK as the tested party, as Zibuyu HK is the major transaction party with Zhejiang Zibuyu and Zhejiang Zibuyu owns major intangible assets of our Group. Our Transfer Pricing Advisor is of the view that any comparable adjustment on a subsidiary holding major intangible assets of our Group would be material and unreliable. Therefore, Zhejiang Zibuyu cannot be selected as the tested party. The Transfer Pricing Advisor has applied operating profit margin as the profit indicator with the comparison of the profit level of the comparable companies during the periods indicated.

After consulting our Transfer Pricing Advisor, we believe that our transfer pricing arrangement during the Track Record Period was in accordance with the arm's length principle and in compliance with the applicable Hong Kong and PRC transfer pricing regulations, and there was no need for any transfer pricing adjustment within our Group, and the likelihood of triggering transfer pricing audit by the tax authority is remote.

Having (i) reviewed annul transfer pricing review reports issued by the independent tax consultants and the benchmarking studies memorandum issued by the Transfer Pricing Advisor, (ii) conducted an interview with the Transfer Pricing Advisor to understand its qualification, and bases, assumptions and measures adopted to reach its views on the Group's transfer pricing arrangements, and (iii) reviewed the legal opinions issued by the Company's PRC Legal Advisors, the tax compliance confirmation letters from the competent PRC tax authorities, the Hong Kong legal opinions issued by the Hong Kong legal advisors to the Company, and results of the background searches on the Group companies, nothing has come to the attention of the Joint Sponsors that would (i) cause them to disagree with the Transfer Pricing Advisor's view on the transfer pricing arrangements, or (ii) indicate that the Group's transfer pricing arrangements involve tax evasion.

We have also adopted the following measures to ensure ongoing compliance with the relevant transfer pricing laws and regulations in Hong Kong and the PRC:

- our transfer pricing arrangements were monitored to ensure compliance with the arm's length principle;

- training was provided to the senior management relating to updates on relevant transfer pricing laws and regulations in the relevant jurisdictions to ensure no material deviation exists between the transfer pricing methodology adopted by us and the relevant laws and regulations;

- internal control measures have been implemented to enhance our supervision over transfer pricing arrangements within applicable jurisdictions, as we have established and implemented clear procedures, including approval procedures of the transfer pricing transactions, examination on the reasonability of the considerations and due diligence of the background information, prices and other relevant information towards such transaction. In addition, we have designated responsible staff to keep the list of connected parties updated and report material changes to our Directors; and

- all reporting forms are reviewed by two of our executive Directors before submitting to the relevant tax authority.

Having considered the above, our Directors are of the view that such measures are sufficient and effective. However, for risks associated with our transfer pricing arrangement, see "Risk Factors – Risks Relating to Our Business and Industry – Some of our transfer pricing arrangements may be subject to scrutiny by the relevant tax authorities in the PRC and Hong Kong and additional tax may be imposed which may reduce our revenue and adversely affect our business, financial condition and results of operation."

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we were not aware of any inquiries, audit, investigation or challenge by any relevant tax authorities in Hong Kong and the PRC in relation to our intra-Group transactions.

TAXATION AND RELATED ARRANGEMENTS

We have been primarily focusing on the sale of a wide range of apparel, footwear and other products through major third-party e-commerce platforms and our self-operated online stores to customers, with major sales to the United States and Europe which collectively accounted for approximately 87.8%, 89.1%, 95.6%, and 98.6% of the total revenue in 2019, 2020 and 2021 and the first half of 2022, respectively.

Based on the Company's experience in our industry, there is very limited established common practice for professional tax management to deal with indirect tax matters in different jurisdictions which arise from sale of tangible products through third-party e-commerce platforms or self-operated online stores. In particular, it has become common for relevant tax authorities to impose value-added tax (the "**VAT**")/sales and use tax (collectively, the "**indirect tax**") collection and payment obligations on product vendors which do not have physical presence in their respective jurisdictions over time. As global and local laws and regulations concerning online sales continue to evolve, we may be subject to potential indirect tax exposure where we are required to collect and remit indirect tax in respect of other jurisdictions where our customers are located.

During the Track Record Period, for our sale through third-party e-commerce platforms in the U.S., such platforms would generally withhold and remit certain indirect tax on our behalf in respect of our sale to the extent legally required. During the same time period, for our sale to Europe, we engaged a tax agency to handle our tax filings in Europe. In preparation of the [**REDACTED**], we have also conducted a review of our indirect tax compliance obligations and consulted tax consultants on indirect taxes from our major overseas markets in this regard. Further particulars of our tax obligations in the U.S. and Europe, which are our major overseas markets, are as follows.

Sales and Use Tax in the U.S.

In general, sales and use tax in the U.S. is imposed on customers upon the sale, transfer, or exchange of goods or services based on purchase price. Sales and use taxes are imposed and administered at the state and local level and the rules vary among the taxing jurisdictions.

Self-operated Online Stores

We have total online sales, through our self-operated online stores, to various states and jurisdictions in the U.S. of RMB92.1 million, RMB322.9 million, RMB248.7 million and RMB70.3 million for years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively.

For the states which have enacted the rules for sales and use tax, we are expected to be subject to sales and use tax in those states, depending on whether the sales and/or transaction volume thresholds have been met for that particular state.

Prior to March 2021, no sales and use tax were paid by us from sale through our self-operated online stores. Therefore, we are liable for the state sales and use tax due from sales made from our self-operated online stores. Our failure to collect or remit sales and use tax was primarily because (i) as a foreign company, we were not familiar with the state and local tax laws in the United States, and were not aware of our tax duty; and (ii) the responsible staff who managed the daily operations of the self-operated online stores were lacking of knowledge of the U.S. tax regime. In addition, our Directors and senior management were not involved in the handling of relevant tax matters, and no findings had been reported to them. When we commenced sale through self-operated online stores in 2018 and started to gradually shift our focus to the North American market in 2019, the third-party e-commerce platforms collected applicable sales and use tax in the United States from customers directly during the sales and subsequently settled with us the net proceeds which we were entitled to receive. As a result, we were not involved in the tax collection and payment previously thus lack of relevant knowledge, and in good faith believed our sale through self-operated online stores did not create a nexus to the relevant states in the United States for the purpose of the declaration of sales and use taxes in the United States. In addition, we had neither been subject to any administrative penalties imposed by any relevant U.S. tax authorities nor had we been notified that we were involved in any tax dispute with the relevant U.S. tax authorities. Therefore, such tax incident was not timely identified by our Group until March 2021, when our Internal Control Consultant completed its review of our internal control process. After the discovery of such underpayment of indirect tax, we engaged a U.S. tax consultant on indirect taxes in March 2021 to conduct an assessment on the relevant tax exposure, and we have engaged an agent in March 2021 to initiate the process to execute the voluntary disclosure agreement (the "**VDA**") in all the states, to the extent practicable, where our Group has sales with the purpose of paying the sales and use tax and any associated interest and penalties, if applicable.

A VDA involves an agreement with a taxing jurisdiction whereby all taxes are paid by the taxpayer on a voluntary basis and typically results in reduced or waived penalties. In addition to penalty waiver, VDAs generally offer three or four year "lookback periods" which limit the years the state can go back and assess tax. The process of submission and requirements in which a VDA is submitted vary from state to state. Generally, a VDA may be submitted by the Company for each taxing jurisdiction and a VDA contract is signed by both the state and the taxpayer. Companies seeking to utilize VDAs may also choose to use a multi-state VDA submission through the Multistate Tax Commission (the "**MTC**"). The MTC is an intergovernmental state tax agency that works with state legislatures to create and promote consistent tax policy and assist taxpayers in becoming compliant with the existing state tax laws. A VDA submission via the MTC is initially submitted on an anonymous basis, and the MTC will communicate between the state and taxpayer regarding the initial VDA request, compiling all required information and certifying and communicating the formal VDA agreement between the taxpayer and state. Regardless of the method used to submit a VDA to any state, the end effect remains the same. The taxpayer will register with the state for any tax type agreed upon in the VDA, as well as file overdue tax returns and pay existing liabilities to the taxing jurisdiction according to the prescribed lookback period in return for penalty reduction or waiver by the state. The taxpayer will subsequently begin collecting and remitting tax on a prospective basis.

As of June 30, 2022, among the states where sales and use tax is applicable, for our self-operated online stores operated by Xingzezhi HK, we (i) had completed the VDA progress with state tax authorities of 40 states and proceeded in accordance with the respective VDA and had paid tax, penalty, and interest in connection with VDA in all 40 states as abovementioned and (ii) resumed tax filing and payment to the state tax authorities of six states under the requirements of the relevant state tax authorities as we previously registered for sales tax in five states in April 2021 before the commencement of VDA process which prohibits us from entering into VDA under local tax regulations and the relevant tax authority has not officially activated its VDA declaration system in the remaining one state. Instead, we resumed regular tax filing and payment to the state tax authorities of the aforesaid six states under the requirements of the relevant state tax authorities. As of the same date, among the states where sales and use tax is applicable, for our self-operated online stores operated by Zibuyu HK, we (i) had completed the VDA progress with state tax authorities of 45 states and proceeded in accordance with the respective VDA, among which we had paid tax, penalty, and interest in connection with aforesaid VDA in 44 states, and pending for the payment notices from the relevant tax authority of one state; and (ii) resumed tax filing and payment to the state tax authority of one state under the requirements of the relevant state tax authority, as the relevant tax authority has not officially activated its VDA declaration system.

The VDA process is deemed to be completed when the VDA agreement is executed. As of March 27, 2022, Xingzezhi HK and Zibuyu HK had completed the VDA progress in all the states where they were allowed to.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any tax enquiries raised by any U.S. tax authorities. As of December 31, 2019, 2020 and 2021 and June 30, 2022, our Group has provided an accumulated provision balance of RMB4.8 million, RMB18.9 million, RMB11.3 million and RMB1.9 million, respectively, based on the revenue from self-operated online stores, for the unpaid sales and use tax, and an accumulated provision balance of RMB0.2 million, RMB8.4 million, RMB1.2 million and RMB0.1 million for the interest and penalties for late payments of such taxes, if applicable. See "Financial Information – Selective Items from Consolidated Statements of Financial Position – Other Payables." As of June 30, 2022, our payment had covered the estimated tax exposure, as confirmed by our U.S. tax consultant on indirect taxes.

Upon completion of a sale of products to a U.S. customer through our self-operated online stores, we will debit account receivables for an amount equaling to the sales amount, and credit revenue for an amount equaling to the sales amount net of the relevant tax, and the sales and use tax payable for an amount equaling to the relevant tax amount. As the nature of the U.S. sales and use tax is not income tax, the rectification of the tax incident did not and would not have any material impact on our Company's effective tax rate.

Third-party E-commerce Platforms

Major third-party e-commerce platforms, such as Amazon and Wish, to the extent required by local legislations, have registered to collect and remit sales tax in the relevant states on behalf of our Group on taxable sales from the U.S. customers. The third-party e-commerce platforms also provide our Group with periodic statements disclosing such sales revenue and sales taxes collected and remitted. Accordingly, our Directors are of the view that the risk of underpayment of sales and use tax in the U.S. associated with sale through third-party e-commerce platforms is remote.

VAT in Europe

In general, VAT in countries in Europe is applied to sale of goods imported into each country, depending on whether the value of the goods and/or transaction volume thresholds have been met for that particular tax jurisdictions. For example, in France, import VAT is not due when the total value of all goods in one consignment is lower than €22, before July 1, 2021 while in the United Kingdom the threshold is GBP135 for goods sold online direct to customers in the United Kingdom after January 1, 2021. However, there are no such threshold in Germany.

For the sale to countries in Europe, we used to conduct sale and ship our products mainly through logistics service suppliers from our warehousing facilities in China to customers in those countries per the order directly. Revenue from sale to customers in Europe under direct delivery arrangement accounted for approximately 98.9%, 94.9% and 76.5%, respectively of our total revenue from sale to customers in Europe for the years ended December 31, 2019, 2020 and 2021, respectively. Nevertheless, as our products are generally with lower value compared with the taxable threshold of each tax jurisdictions, if applicable, our Directors, after consulting the tax consultants on indirect taxes, believe that there were no outstanding VAT liabilities for our sales during the Track Record Period in countries in Europe which are material to our operations, notwithstanding the potential underpayment of VAT (plus interest and potential penalties) of less than RMB15,000, which is immaterial to us. Such potential VAT underpayment was primarily caused by our misinterpretation of the contract terms with our logistics service providers for our sale to the United Kingdom with respect to the payment of sales VAT in relation to such sales, all of which had been settled by April 30, 2022. We had filed with and paid all relevant VAT and interest and potential penalty to the tax authorities. After consulting our tax consultants, we believe such VAT underpayment would not materially and adversely affect our operations and results of operations, taking into account the insignificance of the underpaid amount. For the sale to customers in the European countries that are material to our operations which are not under the direct delivery arrangement, after consulting our tax consultants, we believe that the third-party online platforms are liable for the collection and declaration of VAT on goods, thus there is no potential VAT impact on our Group. Since 2022, the majority of our sale to customers in Europe have adopted the FBA model.

Internal Control Measures

During the internal control review carried out by the Internal Control Consultant we engaged, the Internal Control Consultant has identified that our tax management policy is insufficient to cover overseas tax filing, payment and record which resulted in the tax incident. To rectify such deficiency, we established and issued updated tax management policy in May 2021 to regulate the tax filing, payment and record for our overseas operations. In addition, we have implemented the following enhanced internal control measures to ensure that we will comply with relevant tax laws and regulations:

- *Engagement of tax consultants*. We have engaged and will continue to engage external tax consultants to provide professional tax advice.

- *Policies regarding tax payment.* We have implemented internal control measures with respect to overseas tax filing and payments to ensure the proper and timely payment of applicable tax in accordance with the applicable laws and regulations within each jurisdiction, including among others, requiring the responsible department to deal with tax filing and payment properly and timely in accordance with applicable requirements of the tax authorities in each jurisdiction, if applicable, and reviewing the work handled by third-party tax agents we engaged on a regular basis.

- *Professional trainings*. We have engaged two external tax consultants to provide regular professional trainings at least once a year in relation to tax matters and additional professional trainings where there are any updates on relevant tax rules and regulations or if we enter into a new jurisdiction or start a new sales channel in an existing jurisdiction to our Directors, senior management and finance staff.

- *Responsible team.* We have set up a tax management department, led by our chief financial officer, to handle relevant tax issues.

- *Professional service system.* We have connected our sales system with a third-party professional tax service system in the U.S., which will automatically file the applicable VAT with tax authorities of different states on behalf of us.

- *Direct supervision*. Our finance staff who handle tax matters will report directly to our chief financial officer.

- *Director briefings*. Our Directors and senior management will receive annual briefings from our chief financial officer in relation to relevant tax laws and regulations and the appropriate compliance measures to be taken.

Our Directors and the Joint Sponsors' Views

On the bases that:

(i) our underpayment of indirect tax in the U.S. was due to the lack of relevant knowledge of our responsible staff who managed the daily operations of the self-operated online stores and our Group on the U.S. tax regime, and our belief in good faith that our sale through self-operated online stores did not create a nexus to the relevant states in the U.S. for the purpose of the declaration of sales and use taxes, and our VAT underpayment in the United Kingdom was primarily caused by our misinterpretation of the contract terms with our logistics service providers for our sale to the United Kingdom with respect to the payment of sales VAT, all of which were inadvertent and unintentional;

(ii) the potential tax underpayment had not been identified during our annual audit, until identified by the Internal Control Consultant during the internal control review in March 2021;

(iii) upon discovery of the potential underpayment, we had voluntarily engaged an agent to initiate the process to execute the VDA in all the states in the U.S., to the extent practicable, where we have sales with the purpose of paying the sales and use tax and any associated interest and penalties, if applicable, and had achieved the above-mentioned progress as of June 30, 2022 which we believe to be significant;

(iv) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any tax enquiries raised by any U.S. tax authorities;

(v) during the Track Record Period and up to the Latest Practicable Date, neither had we been subject to any material administrative penalties imposed by any relevant tax authorities nor had we been involved in any unresolved tax disputes with the tax authorities of jurisdictions that are material to our Group's operations, despite the VDA process we are undergoing;

(vi) we did not have any material outstanding indirect tax liabilities (including interest and penalties, if applicable) in Europe as of the Latest Practicable Date, which were not provided for in our financial statements;

(vii) we had made provision for the unpaid sales and use tax plus the interest and penalties for the late payments of such taxes in the U.S., if applicable, which we believe to be sufficient, and we do not expect a material financial or operational impact on our Company in the future as a result of such tax incidents, individually or in aggregate;

(viii) after consulting our external tax consultants, the risk of underpayment of sales and use tax in the U.S. associated with sale through third-party e-commerce platforms is remote and our underpayment of VAT in the European countries which are material to our operations is insignificant;

(ix) after consulting our U.S. tax consultant on indirect taxes, upon completion of the VDA process and to the extent outstanding sales taxes are paid in full under a VDA to a taxing jurisdiction, we believe the likelihood of our Company and our Directors being prosecuted by the taxing jurisdictions for failure to comply with the relevant tax obligations during the Track Record Period is low;

(x) we had engaged the Internal Control Consultant to perform review on our remedial internal controls and had adopted the rectification measures to address the tax incidents and the enhanced internal control measures to ensure on-going compliance;

(xi) the Internal Control Consultant did not have any further recommendation in our internal control system after the follow up review;

(xii) although the U.S. tax incidents persisted during the Track Record Period, (a) we do not have any material outstanding indirect tax liabilities (including interest and penalties, if applicable) in other jurisdictions including Europe as of the Latest Practicable Date; (b) we had complied with all applicable laws and regulations in all material aspects in material jurisdictions in relation to our operations and we were not imposed any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; having considered aforementioned (a) and (b), other than the U.S. tax incidents, during the Track Record Period and up to the Latest Practicable Date, there were no tax issues which may have an adverse impact on the operation of our Group as a whole; (c) we have taken appropriate and proactive rectification measures and enhanced internal control measures (including but not limited to professional tax trainings and annual tax briefings to Directors and senior management) to ensure on-going tax compliance in the future; and (d) our Directors have attended trainings conducted by our Hong Kong legal adviser on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong; and

(xiii) our Controlling Shareholders' indemnity undertaking, pursuant to which the Controlling Shareholders have jointly and severally undertaken to indemnify us against all costs, expenses, interests, penalties or other liabilities which we may incur in connection with any claim, counterclaim, assessment, notice, demand or other documents issued or action taken by or on behalf of any person, authority or body (collectively, the "**Indirect Tax Claim**") in connection with our non-compliance of our indirect tax obligations arisen as a result of or in consequence of any event or transaction occurred on or before the [**REDACTED**], to the extent that such Indirect Tax Claim has not already been settled with the relevant authorities on or before the [**REDACTED**]; our Directors are of the view, that:

(a) the internal control measures listed above are adequate and expected to help us establish an effective internal control system to prevent future similar tax incidents;

(b) the historical tax incidents listed above would not negatively reflect on the Directors' suitability under Rules 3.08 and 3.09 of the Listing Rules or the Company's suitability for [**REDACTED**] under Rule 8.04 of the Listing Rules;

(c) the tax incidents above are neither material nor systemic non-compliances;

(d) the tax incidents were unintentional, did not involve any dishonest or fraudulent act on the part of the Directors; and

(e) our Directors are of the view that the U.S. tax incidents do not impact negatively on the Directors' ability or tendency to operate in a compliant manner under Rules 3.08 and 3.09 of the Listing Rules, and such incidents do not constitute systemic or material non-compliances.

Based on the foregoing and having, among others:

(aa) discussed and/or conducted interviews with the Group's management and reviewed relevant VDA submissions and other relevant documents, to understand, among others, the reasons for and the circumstances leading to the tax incidents, the potential impact on the financial or operational impact on the Group, and the rectification measures and enhanced internal control measures taken to ensure on-going compliance;

(bb) reviewed the results of the background searches on the Group companies and Directors conducted by an independent background search agent, which showed no abnormal finding with respect to the Group's historical tax-related compliance status and the Directors' suitability (including competency) to act as directors;

(cc) reviewed the legal opinions issued by the Company's PRC and Hong Kong Legal Advisors, which showed no material non-compliances with applicable laws and regulations in the PRC and Hong Kong where the Group operates, nor any material administrative penalties imposed on the Group during the Track Record Period and up to the Latest Practicable Date;

(dd) discussed and/or conducted interviews with the Group's external tax consultants and reviewed their tax opinions to understand their views and assessments on the above-mentioned tax incidents, and assessed the qualifications, experience, resources and competence of the external tax consultants;

(ee) discussed and/or conducted interview with the Group's Reporting Accountants and reviewed the Accountant's Report and noted that no significant issue related to tax provisions would have an impact on the Reporting Accountant's giving a true and fair view for the financial information of the Group as a whole for the Track Record Period;

(ff) discussed and/or conducted interview with the Group's Internal Control Consultant and reviewed the internal control review report, which reflected the enhanced internal control measures taken to ensure on-going tax compliance in the future; and

(gg) reviewed the record of Directors' trainings conducted by the Company's Hong Kong legal adviser,

nothing has come to the Joint Sponsors' attention that could cause the Joint Sponsors to disagree with our Directors' views above, in particular, that based on paragraph (xi) above, other than the U.S. tax incidents, as of the Latest Practicable Date, there were no tax issues which may have an adverse impact on the operation of our Group as a whole.

BUSINESS ACTIVITIES WITH CUSTOMERS IN RELATION TO COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

We refer to "Risk Factors – Risks Relating to Our Business and Industry – We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities." While we have ceased all sales involving customers in the Comprehensively Sanctioned Countries, during the past five years (the OFAC statute of limitations period), we sold a small amount of non-U.S. origin fashion apparel and footwear products to Cuba and Crimea, which are Comprehensively Sanctioned Countries, and two customers who potentially are SDNs. During the Track Record Period, our activities with Crimea and two customers who potentially are SDNs involved USD payments and were not consistent with the U.S. sanctions to the extend the customers were actually SDNs or were actually located in the Crimea region.

During the Track Record Period, we had sold our non-U.S. origin fashion apparel and footwear products to the Relevant Regions. The revenue generated from such transactions related to the Relevant Regions (excluding Hong Kong) was approximately RMB13.14 million, RMB10.10 million, RMB11.39 million and RMB1.30 million, representing approximately 0.92%, 0.53%, 0.49% and 0.10% of our total revenue for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. As advised by our International Sanctions Legal Advisors, the U.S. primary sanctions are applicable to activities involving a U.S. nexus such as funds transfers in the U.S. currency that clear through the U.S. financial system or are processed by the U.S. payment processors. As advised by our International Sanctions Legal Advisors, our U.S. dollar denominated transactions in relation to customers in Cuba appear to be authorized by OFAC's general license at 31 C.F.R. § 515.584(d), which was in effect between March 2016 and October 9, 2019, and which authorized the U.S. banks to process so called "U-turn" payments (i.e., the U.S. dollar payments for Cuba-related transactions where the payment originated and terminated outside the United States, with the originator and the beneficiary of the payment not being persons subject to the U.S. jurisdiction). To our knowledge, except two of our customers from the Relevant Regions whose first and last name match individuals designated by the OFAC as SDNs but for whom the Company did not have enough information to confirm whether its customers were the same individuals as those designated by OFAC, our customers involved in sales with the Relevant Regions are not Sanctioned Persons. As advised by our International Sanctions Legal Advisor, 266 payments in an aggregate amount of approximately US$2,432.16 received from our online platform or through third party online platforms with respect to our non-US origin fashion apparel and footwear products sold to customers in Crimea and two customers who appear to be SDNs are potential violations of the U.S. sanctions regulations that are applicable to transactions with Crimea and SDNs, respectively.

Based on our current understanding and advised by our International Sanctions Legal Advisors, we believe that we are not subject to sanctions risks that could have a material adverse effect on our business from our past sale of products involving USD-denominated payments from customers in Crimea and two customers who may be SDNs that were inconsistent with the U.S. sanctions due to number of transactions and the minimal value compared with our total revenue during the Track Record Period and the nature of our products. As of the Latest Practicable Date, our Directors confirm that we had not been notified that any International Sanctions penalties would be imposed on us for our historic sale to the Comprehensively Sanctioned Countries. Our Directors confirm we do not have present intention to undertake new business involving the Comprehensively Sanctioned Countries. We had ceased all sales involving the Comprehensively Sanctioned Countries since June 2021. Further, we will not knowingly and intentionally conduct any future business with persons, entities or organizations designated on the SDN List, or any business in any Comprehensively Sanctioned Countries and we will not use the [**REDACTED**] from the [**REDACTED**] to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Comprehensively Sanctioned Countries or Sanctioned Targets. In addition, we have adopted enhanced internal control and risk management measures which we believe enable us to monitor and evaluate our business to address economic sanctions risks. During the Track Record Period, our business to Russia and Ukraine amounted to less than 1% of our revenue for each of the three years ended December 31, 2021 and for the six months ended June 30, 2022, respectively. As a result, our Directors consider that the cessation of business with Russia and/or Ukraine, if we consider necessary in response to the development of international sanctions in light of the Russia-Ukraine conflict, will not have any material impact on our financial position and business operations. In the first half of 2022, our sale to Russia and Ukraine amounted to less than RMB1.3 million, which was negligible to our Group's total revenue.

As advised by our International Sanctions Legal Advisors after performing the procedures they consider necessary, except our USD-denominated sale to Crimea region and two customers whose potentially are SDNs which were not consistent with the U.S. sanctions but do not implicate material sanctions risks to the Relevant Persons, (i) our business dealings with the Relevant Regions do not appear to be unlawful under the restrictive measures adopted by the EU, the United Nations and Australia, and (ii) we did not engage in other Primary Sanctioned Activity or any Secondary Sanctionable Activity during the Track Record Period and up to the Latest Practicable Date.

As advised by our International Sanctions Legal Advisors, the laws and regulations of the International Sanctions do not create a legal obligation to self-report to our principal banks that we had transactions involving sale to the countries subject to International Sanctions during the Track Record Period. Therefore, as of the Latest Practicable Date, we have not reported to our principal banks that we had payments for sales involving the countries subject to International Sanctions during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, our principal banks have not suspended or terminated their business relationships with us, such as deactivating or freezing our accounts, withholding payments to us, or terminating our loans or banking facilities. Our Directors do not foresee that our Group's business or our relationship with the principal banks would be negatively affected as a result of our transactions with the countries subject to International Sanctions during the Track Record Period due to the minimal value of the transactions compared with our total revenue during the Track Record Period, the nature of our products and that we have ceased our sales to the Comprehensively Sanctioned Countries since June 2021.

Given the scope of the [**REDACTED**] and the expected use of [**REDACTED**] as set out in this document, our International Sanctions Legal Advisors are of the view that the involvement by parties in the [**REDACTED**] will not implicate any applicable International Sanctions on such parties, including our Company and our subsidiaries, the respective directors and employees of our Company and our subsidiaries, our Company's or our subsidiaries' investors, shareholders as well as the Stock Exchange and its related group companies.

The following internal control and risk management measures have been implemented in June, 2021:

- no further sale, directly or indirectly, to any Comprehensively Sanctioned Country;
- designate staff to regularly collect and organize the list of Countries subject to International Sanctions and Sanctioned Target and have an intimate knowledge of changes in relevant rules and policies, to assist our management with our business decision and prevent relevant compliance risks; and
- our Directors will continuously monitor the use of [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Comprehensively Sanctioned Countries or Sanctioned Targets.

OUTBREAK AND SPREAD OF COVID-19

There has been an outbreak of an infectious disease caused by a novel coronavirus (the "**COVID-19**"). The disease quickly spread within the PRC and globally, and has materially and adversely affected the domestic and global economy. As of the Latest Practicable Date, the COVID-19 pandemic has spread to more than 200 countries and regions globally. To contain the COVID-19 outbreak, the PRC government imposed certain measures across the country including travel restrictions and quarantine of not less than 14 days for travelers or returnees from affected regions, whether infected or not, and an extended shutdown of business operations in certain regions exposed to high infection risks. The United States imposed stay home orders and other lock down measures in 2020 and 2021. Several countries in Europe also imposed lockdown measures to contain the spread of COVID-19. The outbreak of COVID-19 worldwide has the following impacts on our business, results of operations and financial conditions:

- ***Industry and market:*** COVID-19 has demonstrated its adverse impact on the global economy and the cross-border e-commerce export industry and caused interruptions to logistics services as well as the suspension of OEM suppliers, especially at the beginning of the outbreak. However, in the long term, the outbreak of COVID-19 has positively influenced the industry as the customers' online consumption habits have been cultivated, logistics infrastructure and warehouse facilities have been better established to actively respond to the outbreak, and favorable government policies have also been promulgated to benefit the industry.

- ***Supply chain:*** We encountered shortage or delay in the supply of, or fluctuation in the price of, certain products in a short period from February 2020 to March 2020, primarily due to the suspension of operations of our OEM suppliers in the PRC during the same period subject to relevant governmental policies, all of which resulted from the outbreak and spread of COVID-19. From February 2020 to March 2020, approximately 13% of the products we ordered in terms of product volume, were in short supply, higher than the annual average of approximately 3% under normal circumstance. However, our procurement department managed to secure such supplies by, among others, frequently communicating with our OEM suppliers for strategic stockpiling in advance, and expanding procurement channels. Therefore, our operations in the PRC bounced back quickly, and such shortage, delay or price fluctuation did not have a material impact on our business, results of operations and financial conditions.

- ***Logistics:*** For orders placed by our customers on third-party e-commerce platforms, we encountered delay in the shipment to such third-party e-commerce platforms from February 2020 to March 2020. Our delivery timeline has been affected from time to time, especially the delivery of our products under international direct mail method has been significantly affected during the outbreak and spread of COVID-19. In addition, certain of our overseas logistics services had been adversely affected as a result of the spread of COVID-19 in other countries from June 2020 to the first quarter of 2021. Normally, it takes 20 days or less from the receipt of customer orders to the shipment of products from the warehouse. In 2020, 2021 and the first half of 2022, the value of our products shipped later than 20 days from the order time due to the above-mentioned reason amounted to approximately RMB189.7 million, RMB210.1 million and RMB39.5 million, representing 8.8%, 7.5% and 2.3% of our products shipped during the same periods, respectively. We are responsible for losses arising from any delay in shipment caused by the shortage of our products, while our logistics service providers are generally liable to compensate for our losses arising from failing to deliver on-time. In addition, the logistics service fees increased during the COVID-19 pandemic, primarily due to the limited shipping capacity. According to Frost & Sullivan, cross-border logistics services have resumed normal since the first quarter of 2021. Accordingly, most of the international delivery has returned to normal and our sales amount has been increasing.

- ***Employees:*** In line with our effort to provide a safe working environment for all our employees, we have promptly taken precautionary measures, including distribution of protective masks to our onsite employees, temperature screening at entry of office buildings, hand and desk sanitizing and disinfection of common areas, advising our staff to avoid unnecessary travel to areas affected by the COVID-19 outbreak and crowded places, and maintained good indoor ventilation. To the best knowledge of our Directors, there had been no confirmed case of COVID-19 infection among our employees as of the Latest Practicable Date. During the Track Record Period, we had incurred RMB0.2 million in respect of these precautionary measures in order to prevent the transmission of COVID-19 within our Group.

On the above basis, our Directors are of the view that the outbreak and spread of COVID-19 had no material adverse impact on our business operation and financial condition during the Track Record Period and up to the Latest Practicable Date. Nevertheless, in the event that the COVID-19 cannot be successfully countered globally in a timely manner, our supply chain or international logistics may continue to be affected. See "Risk Factors – Risks Relating to Our Business and Industry – Our business operations may be affected by the outbreak of COVID-19."

COMPETITION

According to Frost & Sullivan, there were over 16,000 sellers in China's cross-border e-commerce export market in 2021, among whom over 5,000 sellers focuses on B2C business. The market size of China's cross-border e-commerce export B2C market in 2021 was approximately RMB2,738.4 billion in terms of GMV. The total market share of the top five participants in China's cross-border e-commerce export B2C market was approximately 6.5% in 2021. Among all sellers in China's cross-border e-commerce export B2C market, platform-based sellers were the majority, holding a market share of approximately 74.5% in such market in terms of GMV in 2021. As the largest component of China's cross-border e-commerce export B2C market, China's cross-border e-commerce export B2C apparel and footwear market took a market share of approximately 27.4% in terms of GMV in 2021. The total market share of the top five participants in China's cross-border e-commerce export B2C apparel and footwear market was approximately 1.8% in terms of GMV generated through third-party e-commerce platforms in 2021. In the same year, the total market share of the top five participants in China's cross-border e-commerce export B2C apparel and footwear market in terms of GMV generated through third-party e-commerce platforms in North America market was approximately 2.1%, indicating a highly fragmented market.

According to Frost & Sullivan, we ranked third amongst all China's platform-based sellers in cross-border e-commerce export B2C apparel and footwear market in terms of GMV in 2021, holding a market share of 0.4% in the RMB596.5 billion market. In addition, we ranked first in terms of GMV generated through North America amongst all platform-based sellers in China's cross-border e-commerce export B2C apparel and footwear market in 2021, holding a market share of 0.7% in the RMB303.0 billion market.

According to Frost & Sullivan, we operate in the highly competitive cross-border e-commerce export B2C apparel and footwear industry. We primarily compete on a few major factors: (i) brand awareness and customer loyalty; (ii) the diversification of product portfolio; (iii) marketing and promotion; (iv) sales network coverage; (v) operation capabilities; (vi) pricing; and (vii) delivery efficiency. However, we believe we are well positioned to capitalize on the future industry growth, leveraging our leading market position on third-party e-commerce platforms and extensive market knowledge. See "Industry Overview" for a more detailed discussion regarding the industries and markets where we operate.

INFORMATION TECHNOLOGY SYSTEMS

We have built a reliable, scalable and secure IT infrastructure to support nearly all aspects of our operations including product design and development, supply chain and procurement, after-sales services as well as to accommodate demand for new features and functionalities. This IT system is managed by our strong IT center, consisting of product planning team, technology development team, and operation and maintenance team, comprising 66 dedicated and experienced IT employees as of June 30, 2022. In particular, our chief IT officer has over ten years of professional experience in Internet, big data and technology management. From 2019 to the first half of 2022, our core IT systems had been upgraded for over 350 times in line with our business expansion. As of June 30, 2022, our IT systems can support the process of nearly 100,000 orders per day and integrated and connected the database of 58 third-party platforms. The details of our main IT systems are set out as follows:

- ERP is primarily used for tracking our incoming and outgoing inventory. ERP is based on IT and is guided by advanced and systemic management idea, which provides our staff and the management team with a platform for decision-making. ERP enables us to monitor inventory level on a real-time basis, leveraging its ability to automatically check the inventory status as soon as the orders received by the system, which in turn helps us maintain optimal inventory level and improve our working capital sufficiency. The accuracy of our shipment could also be effectively guaranteed as the ERP could conduct a double-review before shipment. By closely monitoring the inventory status as well as the sales volume of our products, we are able to collect and analyze the massive data and prepare inventory of hot-selling products in advance, supporting the cultivation of hot-selling products. Supported by our ERP system, we are able to react rapidly to, and to synchronize our production with changing market trends and customer demand.

- SCM is primarily used for informatizing our supply chain process. SCM helps to digitalize the whole supply chain process, tracking every step from the placing of the online orders, the procurement of customized garment styles, fabric and accessories, the monitoring of the production process, and the acceptance and inspection of goods. This system also allows us to gather massive information and data regarding the performance of our suppliers so that we can further adjust our cooperation with them basing on their historical performance. As of June 30, 2022, our SCM serves over 980 suppliers using the supplies module online.

- GMS is primarily used for creating and maintaining our product information, product launches on and sales performance of our designers from Wish. By gather sufficient information on the market acceptance of our products, our designers can adjust their production priority and reflect customers' preferences on our product designs in the next season.

- Marketing and promotion system. We cooperate with third-party e-commerce platforms to obtain customers' feedback, which enables our design and operation teams to optimize our products, providing the basis for our operation and inventory management, as well as realigning our marketing strategy.

- E-mail Management System is developed by our in-house IT team to provide comprehensive services to our customers on the self-operated online store for better operating efficiency and more economical performance. Main functions of self-operated e-mail management system include (i) responding to customers' inquiries, (ii) receiving comments timely, (iii) checking the order information and logistics; (iv) recommending new series; and (v) precisely distributing the discount codes.

We have also cooperated with Amazon Web Services ("**AWS**") (亞馬遜雲科技) that provides us a series of IT facilities, including Elastic Compute Cloud, Elastic Load Balancing, Simple Storage Service, Amazon Simple Email Service, Relational Database Service and Global Accelerator.

Our costs and expenses incurred in respect of IT amounted to approximately RMB12.5 million, RMB12.2 million, RMB12.6 million, RMB5.8 million and RMB8.7 million, respectively, in 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022. We plan to continuously invest in our IT infrastructure to support the growth and expansion of our business and operations. In particular, we intend to further invest in big data analytics and AI technology to improve the accuracy of our forecasts of production and sales, and to achieve higher efficiency in our supply chain management. Leveraging our big data analysis capabilities, we analyze the order data of each of our stores to consolidate the sales trend of each store and product. In addition, we utilize API system to synchronize FBA inventory data from Amazon to our ERP system, for us to analyze inventory status and determine whether to replenish stocking. Leveraging our digital management of the supply chain, we expect to efficiently connect our ERP system, SCM system, GMS system, logistics and warehousing systems in the future, enabling us to monitor our products at each stage along the supply chain, estimate the sales performance and prepare for the suppliers selection, order placement, storage management and logistics arrangement based on our historical data and intelligent analysis, thus effectively improving our supply chain efficiency.

AWARDS AND RECOGNITIONS

The following table sets forth recent major awards and recognitions received by our Group:

Year	Entity	Award/Recognition	Awarding Institution/Authority
2022	Zhejiang Zibuyu	Cross-border E-commerce Benchmarking Enterprise of Hangzhou (杭州跨境電商標桿企業)	Hangzhou Municipal People's Government, Department of Commerce of Zhejiang Province (杭州市人民政府,浙江省商務廳)
2022	Zhejiang Zibuyu	High Quality Development Award of Service Industry (服務業高品質發展獎)	The CPC Hangzhou Linping District Committee, Hangzhou Linping District People's Government (中共杭州市臨平區委,杭州市臨平區人民政府)
2021	Zhejiang Zibuyu	Cross-border E-commerce Renowned Export Brands of Zhejiang Province (浙江跨境電商出口知名品牌)	Department of Commerce of Zhejiang Province (浙江省商務廳)
2021	Zhejiang Zibuyu	Certificate of High and New Technological Enterprise (高新技術企業證書)	Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance, State Administration of Taxation Zhejiang Taxation Bureau (浙江省科學技術廳,浙江省財政廳,國家稅務總局浙江省稅務局)
2018-2021	Our Group	Best Cross-border E-commerce Brand Award (最佳跨境電商品牌獎)	Department of Commerce of Zhejiang Province, Zhejiang Daily Press Group (浙江省商務廳,浙江日報報業集團)

Year	Entity	Award/Recognition	Awarding Institution/Authority
2020	Hangzhou Xingzezhi	Certificate of High and New Technological Enterprise (高新技術企業證書)	Zhejiang Provincial Department of Science and Technology, Zhejiang Provincial Department of Finance, State Administration of Taxation Zhejiang Taxation Bureau (浙江省科學技術廳,浙江省財政廳,國家税務總局浙江省税務局)
2020	Our Group	High Quality Development of Yuhang District Open Economy Award (餘杭區開放型經濟高質量發展獎)	The CPC Hangzhou Yuhang District Committee, Hangzhou Yuhang District People's Government (中共杭州市餘杭區委,杭州市餘杭區人民政府)
2016-2017	Our Group	Best Cross-border E-commerce Brand Award (最佳跨境電商品牌獎)	Hangzhou Municipal People's Government, Department of Commerce of Zhejiang Province, Zhejiang Daily Press Group (杭州市人民政府,浙江省商務廳,浙江日報報業集團)
2017	Our Group	Vice President Unit (副會長單位)	Hangzhou Yuhang District Fashion Industry Association (杭州市餘杭區時尚產業聯合會)
2016	Our Group	Top 10 E-commerce Enterprise of the Yuhang Industrial Contribution Award (產業餘杭貢獻獎十佳電子商務企業)	The CPC Hangzhou Yuhang District Committee, Hangzhou Yuhang District People's Government (中共杭州市餘杭區委,杭州市餘杭區人民政府)

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had (i) 17 pending patent applications; (ii) 13 registered trademarks; (iii) four registered domain names; and (iv) 60 registered copyrights in the PRC, which were material to our business. In addition, we had one registered trademark in Hong Kong as of the Latest Practicable Date. See "Appendix IV – Statutory and General Information – B. Further Information about Our Business – 2. Intellectual Property Rights of Our Group" for more details of our material IP rights.

Due to the similarity of certain fashion elements and our diversified product portfolio, we may, from time to time, be involved in IP disputes where third parties claiming our products infringe their IP rights, which we believe is in line with the industry norm. Generally, if third-party e-commerce platforms receive complaints from third parties alleging our products infringe their IP rights, or third-party e-commerce platforms identify any potential infringement during their periodic review, they will request us to remove such product from our stores and/or pay penalties under certain circumstance. If third parties bring up any legal proceedings against us for alleged IP infringement, the court will issue preliminary injunction orders requesting third-party e-commerce platforms to seize the fund of the relevant online store or suspend the relevant online store account until a settlement agreement is reached. Generally, we negotiate with such complaining third parties with the intention to reach settlement agreement with them before the commencement of legal proceedings, taking into account our diversified SKU portfolio, the efficiency, legal costs and our brand reputation. Therefore, we may, from time to time, incur settlement fees for the above-mentioned reasons. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, we incurred a total settlement fees of RMB3.0 million, RMB1.0 million, RMB1.7 million, RMB1.3 million and RMB0.1 million, respectively, in relation to our settlement with third parties, which we believe were immaterial to us. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalties or punishment imposed by any third-party e-commerce platforms that were material to us due to any alleged IP infringement. As of the Latest Practicable Date, we had five outstanding legal proceedings in relation to alleged IP infringement for which approximately RMB136,000 of our fund had been seized pending for settlement.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material dispute or legal proceedings in relation to alleged IP infringement. In addition, during the Track Record Period and up to the Latest Practicable Date, we had not been the subject of any adverse finding in an investigation or audit by any government authorities in respect of infringement of any IP of third parties or sale of counterfeit products that had a material adverse effect on our business.

To effectively prevent the occurrence of potential infringement, we have implemented the following internal control policies:

(i). we have established a comprehensive management mechanism to prevent infringement, including (i) setting up a product compliance department, to identify risks of potential infringement and promptly dealing with the potentially infringing products, through revising our design or delisting the products, if inspected, and (ii) requiring our operating team and designers to enhance their awareness of preventing infringement and protecting our brand value; and

(ii). we have also engaged IP legal counsels to assist us with IP-related disputes and litigation when needed. We also invite external consultants to provide trainings related to IP protection, to enhance our staffs' knowledge of how to prevent infringement.

EMPLOYEES

As of June 30, 2022, we had 1,212 employees in total, among which, 1,210 were based in the mainland China and two were based in Hong Kong. The following table sets forth a breakdown of our employees by function as of the same date:

Function	Number of employees	% of total employees
Management	8	0.7%
Product designing and development	344	28.4%
Supply chain management	182	15.0%
Sales and operation	485	40.0%
Warehousing and logistics management	69	5.7%
IT	66	5.4%
Human resources, administrative, finance and legal	58	4.8%
Total	**1,212**	**100.0%**

Our success depends on our ability to attract, retain and motivate qualified personnel, especially designers. We use various methods for our recruitment, including campus recruitment, internal and external recommendation and recruiting through hunting firms or agents, to satisfy our demands for different types of talents, and we adopt high standards and stringent procedures in our recruitment to ensure the quality of new hiring. Our employees typically enter into standard labor contracts with us.

We provide competitive compensation packages. Remuneration packages for our employees mainly comprise base salary and performance-based bonus. We set performance targets for our employees primarily based on their position and department and periodically review their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. To maintain and enhance the knowledge and skill levels of our workforce, we provide our employees with internal training, including orientation programs for new employees and technical training for existing employees. We also offer external training opportunities to our management team and other staff.

During the Track Record Period, we did not make adequate contributions to social insurance and housing provident funds for some of our employees as required by applicable PRC law and regulations. For more information, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties." As of the Latest Practicable Date, we had made full social insurance and housing provident fund contributions for all employees. Our employees have formed a labor union. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

LICENSES, PERMITS AND CERTIFICATES

As advised by our PRC Legal Advisors, we had obtained all material licenses, permits and approvals required for the current operations in the PRC and such licenses, permits and approvals were valid and remain in effect during the Track Record Period and up to the Latest Practicable Date. As advised by our legal advisors as to Hong Kong, the United States, Germany, France and Japan laws as to general legal compliance matters, we had also obtained all material licenses, permits and approvals required for the current operations in Hong Kong as well as our major overseas markets including the United States, Germany, France and Japan as of the Latest Practicable Date.

We monitor the validity status of, and make timely applications for the renewal of, relevant licenses, permits and certificates prior to the expiration date. We had not experienced any material difficulty in obtaining or renewing the required licenses, permits and certificates for our business operations during the Track Record Period and up to the Latest Practicable Date. Our PRC Legal Advisors are of the view that, there is no material legal impediment in renewing these licenses, permits, approvals and certificates as they expire in future as long as we are in compliance with applicable laws, regulations and rules. However, we cannot assure you that we will be able to obtain or renew such licenses, permits or certificates in the future.

INSURANCE

We maintain liability insurance, commercial general liability insurance, compulsory insurance for motor vehicle traffic accident liability, and basic property insurance. As advised by our PRC Legal Advisors, we are not required to, and generally do not, maintain property insurance, product liability insurance, business interruption insurance or key person insurance.

During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies.

Our Directors believe that our insurance coverage is adequate and is in line with the industry practice. However, the risks related to our business and operations may not be fully covered by insurance. See "Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage may be insufficient to cover potential losses arising as a result of business interruption, damage to our property or third-party liabilities."

PROPERTIES

As of the Latest Practicable Date, we did not own any properties. As of the Latest Practicable Date, we leased 29 properties in the PRC with a total GFA of 113,736.1 sq.m. for various purposes and two properties in Hong Kong with a total GFA of 48.6 sq.m. for commercial and dormitory purpose.

As of the Latest Practicable Date, 12 of our lease agreements with an aggregate GFA of 65,577.5 sq.m. had not been registered with the relevant PRC authorities, primarily due to (i) certain landlords failed to cooperate to complete the lease registration; or (ii) landlords of certain properties leased by our subsidiaries had not provided the relevant Building Ownership Certificates or other proofs evidencing their legitimate rights. As advised by our PRC Legal Advisors, failure to register an executed lease agreement will not affect its legality, validity or enforceability. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. We estimate that the maximum penalty we may be subject to for these unregistered lease agreements will be approximately RMB120,000, which we believe is immaterial. Therefore, we believe that the failure to register these lease agreements will not have any material adverse effect on our financial condition or results of operations. We will actively liaise with the respective lessors to complete the registration of all such lease agreements, if possible.

As of the Latest Practicable Date, we failed to obtain consent from the landlord for the sub-lease of two properties in Dongguan with an aggregate GFA of 25,750 sq.m. from the existing leasees to us. As advised by our PRC Legal Advisors, according to relevant PRC laws and regulations, the landlord has the right to terminate the sub-lease due to the failure to obtain the consent from the landlord for the sub-lease from the existing leasees to us. Under such circumstance, we have the rights to claim for damages from the existing leasees according to the terms of lease agreements. However, as such properties are used as office premises and storages, we would be able to locate alternative properties in a timely manner, should the landlord terminate such sub-lease. Therefore, we do not expect our failure to obtain landlord's consent for the subleases would have any material and adverse impact on our business, financial condition and results of operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (THE "ESG")

We are committed to environmental protection and promoting corporate social responsibility and best corporate governance practices for the sustainable development and take up responsibilities as a corporate citizen. We have established ESG policies which set forth our environmental protection measures, social responsibility principles and internal governance.

Under our ESG policies for environmental protection, we will promote usage of renewable resources and reduce production of hazardous chemicals and gas emissions. Our ESG policies for social responsibility and corporate governance aim to ensure our compliance with applicable laws and regulations, contribute to social responsibility causes and promote our employees' work safety. We also established ESG policies for corporate governance, which aim to manage risks in operation and enhance our operating efficiency.

Our Directors have overall responsibility regarding environmental, social and climate-related risks, ensuring that our relevant policies are duly implemented and have continuous updates for full compliance with the latest laws, regulations and standards. Our Directors also support our commitment to fulfill its environmental and social responsibility, for which they are responsible for identification, assessment and management of our ESG-related risks, and ensuring that appropriate and effective ESG-related risk management and internal control systems are in place.

Environmental Protection

As a cross-border e-commerce industry participant engaging in sale of products procured from OEM suppliers through third-party e-commerce platforms, we believe that our operations do not directly constitute the major sources of environmental pollution as our operations do not involve any significant direct air emission, wastewater emission, noise emissions and waste generations. Therefore, we are not subject to significant environmental protection obligations or health or occupational safety risks. Despite the environmental impact directly caused by us is minimal, our operations may have indirect environmental impacts, such as the greenhouse gas emissions caused by our OEM suppliers during the manufacturing of products, as well as sea, air or land transportation during logistics service providers' delivery of our products. Logistics service providers may use excessive packaging materials during the delivery, which may not be environmental-friendly. We recognize our social responsibilities in managing the environmental impacts associated with our operations and the importance of risk avoidance in minimizing potential impact that might affect the implementation of our business plan and strategy and financial performance to the extent we can. For example, our operational activities do not directly generate industrial pollutants, or produce air emissions. However, to reduce the potential indirect air emission, we aim to cooperate with logistics service providers with relatively high environmental awareness and are strive to minimize the environmental impact of direct emissions from their transportation fleet. We also promote the use of facilities and equipment which has much higher energy efficiency.

We have noticed that in recent years, there are growing concerns from the general public, third-party e-commerce platforms and government authorities on ESG issues relating to the sale of apparel and footwear products, such as the promotion on recycling clothing and packaging materials in China and the U.S., boycotting the use of certain raw materials that may involve the deployment of cheap workforce in certain countries, reducing the waste of clothing and packaging materials and reducing greenhouse gas emissions. We have also noticed the recent negative news on the ESG issues relating to third-party cross-border e-commerce platforms, such as Amazon and AliExpress. Relevant news primarily mentioned the relatively high greenhouse gas emissions, hazardous waste emissions and waste of materials during the manufacturing, packaging and delivery of the products sold through such platforms. In recognition of such growing concerns and negative news, we attach great importance to the ESG issues that may directly or indirectly arising from the manufacturing, packaging, delivery and sale of apparel and footwear products, and have formulated the following measures and working mechanisms to improve our ESG related efforts:

(i) increasing the design and sale of quality products with pragmatic patterns or classic patterns, which can be dressed for more than one single season, and selling the less salable or out-of-season products to third parties for sale to rural areas or recycling, instead of destroying the products, thus would not cause large amount of waste or other issues that may have material adverse ESG impact;

(ii) closely monitoring the origin of raw materials of products procured from our OEM suppliers to avoid violation of requirements of the destination countries or regions of our products or the relevant third-party e-commerce platforms;

(iii) requiring OEM suppliers to strictly follow ESG requirements and establishing stable cooperation relationships with those have better ESG performance;

(iv) carrying out regular inspection on OEM suppliers' ESG performance and terminating procurement from the OEM suppliers that materially failed to meet ESG requirements;

(v) increasing the delivery under "full container shipments (整箱發貨)" model, instead of "less container load (拼箱運輸)" model, which reduces the waste of packaging materials;

(vi) encouraging logistic service providers to use recyclable wrapping and packaging materials, such as carton box instead of foam and plastic bags;

(vii) encouraging the logistics service providers to implement environmental-friendly policies during the delivery of products, such as collecting and recycling packages, increasing the use of carton packaging bags that meet shipping standards to replace woven bags, implementing the online appointment for cargo collection to enhance the paperless operation and applying the new energy vehicles from the warehouses in the PRC to the prescribed destination;

(viii) increasing internal trainings on ESG-related laws and regulations, ESG-related risks and ESG responsibilities to raise the awareness of ESG among our employees; and

(ix) improving our ESG monitoring mechanism to better adapt to the tightening and ever-changing laws and regulations regarding environmental protection and continue to comply with the laws and regulations in a timely manner in the foreseeable future.

Key ESG Performance Indicators

Our energy consumption is mainly derived from electricity consumption from our warehouses, offices and IT systems maintained by us during our e-commerce operations. Electricity consumption is among the main sources of our indirect greenhouse gas emissions. We also use water during our daily operations. We have implemented measures to increase energy and water efficiency in our operations in order to fulfill our environmental and social responsibilities. For example, we encourage the installment of LED lighting system in our offices, which has much higher energy efficiency. In addition, we encourage our employees to save water resources in our offices.

The below table sets forth our electricity consumption analysis for the periods indicated:

	Year ended December 31,			**Six months ended June 30,**
	2019	**2020**	**2021**	**2022**
Electricity Consumption *(kWh'000)*	860.9	921.7	1,508.4	540.3
Electricity Consumption *(kWh'000)*/revenue *(RMB in millions)*	0.6	0.5	0.6	0.4

The below table sets forth our water consumption analysis for the periods indicated:

	Year ended December 31,			**Six months ended June 30,**
	2019	**2020**	**2021**	**2022**
Water Consumption *(ton'000)*	8.8	10.0	19.7	7.9
Water Consumption *(ton'000)*/revenue *(RMB in millions)*	0.01	0.01	0.01	0.01

We have noticed the hazardous waste emissions and waste of materials during the manufacturing, packaging and cross-border delivery of apparel and footwear products. We are committed to lowering the environmental impact of our products through encouraging our OEM suppliers to use the sustainably produced fabrics or recycled material fibers and encouraging our logistics service suppliers to use recyclable materials for packaging and wrapping. We continuously increase our procurement of logistics services from logistics service providers with good ESG performance. To our best knowledge, all of our 10 largest logistics service suppliers in the first half of 2022 have actively taken measures to reduce the waste of materials and greenhouse gas emissions during their operations, including but not limited to recycling and reusing the woven bags and carton boxes for product wrapping and packaging, and gradually replacing conventional fuel vehicles with new energy vehicles. We also put emphasis on purchase from OEM suppliers that have obtained environmental protection certificates upon inspection and assessment in accordance with Global Recycled Standard (the "**GRS**," 全球回收標準), or Recycled Claim Standard (the "**RCS**," 再循環聲明標準). Among our 10 largest OEM suppliers in 2020, our purchases from those holding environmental protection certificates accounted for over 7% of our total purchases from the 10 largest OEM suppliers in the same year, which significantly increased to over 20% in 2021. Such percentage was approximately 12% in the first half of 2022. We also from time to time discuss with our industry peers on the emerging industry trend for sale of apparel and footwear products made of environmental-friendly materials or delivered by new energy vehicles.

We endeavor to use less non-biodegradable packaging materials and instead use more carton boxes, which are biodegradable, during our daily operations, with the intention to reduce non-biodegradable emissions. For the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our procurement expenses on the packing bags, which primarily comprise bags made of non-biodegradable materials, such as woven bags, bubble bags and compression bags, were approximately RMB1.8 million, RMB2.7 million, RMB1.3 million and RMB0.3 million, respectively, while our procurement expenses on carton boxes were approximately RMB0.8 million, RMB1.1 million, RMB2.3 million and RMB0.6 million, respectively.

From time to time, we also collect and sell waste paper such as waste carton boxes and waste paper board to third parties for recycling. The below table sets forth the weights of waste paper sold by us for the periods indicated:

	Year ended December 31,			**Six months ended June 30,**
	2019	**2020**	**2021**	**2022**
		tonne		
Weights of waste paper sold	73	146	164	40

In addition, we promote the use of new energy vehicles in our warehouses. We procured two electric lift-trucks in 2020, two electric forklifts in 2021 and one electric forklift in the first half of 2022, to reduce air pollution during our warehousing operations and gradually alleviate our dependency on conventional fuels.

In order to better manage our ESG risks and reduce green gas emissions and hazardous waste emissions, we have set multiple ESG-related targets, including:

(i) striving to reach approximately 50% of installment of LED lighting system in our warehouses and offices in the following five years;

(ii) striving to reach approximately 20% of our OEM suppliers using environmental-friendly packaging materials in the following five years;

(iii) striving to reach approximately 80% of all products sold by us packaged in recyclable packaging materials in the following five years;

(iv) striving to reach 100% of electric lift-truck and electric forklift for all newly procured lift-truck and forklift in our warehouses from the second half of 2022; and

(v) striving to make procurement expenses on packaging materials made of paper account for over 70% of our total annual procurement expenses on packaging materials by 2025.

In 2019, 2020 and 2021 and the first half of 2021 and 2022, our annual cost of compliance with environmental protection laws and regulations in the PRC was approximately RMB20,400, RMB24,700, RMB37,000, RMB5,946, and RMB7,559, respectively. We expect such compliance cost to increase in the future in line with the growth and expansion of our business. During the Track Record Period and up to the Latest Practicable Date, we complied with all PRC laws and regulations with respect to environmental matters in all material respects, and we did not receive any complaint from any parties in respect of any environmental protection issues and we have not experienced any material environmental incidents arising from our operations. We will continue to proactively pay close attention on the growing concerns on ESG issues, including but not limited to negative news relating to ESG issues of the e-commerce platforms where we sell the products and feedback relating to environmental protection from our OEM suppliers, logistics service suppliers and customers. We will closely monitor the development of laws and regulations on ESG issues and implement or update our measures accordingly on a timely basis, to ensure our compliance with the latest regulatory laws and regulations.

Working Safety

We are committed to meeting all health and safety statutory requirements. For example, we provide our employees internal guidance and trainings with respect to working safety requirements. Our working sites are expected to implement preventive measures whenever possible to minimize the risks of injury and fatality of employees and operational disruptions.

The Employment Protection, Equality and Diversity

We aspire to be a diverse, equitable, and inclusive company where provide fair treatment and equal opportunities for all of our employees. To this end, we have adopted the following policies:

(i) we attach great importance to the employees' labor rights and interests, and strive to implement our internal policies and procedures in compliance with applicable laws and regulations. In the event that we need to adjust our employees' positions and responsibilities due to strategical adjustment or the employee's competency, we will actively notify and negotiate with our employees in compliance with our internal procedures. During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute or litigation arising from the payment of labor compensation;

(ii) we aim to maintain balanced employee structures. As of June 30, 2022, women employees represented over 60% of our total employees. To provide a caring working environment, we also provide our female employees with nursing rooms in our office premise;

(iii) we provide diverse welfare policies for our employees, including but not limited to travel allowance, transportation and accommodation allowance and employee care fund, to continuously strengthen the sense of belonging and cohesiveness of our employees; and

(iv) to provide our employees with a safe working environment during the outbreak of COVID-19, we conduct worksite temperature screening on daily basis to detect any potential infection. We also provide our employees with anti-epidemic facilities such as medical masks.

As our expenses associated with the labor compensation attributed to less than 0.9% of our administrative expense annually during the Track Record Period, our Directors are of the view that there was no actual or potential material impact on our business operations and financial conditions arising from such policies.

Our initiatives to foster a culture where we value, respect, and provide diversified opportunities for our employees. We take our employees' feedback seriously and make improvement. As we continue to expand our business, we closely monitor the regulatory update and update our internal policies as appropriate.

Social Responsibility

We believe the best approach to corporate social responsibility is embedding elements of social responsibility in our business. For example, we actively made donations to schools located in remote and rural mountain areas.

Board Diversity

We have adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. For example, Ms. Hua was appointed as our Director with a view to promoting the gender diversity at our Board level given its composition of all-male Directors before the appointment of Ms. Hua. See "Directors and Senior Management."

To ensure compliance with applicable laws and regulations, from time to time, our human resource department would, if necessary and after consultation with our legal advisers, adjust our human resources policies to accommodate material changes to relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we complied with all PRC laws and regulations with respect to health and occupational safety matters in all material respects.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents in the course of our operations, nor were we subject to any material claims for personal or property damages or compensation paid to employees.

Going forward, our Board will be responsible for establishing, adopting and reviewing our ESG policies and to evaluate, determine and address our ESG-related risks once a year. Necessary improvement will then be implemented to mitigate the risks.

DATA PRIVACY AND PROTECTION

During our ordinary course of business, we involve a large amount of personal data, including their name, postal address and phone numbers and we are committed to protecting our customers' personal information and privacy. Such information includes, among others, customer name, height, weight, delivery address, age, gender, phone number and email address (the "**Confidential Information**"). We do not have the access to customers' personal information collected through third-party e-commerce platforms, most of which are stored in the data centers of the e-commerce platforms. Unless the authorization is duly approved, we have no right to store and use customers' personal information in connection with their accounts, such as login account and contact, instead of all their personal information collected through our self-operated stores. We have built our own customer cloud data base, in which we generally collect and store data for three months. The degree of access to customer information is determined by reference to the relevance to the role of our staff and seniority of the staff.

We have implemented multiple measures on cybersecurity. The following sets out our major internal control measures in safeguarding our online sales operations against cyberattacks.

- We have established and implemented strict policies to protect our IT system from cyberattacks during our daily online sales operations, such as *Management Policy on Computer Information Network Security of Zhejiang Zibuyu Electronic Commerce Co., Ltd.* (《浙江子不語電子商務有限公司計算機信息網絡安全管理制度》) and *Management Policy on Secret-related Computer of Zhejiang Zibuyu Electronic Commerce Co., Ltd.* (《浙江子不語電子商務有限公司涉密計算機管理制度》);

- We provide internal trainings to our sales and operation employees on cybersecurity to enhance their awareness and knowledge on cyberattacks and relevant measures against them; and

- We utilize firewalls to prevent the unauthorized access to our IT systems. Our experienced IT employees regularly backup the sales statistics and financial data derived from our daily operations and conduct periodic review on the availability and security of our data assets.

The following sets out our efforts in preventing the leakage or unauthorized use of the customer data we have collected.

- We have entered confidentiality agreements in respect of confidential information, under which (i) we are only allowed to use and retain confidential information only as is reasonably necessary for our participation in sales; and (ii) we are not allowed to disclose Confidential Information to any other person except as required to comply with laws;

- We arrange trainings and meetings for our employees on data privacy, data classification and data encryption, in order to reduce the risk of leakage of customers' private data or improper use or disclosure of such data during our operations;

- Our customers can easily access our data privacy protection policy and information collection policy set out on websites of e-commerce platforms and our self-operated stores;

- We have established and implemented a strict group-wide policy on data collection and storage, as well as internal procedures on handling customer information. We have also established data access control policy based on a prudent, appropriate and necessary principle, which strictly restrict the range of data that our employees can access based on their seniority and function. In the event of breach of data privacy rules, we conduct investigations and take remedial measures; and

- Our IT employees are required to conduct regular review on the retention and usage of our data assets, especially data in relation to our customers' privacy. Our management team monitor the implementation of data privacy and data security regulations in our Company and ensure the timely respond to any unexpected incidents in relation to customers' data privacy and security. Should there be any leakage of the customer data being identified by our employees, they are required to report to senior staff promptly.

We are committed to protecting our customers' personal information and privacy. We believe it is crucial that our customers understand how we handle their information so that they can make informed choices in deciding how such information is used and shared. We have established internal policy to process and protect customers' personal data including (i) providing notice to customers as to why and how their data are being collected and used; (ii) making efforts to prevent loss or leakage of customer data; and (iii) providing customers with choices in whether or not, and how, they receive promotional information from us. We do not distribute or sell our customers' personal data to other companies without customers' permission. All customer and behavioral data are only stored for a fixed period time in accordance with local laws and regulations and we will not hold customers' personal information longer than the necessary period. During the Track Record Period and up to the Latest Practicable Date, we have complied with all applicable laws and regulations relating to data privacy in all material aspects in jurisdictions related to our operations and we did not experience any material information leakage, loss of customer data, cyberattacks or data security breaches. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any legal or regulatory proceedings in relation to data privacy.

COMPLIANCE AND LEGAL PROCEEDINGS

Legal Proceedings

We are subject to legal proceedings, disputes and claims that arise in the ordinary course of business, which primarily include contractual disputes, product liability, employment, IP and regulatory compliance matters.

As of the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings, and we were not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business. Our Directors are not involved in any actual or threatened material claims or litigation.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable laws and regulations in all material aspects in material jurisdictions in relation to our operations and we were not imposed any material administrative penalties. We did not experience any material or systemic non-compliance incidents, which, taken as a whole, are likely to have a material and adverse effect on our business, financial condition or results of operations.

INTERNAL CONTROL AND RISK MANAGEMENT

We have adopted a series of internal guidelines, policies and procedures to monitor and reduce the impact of risks which are relevant to our business, improve our corporate governance and ensure compliance with the applicable laws and regulations. Our Board is responsible for establishing our internal control and risk management measures and reviewing their effectiveness. During the Track Record Period and up to the Latest Practicable Date, we did not engage in any significant hedging activity.

Our Company has established an Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Audit Committee consists of three Directors, being Mr. Yu Kefei, Mr. Shen Tianfeng and Dr. Lau Kin Shing Charles. The chairperson of the Audit Committee is Mr. Yu Kefei, who is the independent non-executive Director with the appropriate accounting and related financial management expertise. The primary duties of the Audit Committee include, among others: (i) reviewing our compliance, accounting policies and financial reporting procedures; (ii) supervising the implementation of our internal audit system; (iii) advising on the appointment or replacement of external auditors; (iv) liaising between our internal audit department and external auditors; and other responsibilities as authorized by our Board.

Internal Control Review

In preparation for the [**REDACTED**], we have engaged the Internal Control Consultant in February 2021 to perform a review over selected areas of our internal controls (the "**Internal Control Review**"). The Internal Control Consultant performed the follow up review in June 2021 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the "**Follow-up Review**"). We had improved our internal control system and the Internal Control Consultant did not have any further recommendation in the Follow-up Review.

In addition, we have adopted and implemented a series of new internal control policies as well as measures and procedures designed to provide further assurance on effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Going forward, we will continue to regularly review and improve these internal control policies, measures and procedures.

In accordance with the applicable PRC and Hong Kong laws and regulations, we have implemented measures with a view to establishing and maintaining our internal control system, including monitoring of operational processes, the establishment of risk management policies and compliance with applicable laws and regulations. In particular:

- our Directors have attended trainings conducted by our Hong Kong legal adviser on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong; and

- we have appointed a compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines.

BOARD OF DIRECTORS

The Board consists of nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. The Directors are elected for a term of three years and are subject to re-election. The following table sets forth certain information regarding the Directors.

Directors

Name	Age	Position	Time of joining our Group	Date of appointment as Director	Roles and responsibilities
Executive Directors					
Mr. Hua Bingru (華丙如)	34	– Chairman of the Board – Executive Director – Chief executive officer	April 2011	August 6, 2018	Formulating the overall corporate and business strategies and overseeing the management and operation of our Group
Mr. Wang Shijian (王詩劍)	33	– Executive Director – Vice president	April 2011	January 3, 2019	Overseeing the management of logistics and warehousing business of our Group
Mr. Wang Weiping (汪衛平)	35	– Executive Director – Vice president	April 2013	January 3, 2019	Overseeing the management of supply chain business of our Group
Mr. Dong Zhenguo (董振國)	33	– Executive Director – Vice president	June 2013	June 7, 2021	Overseeing the management of self-operated online stores business of our Group
Mr. Xu Shijian (徐石尖)	44	– Executive Director – Chief financial officer – Vice president	November 2016	January 3, 2019	Overseeing the financial management, internal control and compliance of our Group
Non-executive Director					
Ms. Hua Hui (華慧)	33	– Non-executive Director	June 2021	June 7, 2021	Making recommendations on the business development and management of our Group

Name	Age	Position	Time of joining our Group	Date of appointment as Director	Roles and responsibilities
Independent non-executive Directors					
Mr. Yu Kefei (俞可飛)	43	– Independent non-executive Director	[●]	[●]	Supervising and providing independent opinion and judgement to our Group
Mr. Shen Tianfeng (沈田豐)	57	– Independent non-executive Director	[●]	[●]	Supervising and providing independent opinion and judgement to our Group
Dr. Lau Kin Shing Charles (劉健成)	66	– Independent non-executive Director	[●]	[●]	Supervising and providing independent opinion and judgement to our Group

Senior Management

Name	Age	Position	Time of joining our Group	Date of appointment as a senior management member	Roles and responsibilities
Mr. Hua Bingru (華丙如)	34	– Chief executive officer – Chairman of the Board – Executive Director	April 2011	April 2011	Formulating the overall corporate and business strategies and overseeing the management and operation of our Group
Mr. Wang Shijian (王詩劍)	33	– Vice president – Executive Director	April 2011	April 2011	Overseeing the management of logistics and warehousing business of our Group
Mr. Wang Weiping (汪衛平)	35	– Vice president – Executive Director	April 2013	April 2013	Overseeing the management of supply chain business of our Group
Mr. Dong Zhenguo (董振國)	33	– Vice president – Executive Director	June 2013	June 2013	Overseeing the management of self-operated online stores business of our Group
Mr. Xu Shijian (徐石尖)	44	– Chief financial officer – Vice president – Executive Director	November 2016	November 2016	Overseeing the financial management, internal control and compliance of our Group
Mr. Peng Yulong (彭玉龍)	39	Chief technology officer	April 2022	April 2022	Formulating the overall technology strategies and overseeing the design, development and operation of the information products of our Group

Name	Age	Position	Time of joining our Group	Date of appointment as a senior management member	Roles and responsibilities
Mr. Yu Hegui (余和貴)	41	Supply Chain Director	December 2015	December 2015	Overseeing and implementation of the supply chain strategies and management of suppliers
Mr. Cheng Bing (程兵)	34	Sales Director	April 2015	April 2015	Overseeing the operation and management of the major third-party e-commerce platforms of our Group

Executive Directors

Mr. Hua Bingru (華丙如), aged 34, is the founder of our Group, an executive Director, the chairman of the Board and the chief executive officer of our Company. Mr. Hua was appointed as a Director of our Company on August 6, 2018 and was re-designated as our executive Director on June 18, 2021. He is primarily responsible for formulating the overall corporate and business strategies and overseeing the management and operation of our Group.

With over 10 years of industry experience, Mr. Hua gained in-depth understanding of the industry where our Group operates and acquired rich management experience by managing our Group and developing our business. Mr. Hua registered an online store on Taobao in September 2008 and started e-commerce business when he studied in the university. He founded our Group in April 2011 and has been the chairman of the board and the general manager of Zhejiang Zibuyu since then, dedicating substantially all his time in the daily operation and management of our Group. He has also held positions in several subsidiaries of our Group, including a director of Zibuyu HK since September 2016, and a director and the general manager of Hangzhou Chengyusi and Hangzhou Junbuqi from May 2018 to February 2019 and from August 2018 to February 2019, respectively. In addition, he was elected as a committee member of the First Chinese People's Political Consultative Conference of Linping District, Hangzhou (中國人民政治協商會議第一屆杭州市臨平區委員會委員) in June 2021.

He was awarded the Top 10 Pioneer Youth in Hangzhou in 2019 (2019年杭州十大青年領軍人物) by the Hangzhou Enterprise Brand Development Promotion Association (杭州企業品牌發展促進會) in 2019 and received the nomination of the Ten Outstanding Entrepreneur in Hangzhou (十大傑出杭商候選人提名) granted by the Hangzhou Municipal People's Government (杭州市人民政府), Department of Commerce of Zhejiang Province (浙江省商務廳) and Zhejiang Daily Press Group (浙江日報報業集團). Mr. Hua graduated with a bachelor's degree in electronic science and technology from Chaohu University (巢湖學院) in July 2011.

Mr. Wang Shijian (王詩劍), aged 33, is our co-founder, an executive Director and a vice president of our Company. Mr. Wang was appointed as a Director of our Company on January 3, 2019 and was re-designated as our executive Director on June 18, 2021. He is primarily responsible for overseeing the management of logistics and warehousing business of our Group.

Mr. Wang has over 10 years of working experience with our Group and has acquired rich knowledge in the field of e-commerce. Mr. Wang has been a director of Zhejiang Zibuyu since April 2011, being in charge of the management of overseas orders and cargo of our Group. He has also been a director and the general manager of several subsidiaries of our Group, including Hangzhou Zibuyu since August 2017 and Huzhou Zibuyu since December 2020. Mr. Wang graduated with a bachelor's degree in international engineering project management from Qingdao University of Technology (青島理工大學) in June 2010.

Mr. Wang Weiping (汪衛平), aged 35, is an executive Director and a vice president of our Company. Mr. Wang was appointed as a Director of our Company on January 3, 2019 and was re-designated as our executive Director on June 18, 2021. He is primarily responsible for overseeing the management of supply chain business of our Group.

Mr. Wang has been with our Group for more than eight years, during which time he has gained the industry knowledge and experience to effectively manage the business of our Group. He joined our Group in April 2013 and has been a vice president and a director of Zhejiang Zibuyu since April 2013 and February 2018, respectively, focusing on the management of the design, pricing and distribution of our products and overseeing the products quality. Mr. Wang graduated with a college degree in marketing and planning from Private Anhui Wenda Vocational College of Information Technology (民辦安徽文達信息技術職業學院) (currently known as Anhui Wenda University of Information Engineering (安徽文達信息工程學院)) in July 2009.

Mr. Dong Zhenguo (董振國), aged 33, is an executive Director and a vice president of our Company. Mr. Dong was appointed as a Director of our Company on June 7, 2021 and was re-designated as our executive Director on June 18, 2021. He is primarily responsible for overseeing the management of self-operated online stores business of our Group.

Mr. Dong has more than eight years of experience in sales and marketing and business management. Mr. Dong joined Zhejiang Zibuyu in June 2013 and served as its sales director until December 2018. He subsequently held positions in certain subsidiaries of our Group, including the general manager and a director of Hangzhou Xingzezhi since November 2018 and May 2022, respectively, primarily in charge of the self-operated online stores business. Mr. Dong graduated with a bachelor's degree in bioscience from Anhui University (安徽大學) in July 2010 and graduated with a master's degree in phytology from the Institute of Botany, Jiangsu Province and Chinese Academy of Sciences (江蘇省中國科學院植物研究所) in July 2013.

Mr. Xu Shijian (徐石尖), aged 44, is an executive Director, the chief financial officer and a vice president of our Company. Mr. Xu was appointed as a Director of our Company on January 3, 2019 and was re-designated as our executive Director on June 18, 2021. He is primarily responsible for overseeing the financial management, internal control and compliance of our Group.

Mr. Xu has more than 20 years of experience in finance and business management. Mr. Xu joined our Group in November 2016 and has been the chief financial officer and a vice president of our Group and a director of Zhejiang Zibuyu since then. Prior to joining our Group, he served as the financial director of Lvcheng E-commerce Co., Ltd. (綠城電子商務有限公司), a company within the group of Greentown China Holdings Limited (綠城中國控股有限公司) (stock code: 03900.HK), from February 2011 to May 2016, and was in charge of accounting and financial management. From March 2006 to January 2011, Mr. Xu was a practicing certified public accountant of the PRC and served as the project manager and the head of department of Shaoxing Tianyuan Accountant Office Co., Ltd. (紹興天源會計師事務所有限責任公司). Mr. Xu served as the project manager and a practicing certified tax agent of Shaoxing Yidi Tax Accountant Firm Co., Ltd. (紹興益地稅務師事務所有限公司) from September 2004 to February 2006, and served as the auditor of Shaoxing Dongfang Tax Accountant Firm Co., Ltd. (紹興東方稅務師事務所有限公司) from November 2003 to August 2004.

Mr. Xu was recognized as a senior accountant by the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in November 2018. He obtained certificate of certified public valuer issued by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and the Ministry of Finance (財政部) of the PRC in September 2010. He passed the National Certified Public Accountants Examination of the PRC in September 2005, and was admitted as a member of the Chinese Institute of Certified Public Accountants in May 2006. He also obtained the qualification of certified tax agent admitted by the Ministry of Personnel of the PRC (中華人民共和國人事部) and the State Administration of Taxation (國家稅務總局) in June 2004. In addition, Mr. Xu obtained the certificate of secretary to the board issued by the Shenzhen Stock Exchange in April 2017 and the Shanghai Stock Exchange in February 2017, respectively, and obtained the certificate of independent director issued by the Shanghai Stock Exchange in October 2016. Mr. Xu graduated from Zhejiang Institute of Finance and Economics (浙江財經學院) (currently known as Zhejiang University of Finance & Economics (浙江財經大學)) and obtained a bachelor' diploma in accounting in December 2006.

Non-executive Director

Ms. Hua Hui (華慧), aged 33, who was formerly known as Hua Xiaohui (華小慧) and was the sister of Mr. Hua, was appointed as our non-executive Director on June 7, 2021. She is primarily responsible for making recommendations on the business development and management of our Group.

Ms. Hua had approximately seven years of working experience in our Group. She served as the sales director of Zhejiang Zibuyu from October 2013 to May 2020, primarily in charge of the operation of online stores on third party platforms, including design and after-sales services. Ms. Hua graduated with a bachelor's degree in physics from Anhui Normal University (安徽師範大學) in July 2013.

Ms. Hua was appointed as our Director with a view to promoting the gender diversity at our Board level given its composition of all-male Directors before the appointment of Ms. Hua. Moreover, Ms. Hua is one of our Shareholders and had worked in our Group for seven years. In her capacity as a Shareholder and with her knowledge and experience about our business operations and corporate governance, we considered Ms. Hua as a suitable person to act as our non-executive Director making recommendations on the business development and management of our Group.

Independent non-executive Directors

Mr. Yu Kefei (俞可飛), aged 43, who was formerly known as Yu Kefei (俞科飛), was appointed as our independent non-executive Director on [●]. He is primarily responsible for supervising and providing independent opinion and judgement to our Group.

Mr. Yu has more than 20 years of working experience in accounting and business management and accumulated rich knowledge in financial management and risk control. He served as the financial manager or financial director of several private or listed companies, including the financial director of Zhejiang Ming Jewelry Co., Ltd. (浙江明牌珠寶股份有限公司) (stock code: 002574.SZ) since March 2017, the financial director of Zhuji Shangfeng Mining Co., Ltd. (諸暨上峰礦業有限公司) from February 2016 to March 2017, the financial director of Hangzhou Haide Garment Co., Ltd. (杭州海德服飾有限公司) from February 2007 to January 2016 and the financial manager of Zhejiang Shangfeng Packaging Co., Ltd. (浙江上峰包裝有限公司) from March 2004 to February 2007.

Mr. Yu obtained the certificate of secretary to the board issued by the Shenzhen Stock Exchange in December 2019. He graduated from Shaoxing Secondary Technical School (紹興市中等專業學校) in July 1997 majoring in financial accounting. Mr. Yu was admitted as the intermediate accountant by the Ministry of Finance of the PRC in May 2004. In addition, Mr. Yu passed the Certified Public Accountants Examination of the PRC in December 2015 and was admitted as a non-practicing member by the Zhejiang Institute of Certified Public Accountants in January 2018.

Mr. Shen Tianfeng (沈田豐), aged 57, was appointed as our independent non-executive Director on [●]. He is primarily responsible for supervising and providing independent opinion and judgement to our Group.

Mr. Shen has over 30 years of experience in legal practice. He has been the managing partner of Grandall Law Firm (Hangzhou) (國浩律師(杭州)事務所) from January 2001 to April 2019. In addition, Mr. Shen has accumulated rich experience in corporate management and governance by acting as the independent director of several listed companies, including Zheshang Securities Co., Ltd. (浙商證券股份有限公司) (stock code: 601878.SH) since January 2019, Hangzhou Boiler Group Co., Ltd. (杭州鍋爐集團股份有限公司) (stock code: 002534.SZ) since October 2013, Shanghai Fullhan Microelectronics Co., Ltd. (上海富瀚微電子股份有限公司) (stock code: 300613.SZ) from January 2015 to January 2021 and Hangzhou Weiguang Electronic Co., Ltd. (杭州微光電子股份有限公司) (stock code: 002801.SZ) from November 2012 to November 2018.

Mr. Shen graduated with a bachelor's degree of law from Southwest University of Political Science & Law (西南政法大學) in July 1985 and completed the graduate course of Accounting & Audit in Agriculture from Zhejiang Agriculture University (浙江農業大學) (subsequently merged into Zhejiang University (浙江大學)) in July 1998. He received his PRC lawyer's practicing license issued by the Zhejiang Province Department of Justice (浙江省司法廳) in July 1989. In addition, Mr. Shen is currently the president of Hangzhou Lawyers Association (杭州市律師協會). He was honored as the National Outstanding Lawyer of the Year 2008-2010 (2008-2010年度全國優秀律師) by the All China Lawyers Association (中華全國律師協會) in December 2011 and as Merit Citation Class II in Judicial Administration (司法行政二等功) and the Excellent Lawyer by the Zhejiang Province Department of Justice in January 2010 and December 2011, respectively.

Dr. Lau Kin Shing Charles (劉健成), aged 66, was appointed as our independent non-executive Director on [●]. He is primarily responsible for supervising and providing independent opinion and judgement to our Group.

Dr. Lau has more than 20 years of experience in financial and business management. He has been an independent director of LINGYI iTECH (GUANGDONG) COMPANY (廣東領益智造股份有限公司) (stock code: 002600.SZ) since June 2021 and an independent non-executive director of KOS International Holdings Limited (高奧士國際控股有限公司) (stock code: 8042.HK) since February 2021. Dr. Lau successively served as the chief financial officer, an executive director and the company secretary of Sitoy Group Holdings Limited (時代集團控股有限公司) (stock code: 1023.HK) from August 2015 to July 2021, and has been its non-executive director since August 2021. From December 2013 to August 2015, he served as the chief operating officer of Imaginex Group (俊思集團), primarily responsible for financial management and logistics services. Dr. Lau also worked at China Public Procurement Limited (中國公共採購有限公司) (stock code: 1094.HK) from December 2012 to March 2014 as its executive director, chief investment officer and company secretary. Prior to that, he successively served as the chief financial officer and a joint company secretary of Miramar Hotel and Investment Company, Limited (美麗華酒店企業有限公司) (stock code: 71.HK) from

March 2010 to August 2012. Before that, he served as a vice president and the internal control director of China Resources Enterprise Limited (華潤創業有限公司) (stock code: 291.HK) (currently known as China Resources Beer (Holdings) Company Limited (華潤啤酒(控股)有限公司)) from February 2000 to April 2010.

Dr. Lau obtained a bachelor's degree in accounting from Curtin University of Technology (currently known as Curtin University) in August 1993, a master of business administration degree from the University of South Australia in May 1998 and a doctor of business administration degree from the University of Newcastle, Australia in July 2008. Dr. Lau was admitted as a Certified Practising Accountant by CPA Australia in March 2001 and a Certified Public Accountant by the Hong Kong Institute of Certified Public Accountants in July 2001. He also became a fellow of CPA Australia in June 2001, a fellow of the Association of Chartered Certified Accountants in the United Kingdom in March 2003, and a fellow of the Chartered Professional Accountants of British Columbia in Canada in June 2015. In addition, Dr. Lau was honored as the Model Worker of China Central Government Enterprises (中央企業勞動模範) by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) in April 2009.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The following sets forth the biographies of the members of our senior management.

For biographical details of **Mr. Hua Bingru (華丙如), Mr. Wang Shijian (王詩劍), Mr. Wang Weiping (汪衛平), Mr. Dong Zhenguo (董振國)** and **Mr. Xu Shijian (徐石尖)**, see "– Board of Directors – Executive Directors" for their detailed background.

Mr. Peng Yulong (彭玉龍), aged 39, joined our Group and was appointed as the chief technology officer of our Company on April 7, 2022. He is primarily in charge of formulating the overall technology strategies and overseeing the design, development and operation of the information products of our Group.

Mr. Peng has extensive experience in big data and internet industries. He served as the head of data and algorithm product department of Ant Financial (Hangzhou) Network Technology Co., Ltd. (螞蟻金服(杭州)網絡技術有限公司) from February 2018 to March 2022, primarily responsible for the development and maintenance of data and algorithm products. Prior to that, he worked as a senior specialist at the security department of Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司) from February 2016 to January 2018, focusing on the development of security solutions and products. From April 2015 to January 2016, he served as the chief technology officer of Zhejiang Tourongjie Internet Financial Service Co., Ltd. (浙江投融界科技有限公司), in charge of the formulating the overall technology strategies and the management of the technical team.

Mr. Peng obtained a bachelor's degree (correspondence course) in computer science and technology from Hunan University (湖南大學) in February 2011 and a master of business administration degree from Hunan University (湖南大學) in June 2013.

Mr. Yu Hegui (余和貴), aged 41, was appointed as the supply chain director of our Company on June 18, 2021. He is primarily in charge of overseeing and implementation of the supply chain strategies and management of suppliers.

Mr. Yu joined our Group in December 2015 and has been the supply chain director of our Group since then. He served as a supervisor of Zhejiang Zibuyu from April 2017 to September 2022. Prior to joining our Group, Mr. Yu worked at SGS-CSTC Standards Technical Services Co., Ltd. (通標標準技術服務有限公司) from March 2015 to December 2015. From July 2010 to February 2015, he served as the marketing planning director of Anhui Nanling Century Construction and Installation Co., Ltd. (安徽南陵世紀建築安裝有限公司), responsible for the formulation of project sales strategy and sales process to achieve sales targets. Before that, he worked at Anhui Water Resources Development Co., Ltd. (安徽水利開發股份有限公司), a subsidiary of Anhui Construction Engineering Group Corporation Limited (安徽建工集團股份有限公司) (stock code: 600502.SZ), from April 2006 to June 2010.

Mr. Yu graduated with a bachelor's degree in philosophy from Anhui University in July 2005 and was awarded as a D-Level Talent in Yuhang District, Hangzhou on July 2020 by the Office of the Leading Group for Talent Work, Yuhang District Committee of the Communist Party of China, Hangzhou (中共杭州市餘杭區委人才工作領導小組辦公室) and Yuhang District Human Resources and Social Security Bureau, Hangzhou (杭州市餘杭區人力資源和社會保障局).

Mr. Cheng Bing (程兵), aged 34 and a cousin of Mr. Wang Weiping, was appointed as sales director of our Company on June 18, 2021. He is primarily in charge of overseeing the operation and management of the major third-party e-commerce platforms of our Group.

Mr. Cheng joined our Group in April 2015 and has been the general manager of business department of our Group, primarily responsible for the management of sales and marketing through third-party e-commerce platforms on Amazon and Wish. Prior to joining our Group, he served as a product engineer of Atotech (China) Chemical Co., Ltd. (安美特(中國)化學有限公司) from May 2013 to March 2015. Mr. Cheng graduated with a bachelor's degree in chemistry from Anqing Normal Institute (安慶師範學院) (subsequently renamed as Anqing Normal University (安慶師範大學)) in July 2010. He graduated with a master's degree in industrial catalysis from East China University of Science and Technology (華東理工大學) in March 2013.

JOINT COMPANY SECRETARIES

Ms. Zheng Huanxin (鄭歡欣), aged 33, was appointed as one of the joint company secretaries of our Company on June 18, 2021, which will take effect on the [**REDACTED**].

Ms. Zheng joined our Group in September 2017 and has been the manager of the legal department of our Group, primarily responsible for internal control and legal compliance matters. Prior to joining our Group, she was a lawyer of Zhejiang Haihao Law Firm (浙江海浩律師事務所) from October 2011 to March 2017. Ms. Zheng graduated with a bachelor's degree in law from Zhejiang Institute of Finance and Economics (浙江財經學院) (currently known as Zhejiang University of Finance & Economics (浙江財經大學)) in June 2011.

Ms. Yu Anne (余安妮) was appointed as one of the joint company secretaries of our Company on September 5, 2022, which will take effect on the [**REDACTED**].

Ms. Yu is a corporate secretarial executive of SWCS Corporate Services Group (Hong Kong) Limited and has over 20 years of experience in the corporate secretarial field. Ms. Yu obtained a bachelor's degree from University of Huddersfield in the United Kingdom and a Master of Law degree from The University of Law in the United Kingdom. Ms. Yu is an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom (formerly known as the Institute of Chartered Secretaries and Administrators).

COMMITTEES UNDER THE BOARD OF DIRECTORS

Our Company currently has three special committees under the Board, which are the Audit Committee, the Nomination Committee and the Remuneration Committee. These committees operate in accordance with their respective terms of reference established by the Board.

Audit Committee

Our Company has established an Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Audit Committee consists of three Directors, being Mr. Yu Kefei, Mr. Shen Tianfeng and Dr. Lau Kin Shing Charles. The chairperson of the Audit Committee is Mr. Yu Kefei. The primary duties of the Audit Committee include, among others:

- reviewing our compliance, accounting policies and financial reporting procedures;
- supervising the implementation of our internal audit system;
- advising on the appointment or replacement of external auditors;
- liaising between our internal audit department and external auditors; and
- other responsibilities as authorized by our Board.

Remuneration Committee

Our Company has established a Remuneration Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Remuneration committee consists of three Directors, being Mr. Shen Tianfeng, Mr. Yu Kefei and Dr. Lau Kin Shing Charles. The chairperson of the Remuneration Committee is Mr. Shen Tianfeng. The primary duties of the Remuneration Committee include, among others:

- making recommendations to the Board on our policy and structure concerning remuneration of our Directors and members of the senior management;
- making recommendations to the Board on the specific remuneration package of each Director and members of the senior management;
- reviewing and approving compensations payable to executive Directors and members of senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- reviewing and approving compensation arrangements relating to dismissal or removal of any Director for his or her misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate; and
- other responsibilities as authorized by our Board.

Nomination Committee

Our Company has established a Nomination Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Nomination Committee consists of four Directors, being Dr. Lau Kin Shing Charles, Mr. Hua Bingru, Mr. Yu Kefei and Mr. Shen Tianfeng. The chairperson of the Nomination Committee is Dr. Lau Kin Shing Charles. The primary duties of the Nomination Committee include, among others:

- reviewing the structure, size and composition of the Board annually, and advising on any changes of the Board proposed in accordance with the strategies of our Company;
- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- making recommendations to the Board on relevant matters relating to the appointment and re-appointment of our Directors;
- assessing the independence of independent non-executive Directors; and
- other responsibilities as authorized by our Board.

CORPORATE GOVERNANCE

Pursuant to code provision C.2.1 in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Hua is the founder of our Group, the chairman of the Board and the chief executive officer of our Company. He has been primarily responsible for formulating the overall corporate and business strategies and overseeing the management and operation of our Group. Our Directors consider that vesting the roles of both the chairman of the Board and the chief executive officer of our Company in Mr. Hua is beneficial to the business prospects of our Group by ensuring consistent leadership to our Group as well as prompt and effective decision making and implementation. In addition, our Directors believe that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) decisions to be made by our Board require approval by at least a majority of our Directors; (ii) Mr. Hua and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; (iii) the balance of power and authority is ensured by the operations of the Board, which consists of five executive Directors (including Mr. Hua), one non-executive Director and three independent non-executive Directors, and has a fairly strong independence element; and (iv) the overall strategic and other key business, financial, and operational policies of our Company are made after thorough discussions at both Board and senior management levels. Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

DIRECTORS' INTEREST

Except as disclosed in this document, each of the Directors and members of the senior management (i) had no other relationship with any of the other Directors and senior management as of the Latest Practicable Date; (ii) did not hold any other directorship in listed companies in the three years prior to the Latest Practicable Date. For the Directors' interests in the Shares within the meaning of Part XV of the SFO, see the section headed "Appendix IV – Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 1. Disclosure of Interest – (a) Disclosure of interest – interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations."

Save as disclosed in this document, there are no other matters in respect of each of our Directors and the members of our senior management that are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other material matters relating to our Directors and the members of our senior management that need to be brought to the attention of our Shareholders.

BOARD DIVERSITY

We [have adopted] a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. The selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits and contributions that the selected candidates will bring to the Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, business operation, accounting and financial management, legal compliance and sales and marketing. They obtained degrees in various majors, including in electronic science, marketing and planning, law and accounting. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the Board. In addition, our Board has a wide range of age, ranging from 33 years old to 66 years old. We have also taken and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels. In particular, our non-executive Director and one of the joint company secretaries are female. Taking into account our existing business mode and specific needs as well as the different background of our Directors, we are of the view that the composition of our Board satisfies our board diversity policy.

Going forward, our Company will consider the possibility of nominating female senior management to the Board or appointing more female Directors who has the necessary skills and experience. In particular, we target to achieve 20% female representation in the Board within five years following the [**REDACTED**], subject to our Directors (i) being satisfied with the competence and experience of the relevant candidates after a comprehensive review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interest of our Company and our Shareholders as a whole when deliberating on the appointment. To develop a pipeline of potential female successors to the Board, our Company will (i) ensure that there is gender diversity when recruiting staff at mid to senior levels; and (ii) engage more resources in training female staff with the aim of promoting them to be members of our senior management or the Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the [**REDACTED**], our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management members receive compensation from our Company in the form of salaries, bonuses, and other benefits in kind such as contributions to pension plans.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were approximately RMB2.6 million, RMB2.2 million, RMB2.5 million and RMB1.4 million, respectively.

The five highest paid individuals for the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, including one, one, two and nil directors, respectively, whose remunerations are included in the aggregate amount of remuneration set out above. For the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) for the remaining highest paid individuals who are not Directors of our Group were approximately RMB2.5 million, RMB2.4 million, RMB2.0 million and RMB3.9 million.

It is estimated that remuneration equivalent to approximately RMB4.0 million in aggregate will be paid to the Directors (inclusive of benefits in kind but exclusive of any discretionary bonuses) by our Company for the year ending December 31, 2022 based on the arrangements in force.

No remuneration was paid by our Company to the Directors or the five highest paid individuals as inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. Furthermore, none of the Directors had waived or agreed to waive any remuneration during the same periods.

COMPLIANCE ADVISER

We have appointed Red Solar Capital Limited as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules, and the compliance advisor will advise our Company in the following circumstances.

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the [**REDACTED**] of the [**REDACTED**] in a manner that is different from that detailed in this document or where our business activities, developments or results deviate from any forecasts, estimates or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

The terms of the appointment of the compliance adviser will commence on the [**REDACTED**] and is expected to end on the date when our Company distributes the annual report of its financial results for the first full financial year commencing after the [**REDACTED**].

OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders are Mr. Hua, Ms. Yu, Hone Ru, Wiloru Holdings, Gfxtmyun, Hyufeng and TMY ONE.

Immediately after completion of the Capitalization Issue and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), (i) Mr. Hua (as the settler and appointer of his family trust) will be interested in approximately [**REDACTED**]% of our enlarged total issued share capital through his interest in Hone Ru, Gfxtmyun and TMY ONE; and (ii) Ms. Yu (the spouse of Mr. Hua and as the settler and appointer of her family trust) will be interested in approximately [**REDACTED**]% of our enlarged total issued share capital through her interest in Wiloru Holdings and Hyufeng. Therefore, Mr. Hua and Ms. Yu, through their respective holding companies (namely Hone Ru, Wiloru Holdings, Gfxtmyun, Hyufeng and TMY ONE), will together indirectly hold and be entitled to exercise the voting rights attaching to approximately [**REDACTED**]% of our enlarged total issued share capital, and Mr. Hua, Ms. Yu, Hone Ru, Wiloru Holdings, Gfxtmyun, Hyufeng and TMY ONE will be considered as a group of Controlling Shareholders for the purpose of the Listing Rules after the [**REDACTED**].

Save as disclosed in this document, neither our Controlling Shareholders nor any of our Directors, including their respective close associates, was, as of the Latest Practicable Date, interested in any business, other than our Group, which competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after the [**REDACTED**].

Operational Independence

Our Company makes business decisions independently. We have established our own organizational structure with independent departments, and each department is assigned to specific areas of responsibilities. We maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have independent access to suppliers and customers and are not dependent on our Controlling Shareholders and their respective close associates with respect to supplies for our business operations. We are also in possession of all relevant licenses necessary to carry out and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Although during the Track Record Period, there had been transactions between us and our related parties, details of which are set out in Note 34 in the Accountant's Report, our Directors have confirmed that these related party transactions, if trade related, were conducted on normal commercial terms or better to us. None of the historical related party transactions with the connected persons as defined in the Listing Rules are expected to continue after the [**REDACTED**].

Accordingly, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their respective close associates.

Management Independence

The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. See the section headed "Directors and Senior Management" in this document for more details of our Directors. Mr. Hua, our Chairman, an executive Director and the chief executive officer, is one of our Controlling Shareholders. Save for Ms. Hua Hui (the sister of Mr. Hua), all the other Directors and other members of our senior management are independent from our Controlling Shareholders. The daily operation of our Group is carried out by our experienced management team, and we have the capabilities and personnel to perform all essential administrative functions, including finance, accounting, human resources and business management on a standalone basis.

Each Director is aware of his or her fiduciary duties as a Director, which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests. Further, we believe our independent non-executive Directors have the depth and breadth of experience which will enable them to bring independent judgment to the decision-making process of our Board. Our independent non-executive Directors have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Financial Independence

Our Group has established an independent financial center with a team of independent financial staff, as well as a sound and independent financial system and makes financial decisions according to our Group's own business needs. Our Group has adequate capital to operate our business independently, and has sufficient internal resources to support our daily operations.

During the Track Record Period, our Group had certain trade and non-trade related amounts due to/from our Controlling Shareholders and/or their respective close associates. Please see Note 34 to the Accountant's Report, the text of which is set out in Appendix I to this document. All loans, advances and balances due to and from our Controlling Shareholders and their respective close associates had been fully settled as of the Latest Practicable Date.

During the Track Record Period, certain bank borrowings were guaranteed by and/or secured by the pledge of properties of our Controlling Shareholders and related parties. Please see Note 30 to the Accountant's Report, the text of which is set out in Appendix I to this document. Such guarantees and/or pledges provided to our Group for bank borrowings will be released upon the [**REDACTED**].

Save as disclosed herein, as of the Latest Practicable Date, there were no other outstanding loans, advances or non-trade balances due to or from our Controlling Shareholders or their close associates, nor were there any other outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their close associates.

Our Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders or their respective close associates in favor of our Group or vice versa upon the [**REDACTED**]. We engaged an independent internal control consultant to assist us in putting in place controls in relation to transactions with connected persons and their associates to ensure that any advances to or from such persons are in compliance with the Listing Rules.

Having considered that our future operations are not expected to be financed by our Controlling Shareholders or their respective close associates, we believe our Group is financially independent from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance to protect the interest of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

(i) where a Shareholders' meeting is held for considering proposed transaction in which our Controlling Shareholders have a material interest, the Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

(ii) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

(iii) any transaction between (or proposed to be made between) our Group and the connected persons will be subject to the requirements under Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular (including independent financial advice) and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules;

(iv) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual report or by way of announcements to the public; and

(v) our Company has appointed Red Solar Capital Limited as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or Directors to protect the minority Shareholders' rights after [**REDACTED**].

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalization Issue and the [**REDACTED**], assuming all preferred Shares are converted into ordinary Shares based on the conversion terms as disclosed in this document.

Authorized Share Capital		**Aggregate par value**
2,000,000,000	Shares of US$0.00005 each	US$100,000

Issued and to be issued, fully paid or credited as fully paid		**Aggregate par value**	**% of the issued share capital**
		US$	
400,000,000	Ordinary Shares in issue as of the date of this document	20,000	[**REDACTED**]%
12,800,000	Preferred Shares in issue as of the date of this document	640	[**REDACTED**]%
[**REDACTED**]	Shares to be issued pursuant to the Capitalization Issue	[**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	**Total**	[**REDACTED**]	**100%**

ASSUMPTION

The above table assumes that the [**REDACTED**] has become unconditional, the Shares are issued pursuant to the [**REDACTED**] and the preferred Shares will be converted into Shares based on the conversion terms as disclosed in this document. It takes no account of any Shares (a) which may be issued pursuant to the exercise of the [**REDACTED**]; or (b) which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank *pari passu* in all respects with all ordinary Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

With effect from the [**REDACTED**], our Company has only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) sub-divide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may reduce or redeem its share capital by special shareholders' resolution. For more details, see the section headed "Appendix III – Summary of the Constitution of Our Company and Cayman Companies Act."

GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [**REDACTED**] (excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]); and

(ii) the nominal amount of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until the earliest of:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and the Articles of Association; or

(iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please see the section headed "Appendix IV – Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 3. Resolutions in writing of our Shareholders passed on [●]."

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the [**REDACTED**] (excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]).

This mandate relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Appendix IV – Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 3. Resolutions in writing of our Shareholders passed on [●]."

This general mandate to repurchase Shares will remain in effect until the earliest of:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and the Articles of Association; or

(iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

For further details of this general mandate, please see the section headed "Appendix IV – Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 3. Resolutions in writing of our Shareholders passed on [●]."

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the following persons are expected to have an interest and/or short positions in the Shares or the underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings our Company:

Name of Shareholder	Nature of interest	Number of Shares held immediately following the completion of the Capitalization Issue and the [REDACTED]	Approximate percentage of shareholding in our Company immediately following the completion of the Capitalization Issue and the [REDACTED][(1)]
Mr. Hua[(2)(3)]	Interest in controlled corporations/Interest of spouse/Founder of a discretionary trust	[**REDACTED**]	[**REDACTED**]%
Hone Ru[(2)]	Interest in controlled corporations	[**REDACTED**]	[**REDACTED**]%
Gfxtmyun[(2)]	Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]%
TMY ONE[(2)]	Beneficial interest	[**REDACTED**]	[**REDACTED**]%
Ms. Yu[(3)(4)]	Interest in controlled corporations/Interest of spouse/Founder of a discretionary trust	[**REDACTED**]	[**REDACTED**]%
Wiloru Holding[(4)]	Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]%
Hyufeng[(4)]	Beneficial interest	[**REDACTED**]	[**REDACTED**]%
Mr. Wang Shijian[(5)]	Interest in controlled corporations/Interest of spouse/Founder of a discretionary trust	[**REDACTED**]	[**REDACTED**]%
Ms. Rao Xingxing[(5)]	Interest in controlled corporations/Interest of spouse/Founder of a discretionary trust	[**REDACTED**]	[**REDACTED**]%
Chichiboy Holdings Limited[(6)]	Interest in a controlled corporation	[**REDACTED**]	[**REDACTED**]%
Xringirl[(6)]	Beneficial interest	[**REDACTED**]	[**REDACTED**]%
TMY THREE[(7)]	Beneficial interest	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately following the completion of the Capitalization Issue and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(2) Mr. Hua is the settlor and appointer of Hone Ru Trust, which is interested in all the issued shares of Hone Ru. TMY ONE is wholly-owned by Gfxtmyun, a wholly-owned subsidiary of Hone Ru, which is in turn wholly owned by Hone Ru Trust. Therefore, Mr. Hua, Hone Ru and Gfxtmyun are deemed to be interested in the Shares directly held by TMY ONE.

(3) Mr. Hua is the spouse of Ms. Yu and therefore, Mr. Hua and Ms. Yu are deemed to be interested in the Shares interested by each other by virtue of the SFO.

(4) Ms. Yu is the settlor and appointer of Wiloru Trust, which is interested in all the issued shares of Wiloru Holding. Hyufeng is wholly-owned by Wiloru Holding, which is in turn wholly owned by Wiloru Trust. Therefore, Ms. Yu and Wiloru Holding are deemed to be interested in the Shares directly held by Hyufeng.

(5) Mr. Wang Shijian is the spouse of Ms. Rao Xingxing and therefore, Mr. Wang Shijian and Ms. Rao Xingxing are deemed to be interested in the Shares interested by each other by virtue of the SFO.

(6) Mr. Wang Shijian and Ms. Rao Xingxing are the settlors and appointers of Chichiboy Trust, which is interested in all the issued shares of Chichiboy Holdings Limited. Xringirl is wholly owned by Chichiboy Holdings Limited, which is in turn wholly owned by Chichiboy Trust. Therefore, Mr. Wang Shijian, Ms. Rao Xingxing and Chichiboy Holdings Limited are deemed to be interested in the Shares directly held by Xringirl.

(7) TMY THREE is held by Mr. Cheng Bing (8.73%) who is a member of our senior management and the cousin of Mr. Wang Weiping, Mr. Yu Hegui (5.12%) who is a members of our senior management, Mr. Yu Benhe (4.05%) who is the brother of Ms. Yu, Mr. Fan Zugen (3.61%) who is our consultant, Mr. Shi Weiwei (3.00%) who is the cousin of Mr. Hua, Mr. Cheng Wu (0.80%) who is the cousin of Mr. Wang Weiping and other 40 individual shareholders (74.69%) who are all our employees and Independent Third Parties with each holding below 9%.

Save as disclosed above and in the section headed "Appendix IV – Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders," our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have an interest or short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 included in the Accountant's Report set out in Appendix I to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" to this document.

OVERVIEW

We are one of the largest cross-border e-commerce companies in China focusing on the sale of apparel and footwear products through third-party e-commerce platforms and self-operated online stores. Since our inception in 2011, we have been primarily focusing on the sale of a wide range of self-designed apparel, footwear and other products worldwide. Leveraging our fully integrated and efficient supply chain, we are able to provide our customers with fashion apparel and footwear products at competitive prices. We have established a broad sales channel covering different sales platforms. To reach online customers and efficiently promote our products, we began selling products through major e-commerce platforms since 2012 and have since expanded our sales channel to include our self-operated online stores in 2018. As of the Latest Practicable Date, our sales channel consisted of (i) Amazon; (ii) Wish; (iii) other third-party e-commerce platforms such as eBay and AliExpress; and (iv) our self-operated online stores. In addition, we have a worldwide customer geographical coverage. As of the Latest Practicable Date, our products have been primarily sold to customers located in over 80% of countries and regions globally, including among others, the United States, Germany and France.

Our revenue experienced continuous growth during the Track Record Period. Our revenue increased from RMB1,428.9 million for the year ended December 31, 2019 to RMB1,898.1 million for the year ended December 31, 2020, and further to RMB2,346.5 million for the year ended December 31, 2021. Our revenue increased from RMB1,100.7 million for the six months ended June 30, 2021 to RMB1,277.5 million for the six months ended June 30, 2022. Our profit for the year increased from RMB81.1 million for the year ended December 31, 2019 to RMB114.0 million for the year ended December 31, 2020, and further to RMB200.5 million for the year ended December 31, 2021. Our profit for the period decreased from RMB114.2 million for the six months ended June 30, 2021 to RMB61.3 million for the six months ended

June 30, 2022. Such decrease was primarily caused by (i) the high inflation and the increasing interest rates in the United States in the first half of 2022 had imposed negative impact on the spending power and the purchasing habits of our customers, resulting in more conservative consumption and increased return rate of sale through Amazon as confirmed by Frost & Sullivan, which caused the slowdown of our revenue growth rate; (ii) the increase in marketing and advertising expenses, primarily due to increased advertising prices driven by more sellers intending to place advertisements on Amazon under advertising bidding scheme, in line with the industry trend as confirmed by Frost & Sullivan; (iii) the increase in freight and insurance cost in our selling expenses and distribution costs, primarily due to the increase in prices for outbound shipping under the FBA model since early 2022, in line with the industry trend as confirmed by Frost & Sullivan; and (iv) the increase in employee benefit expenses in both selling expenses and distribution costs and general and administrative expenses, mainly caused by the increased number of employees, mainly consisted of staff we recruited for our sales and operation, product designing and development and IT teams, to expand our talent reserves for future business expansion.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on August 6, 2018 as an exempted company with limited liability, following which we implemented a series of corporate restructurings and our Company became the holding company of our current business. See "History, Reorganization and Corporate Structure."

Our historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards (the "**IFRSs**") issued by International Accounting Standards Board (the "**IASB**"). All effective standards, amendments to standards and interpretations, including IFRS 16, which is mandatory for the financial year beginning on January 1, 2019, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe the followings are the key factors that have been and will continue to affect our financial condition and results of operations:

The Evolving Cross-border E-commerce Export B2C Industry in China

The cross-border e-commerce export B2C industry is driven by the increase of internet users and penetration rate of internet. More and more customers around world are getting used to the digitalized shopping experience without time and space constraints. Cross-border e-commerce export B2C market in China is steadily releasing market potential and attracting massive industry participants. Market size of China's cross-border e-commerce export B2C market, as measured by total GMV of all cross-border e-commerce platforms, increased significantly from RMB924.5 billion in 2017 to RMB2,738.4 billion in 2021, and is expected to reach RMB5,504.9 billion by 2026, representing a CAGR of 15.0% from 2021 to 2026, according to Frost & Sullivan.

Benefiting from the steady growth of cross-border e-commerce export B2C industry in China, our revenue experienced remarkable growth during the Track Record Period, increasing from RMB1,428.9 million in 2019 to RMB1,898.1 million in 2020, and further to RMB2,346.5 million in 2021, representing a CAGR of 28.1% from 2019 to 2021. Our revenue increased by 16.1% to RMB1,277.5 million for the six months ended June 30, 2022 from RMB1,100.7 million for the six months ended June 30, 2021. We expect that the evolving cross-border e-commerce export B2C industry will continue to support our organic and profitable future growth.

Product Portfolio and Market-oriented Pricing

We sell a broad range of apparel, footwear and other products worldwide. The vast majority of our products were self-designed, which distinguished us from our competitors in the cross-border e-commerce export B2C apparel and footwear industry. Therefore, our ability to accurately identify and anticipate fashion trends, customer preferences and market demand in a timely manner and further reflect in our product designs is of great importance to our market performance. Any failure to timely respond to fashion trends and customer preferences could result in obsolete inventories and lead to a reduction in our business profitability, which may in turn have a material adverse effect on our business, financial condition and results of operations. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to identify and respond to changes in fashion trends, consumer preferences and market demand in a timely manner."

We have adopted market-oriented pricing strategy to offer customers products at competitive prices. We consider a number of factors to the extent applicable, in determining the selling prices of our products, including among others, our cost structure, such as historical procurement and sales statistics, customers' rating, selling prices of comparable products, competitive landscape of our products, our product positioning, our target customers and the pricing policy of third-party e-commerce platforms. Any material change in our pricing strategy may have a material impact on our results of operations in the future. In line with the industry norm, from time to time, we offer sales discounts for different purposes, such as promoting sales and managing inventory level. The amount and timing of offering discounts is essential for our competitiveness and profitability.

Our Relationship with Third-party E-commerce Platforms

Historically, we mainly sold our products through major third-party e-commerce platforms, such as Amazon, Wish, eBay and AliExpress, to customers. Our revenue generated from sale through third-party e-commerce platforms amounted to RMB1,312.7 million, RMB1,505.9 million, RMB2,052.3 million and RMB1,200.3 million, respectively, accounting for 91.9%, 79.3%, 87.4% and 94.0%, respectively, of our total revenue in 2019, 2020 and 2021 and the first half of 2022. Amongst these third-party e-commerce platforms, Amazon and Wish were our two largest third-party e-commerce platforms as of June 30, 2022. Our revenue generated from sale through Amazon and Wish amounted to RMB1,179.2 million, representing 92.3% of our total revenue for the six months ended June 30, 2022. We expect our sale through third-party e-commerce platforms will continue to contribute the vast majority of our total revenue in the foreseeable future. Our profitability, performance and financial results rely on, among other things, the strong and stable business relationship between us and such third-party e-commerce platforms.

Seasonality

Our financial condition and results of operations are subject to seasonal fluctuations. We typically carry out more sales and marketing activities before and during holiday seasons, such as Black Friday, Christmas and New Year. We also actively participate in shopping events and promotion activities launched by third-party e-commerce platforms, such as Amazon Prime Day (亞馬遜會員日) and Wish Express Day, to capture more sales opportunities. We typically achieve higher revenue and have higher level of inventories to satisfy market demand before and during holiday seasons and relevant shopping events than at other times in the year.

We also typically achieve higher revenue from the sale of our autumn and winter collections than spring and summer collections as autumn and winter collections typically have higher average selling prices as a result of the comparatively costly materials used to produce autumn and winter collections, which is in line with the industry norm. On the other hand, our sales are vulnerable to extreme or unusual weather conditions. See "Business – Seasonality" for details. As a result, any comparison of our financial condition and results of operations between different periods within a single financial year, or between different periods in different financial years, may not be meaningful and cannot be relied on as indicators of our financial performance.

Ability to control our costs and expenses

During the Track Record Period, cost of inventories sold represented the largest component of our cost of sales. Cost of inventories sold refers to the cost to purchase products from our OEM suppliers, including the cost incurred by the OEM suppliers to deliver the products to our warehouses or designated places which was also included in their selling price. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, our cost of inventories sold amounted to RMB380.7 million, RMB455.3 million, RMB469.1 million and RMB230.1 million, respectively, accounting for approximately 88.5%, 87.6%, 80.8% and 74.6%, respectively, of our total cost of sales for the same periods. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in cost of inventories sold on our net profit for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
% change in cost of inventories sold	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit
	RMB'000, except percentage									
							(unaudited)			
+15%	(57,110)	(70.4)	(68,290)	(59.9)	(70,361)	(35.1)	(34,218)	(30.0)	(34,522)	(56.3)
+10%	(38,073)	(46.9)	(45,527)	(39.9)	(46,907)	(23.4)	(22,812)	(20.0)	(23,015)	(37.5)
+5%	(19,037)	(23.5)	(22,763)	(20.0)	(23,454)	(11.7)	(11,406)	(10.0)	(11,507)	(18.8)
-5%	19,037	23.5	22,763	20.0	23,454	11.7	11,406	10.0	11,507	18.8
-10%	38,073	46.9	45,527	39.9	46,907	23.4	22,812	20.0	23,015	37.5
-15%	57,110	70.4	68,290	59.9	70,361	35.1	34,218	30.0	34,522	56.3

We expect that cost of inventories sold to continue to be our most significant costs and expenses going forward, particularly in light of our continued expansion and ramping up of our business presence on both third-party e-commerce platforms and self-operated online stores. Our ability to control such costs and expenses may significantly affect our profitability.

Foreign Exchange Rate Fluctuation

Most of our sale to customers are denominated and settled in the U.S. dollars, with the remaining mainly denominated and settled in currencies of the countries to which we sell our products. We mainly pay our OEM suppliers and logistics service suppliers that locate in the PRC in Renminbi. During the Track Record Period, we recorded net foreign exchange losses due to the foreign exchange rate fluctuation in connection with our outstanding trade and other receivables denominated in foreign currencies, most of which in the U.S. dollars. As a result, changes in the exchange rates between the foreign currency, in particular the U.S. dollar and Renminbi could affect our results of operations and competitiveness against foreign apparel and footwear sellers. For the year ended December 31, 2019 and the six months ended June 30, 2022, we recorded foreign exchange gains of RMB3.6 million and RMB8.9 million, respectively. For the years ended December 31, 2020 and 2021 and the six months ended June 30, 2021, we recorded foreign exchange losses of RMB3.9 million, RMB8.6 million and RMB4.6 million, respectively.

The value of the Renminbi against the U.S. dollar and other foreign currencies may fluctuate due to a number of factors, all of which are beyond our control. Any depreciation of the U.S. dollar against Renminbi may have a negative impact on our gross profit while any appreciation of the U.S. dollar may have a positive impact on our gross profit. We may choose to mitigate the impact of a depreciation of the U.S. dollar by increasing our products' selling prices after taking the competitive landscape of our products into consideration. During the Track Record Period and up to the Latest Practicable Date, we had not adopted any hedging arrangement with respect to the foreign exchange risks. However, we may not be able to effectively mitigate the impact of foreign exchange rate fluctuation, and even if we are able to mitigate such impact, the price competitiveness of our products may be affected. See "Risk Factors – Risks Relating to Our Business and Industry – We are subject to risks associated with foreign exchange rate fluctuations."

The Outbreak of COVID-19

The outbreak and continuous spread of COVID-19 has caused an adverse impact on the Chinese and global economy, as well as the industry where we operate.

Our business operations and financial conditions had been and may continue to be affected by the COVID-19 pandemic. The negative impact of the COVID-19 pandemic on us was primarily in the first quarter of 2020, during which we incurred additional incremental fulfilment expenses caused by interruptions to logistics services. We encountered shortage or delay in the supply of, or fluctuation in the price of, certain products in a short period from February 2020 to March 2020, primarily due to the suspension of operations of our OEM suppliers in the PRC. We adopted strict disease prevention measures to reduce the risk of infection of COVID-19. Our expenses in connection with the prevention of COVID-19 mainly includes, among others, (i) sterilizing and ventilating our workplaces; (ii) requiring employees to return to work in batches; (iii) monitoring the body temperature of employees regularly; and (iv) keeping track of the travel history and health of employees. As of June 30, 2022, we had incurred approximately RMB0.2 million in respect of these measures in order to prevent the transmission of COVID-19.

Since June 2020, the delivery of our products has encountered delay caused by the continuous spread of COVID-19 in other countries. Although the delivery of our products under the FBA model has not been materially affected, our delivery under international direct mail has been significantly affected during the outbreak and spread of COVID-19. Accordingly, our contract liabilities increased significantly from RMB24.7 million as of December 31, 2019 to RMB132.6 million as of December 31, 2020. Since the first quarter of 2021, most of the logistics arrangement of our products under international direct mail has resumed gradually and our sales amount has been increasing. Although our operations in the PRC bounced back, we cannot assure you that the continuous spread of COVID-19 will not have further adverse impact on our operations. Any interruption in the operations of our logistics business partners or OEM suppliers may materially and adversely affect the supply chain as we may not be able to maintain sufficient inventories and/or we may not be able to deliver products to our overseas customers in a timely manner. See "Risk Factors – Risks Relating to Our Business and Industry – Our business operations may be affected by the outbreak of COVID-19."

On the other hand, the outbreak of COVID-19 has stimulated the development of e-commerce industry. To contain the COVID-19 outbreak, many countries imposed strict restrictions on travel and strict measures on offline business operations in certain regions exposed to high infection risks. The United States imposed stay home orders and other lock down measures during the pandemic in 2020. Several countries in Europe also imposed lockdown measures to contain the spread of COVID-19. As people have limited outdoor activities during the outbreak of COVID-19, their demand for certain industries increased sharply, such as online shopping and online entertainment. We believe we would be able to benefit from such factors and further expand our business in the cross-border e-commerce industry.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The preparation of historical financial information requires management to exercise judgements in applying assumptions and making estimates that would yield materially different results in our management different assumptions or estimates. Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectation of future events that are believed to be reasonable under the circumstances. We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results.

The summary of significant accounting policies is set out in Note 2 to the Accountant's Report set out in Appendix I to this document. Critical accounting estimates and judgements are set out in Note 4 of the Accountant's Report set out in Appendix I to this document. We set forth below the accounting policies, estimates and judgements that we believe are the most significant to our financial information or that involve the most significant judgements and estimates used in the preparation of our financial statements.

Revenue Recognition

We generate revenue primarily from sale of products. Revenue from contracts with customers is recognized when control of goods or services is transferred to our customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. The following is a description of the accounting policy for our principal revenue streams.

Revenue from Sale of Products

We sell our products to customers through third-party e-commerce platforms, such as Amazon and Wish, and self-operated online stores. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and the delivery. Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on the receipt of products by customers.

If the contract for the sale of goods provides customers with rights of return, it gives rise to variable consideration. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned so as to best predicts the amount of variable consideration that we will be entitled to receive. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, a refund liability is recognized. A right-of-return asset and the corresponding adjustment to cost of sales are also recognized for customers' right to return products to us.

A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration, or an amount of consideration is due from the customer.

Foreign currencies

Functional and presentation currency

Financial statements of each of our entities are measured using the functional currency, the currency of the primary economic environment where the entity conducts operations. Since all of our assets are located in the PRC, the consolidated financial statements are presented in Renminbi, our functional and presentation currency.

Transactions and balances

Foreign currency used in transactions are translated into the functional currency with the exchange rates at the date of each transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in the consolidated statement of comprehensive income on a net basis as "other gains/(losses), net."

Non-monetary items that are measured at fair value in a foreign currency are translated with the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. In particular, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized as other comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realizable value. The costs of inventories are determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable variable selling and marketing expenses. We assess the net realizable value of the inventories as well as the required amount of impairment of inventory provision at each balance sheet date, which involves significant judgment on determination of the estimated residual value of the inventories based on our marketing and retail pricing strategy, sales forecast of each product collection, and the price markdown necessary to sell off-season products at certain stage of the product lifecycle based on the general historical pattern on a season-by-season basis. We perform regular check on the physical conditions of inventories and assesses possible write-down for any damaged inventories at each balance sheet date.

These key estimates are based on the current market condition and the historical experience of selling products of similar nature, which are reassessed at each balance sheet date as they could change significantly as a result of changes in customer taste and competitor actions in the competitive industry.

Trade and other receivables

Trade receivables are amounts due from third-party e-commerce platforms or customers for merchandise sold or services rendered in the ordinary course of business. Trade and other receivables are classified as current assets if the collection of such receivables is expected to be within one year or in the normal operating cycle of the business. Otherwise, trade and other receivables are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. We hold the trade receivables to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 21 and Note 2.10.4 to the Accountant's Report set out in Appendix I to this document for further information about the accounting for trade receivables and the description of our impairment policies, respectively.

Trade and other payables

Trade and other payables represent obligations to pay for goods or services that have been acquired by us in the ordinary course of business from the suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or in the normal operating cycle of the business. Otherwise, they are presented as non-current liabilities. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statements, cash and cash equivalents include cash on hand, demand deposits held at banks, and other short-term investments with high liquidity, the original maturities of which are three months or less. Such short-term investments are readily convertible to known amounts of cash without a significant risk of changes in value.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to our Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machinery	10 to 20 years
Transportation equipment	Four years
Electronic equipment	Three years
Office equipment	Five years
Leasehold improvement	Less than three years

At each balance sheet date, the residual values and useful lives of the assets are reviewed and adjusted, if appropriate. Carrying amount of the asset is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized under item "Other gains/(losses), net" in the consolidated statements of comprehensive income.

Intangible assets

Software

Acquired software is initially capitalized based on the costs incurred to acquire and bring to use the specific software. Costs associated with maintenance are recognized as an expense as incurred. Software is stated at historical cost less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful lives of two to five years. The amortization period and amortization method of intangible assets are reviewed at each reporting period. Revisions are recognized as profit or loss when the changes arise.

Leases

We mainly lease office, warehouse and dormitory as lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by us. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments: (i) fixed payments (including in-substance fixed payments), less any lease incentives receivable; (ii) variable lease payment that are based on an index or a rate; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following: (i) the amount of the initial measurement of lease liability; (ii) any lease payments made at or before the commencement date less any lease incentives received; (iii) any initial direct costs; and (iv) restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or our incremental borrowing rate. We determine the incremental borrowing rate through: (i) using recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received; (ii) using a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by us, which does not have recent third-party financing; and (iii) making adjustments specific to the lease, such as term, country, currency and security.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items of IT equipment.

Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where our subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses. Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

We are subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determinations are made. Deferred income tax assets relating to certain temporary differences and tax losses are recognized as management considers that it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed.

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to other non-current liabilities account and is released to the consolidated statements of comprehensive income on a straight-line basis over the expected useful life of the relevant assets. At the end of each reporting period, the recognition period of government grants is reviewed and adjusted if appropriate.

Redeemable convertible preference shares

In order to involve institutional investors to further develop our business, we introduced [**REDACTED**] investors and designated the preferred shares as financial liabilities at fair value through profit or loss. Redeemable convertible preferred shares can be automatically converted into our ordinary shares upon the [**REDACTED**].

The preferred shares are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss. All fair value changes except for those relating to our credit risk are recognized in profit or loss. The component of fair value changes relating to our credit risk is recognized in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss. Such amounts are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in profit or loss. The preferred shares are classified as our current liability. Holders of preferred shares are entitled to demand us to redeem the preferred shares within 12 months upon the occurrence of certain future events.

See "History, Reorganization and Corporate Structure – Reorganization – Offshore Reorganization – (viii) [**REDACTED**] Investments" and Note 31 to the Accountant's Report set forth in Appendix I to this document for further details of redeemable convertible preference shares.

DESCRIPTION OF KEY ITEMS OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The following table sets forth selected consolidated statement of comprehensive income items for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
			RMB'000		
				(unaudited)	
Revenue	**1,428,854**	**1,898,109**	**2,346,543**	**1,100,686**	**1,277,527**
Cost of sales	(430,919)	(520,301)	(581,008)	(266,225)	(308,411)
Gross profit	**997,935**	**1,377,808**	**1,765,535**	**834,461**	**969,116**
Selling expenses and distribution costs	(833,610)	(1,162,217)	(1,413,705)	(636,422)	(838,255)
General and administrative expenses	(69,636)	(70,979)	(108,969)	(55,616)	(62,923)
Net (impairment losses)/reversal of impairment on financial assets	(616)	(697)	15	(293)	(3,077)
Other income	4,340	8,981	15,982	3,755	5,596
Other gains/(losses), net	3,477	(11,753)	(9,092)	(4,752)	8,656
Operating profit	**101,890**	**141,143**	**249,766**	**141,133**	**79,113**
Finance income	365	–	–	–	1,215
Finance costs	(8,655)	(6,720)	(9,876)	(3,871)	(6,706)

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
			RMB'000		
				(unaudited)	
Finance costs – net	(8,290)	(6,720)	(9,876)	(3,871)	(5,491)
Fair value changes of redeemable convertible preferred shares	–	–	(2,259)	(287)	(2,274)
Profit before income tax	**93,600**	**134,423**	**237,631**	**136,975**	**71,348**
Income tax expense	(12,491)	(20,462)	(37,122)	(22,742)	(10,034)
Profit and total comprehensive income for the year/period, all attributable to owners of the Company	**81,109**	**113,961**	**200,509**	**114,233**	**61,314**
Earnings per share for profit attributable to owners of the Company (express in RMB per share)					
– Basic and diluted	0.20	0.28	0.50	0.29	0.15

Revenue

Revenue breakdown by business segment

During the Track Record Period, we generated our revenue primarily from the sale of a wide range of apparel, footwear and other products worldwide. Please see "Business – Our Business Model" for more details.

The following table sets forth our revenue by business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sale of apparel products	1,146,892	80.3	1,338,415	70.5	1,833,677	78.2	824,458	74.9	1,016,658	79.6
Sale of footwear products	256,409	17.9	401,130	21.1	453,615	19.3	229,337	20.8	258,087	20.2
Sale of other products[(1)]	25,553	1.8	158,564	8.4	59,251	2.5	46,891	4.3	2,782	0.2
Total	**1,428,854**	**100.0**	**1,898,109**	**100.0**	**2,346,543**	**100.0**	**1,100,686**	**100.0**	**1,277,527**	**100.0**

Note:

(1) Primarily represent sale of electronic devices (such as earphones, home cameras and signal boosters), stationery and sporting goods, etc.

We provide our customers with a comprehensive range of apparel products, including among others, sweaters, T-shirts, coats, jackets, dresses, trousers and sportswear. Our revenue generated from sale of apparel products increased from RMB1,146.9 million in 2019 to RMB1,338.4 million in 2020, and further to RMB1,833.7 million in 2021, primarily due to the increased sales through Amazon mainly resulting from the increased sales volume of hot-selling and new products and the increased prices of our products on such platform. The increase in the prices was mainly due to more pricing power we have on hot-selling products, and our pricing adjustment in response to the foreign exchange rate fluctuation. Our revenue generated from sale of apparel products increased from RMB824.5 million for the six months ended June 30, 2021 to RMB1,016.7 million for the six months ended June 30, 2022, primarily due to the increased sales through Amazon, mainly as (i) we increased marketing and advertising investments on our sale through Amazon; and (ii) we increased prices of our apparel products on Amazon to pass the additional selling expenses and distribution costs, such as the rising costs for advertising services on Amazon and the rising outbound shipping charges under the FBA model, to customers aiming to maintain our profitability on such platform. Apart from apparel products, we also sell footwear products. Our revenue generated from sale of footwear products increased from RMB256.4 million in 2019 to RMB401.1 million in 2020, primarily due to the rapid development of our self-operated online stores in 2020, through which we mainly sell footwear products. Our revenue generated from sale of footwear products further increased to RMB453.6 million in 2021, primarily due to more footwear products sold through Amazon in the same year. Our revenue generated from sale of footwear products increased from RMB229.3 million for the six months ended June 30, 2021 to RMB258.1 million for the six months ended June 30, 2022, primarily due to the increased sales of footwear products through Amazon, mainly caused by the raised selling prices of footwear products for the same reason as our sale of apparel products through such platform during the same period. In recent years, we have also offered different types of other products, including among others, electronic devices, stationery and sporting goods. Our revenue generated from sale of other products increased from RMB25.6 million in 2019 to RMB158.6 million in 2020, primarily due to our diversified product portfolio in 2020. Our revenue generated from sale of other products decreased from RMB158.6 million in 2020 to RMB59.3 million in 2021, and further decreased from RMB46.9 million for the six months ended June 30, 2021 to RMB2.8 million for the six months ended June 30, 2022, primarily due to the decrease of our sale of other products, as we strategically focused more on our sale of apparel and footwear products and reduced our selling and marketing efforts on sale of other products since 2021 due to their unsatisfactory profitability.

Revenue breakdown by sales channel

We sell products through major third-party e-commerce platforms and our self-operated online stores. The table below sets forth a breakdown of revenue by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
Third-party E-commerce Platforms										
Amazon	450,152	31.5	615,117	32.4	1,672,349	71.2	629,382	57.2	1,157,463	90.6
Wish	778,482	54.5	841,108	44.3	304,125	13.0	224,981	20.4	21,745	1.7
Others[(1)]	84,019	5.9	49,663	2.6	75,805	3.2	43,292	3.9	21,095	1.7
Sub-total	**1,312,653**	**91.9**	**1,505,888**	**79.3**	**2,052,279**	**87.4**	**897,655**	**81.5**	**1,200,303**	**94.0**
Self-operated Online Stores	**109,708**	**7.7**	**362,601**	**19.1**	**257,319**	**11.0**	**172,612**	**15.7**	**74,756**	**5.8**
Others[(2)]	6,493	0.4	29,620	1.6	36,945	1.6	30,419	2.8	2,468	0.2
Total	**1,428,854**	**100.0**	**1,898,109**	**100.0**	**2,346,543**	**100.0**	**1,100,686**	**100.0**	**1,277,527**	**100.0**

Notes:

(1) Primarily include other third-party e-commerce platforms, such as eBay and AliExpress.

(2) Primarily represent our offline sale of apparel and other products to corporate customers. Corporate customers may place order either through third-party e-commerce platforms or offline directly to us. For sale through third-party e-commerce platforms, the transaction flow is the same as that of our customers and such revenue is included in revenue generated through third-party e-commerce platforms. For procurement orders they directly placed offline, we deliver products as requested and they settle the payment subsequently. Our revenue generated from offline sale of apparel and other products to corporate customers increased significantly during the years ended December 31, 2019, 2020 and 2021, primarily due to the diversification of our product offerings which was in line with the expansion of our business and our sale to Jiahe Group and Super Summer. Our revenue generated from offline sale of apparel and other products to corporate customers decreased in the first half of 2022, primarily as we strategically focused more on our principal business, namely, sale of apparel and footwear products to overseas individual customers, and reduced sale of other products, in particular, furniture and outdoor and sports goods to corporate customers during the same period.

During the Track Record Period, we generated the substantial amount of our revenue from selling products through third-party e-commerce platforms, including among others, Amazon and Wish. Our revenue generated from third-party e-commerce platforms amounted to RMB1,312.7 million, RMB1,505.9 million, RMB2,052.3 million and RMB1,200.3 million, respectively, accounting for 91.9%, 79.3%, 87.4% and 94.0%, respectively, of our total revenue in 2019, 2020 and 2021 and the six months ended June 30, 2022.

During the Track Record Period, Amazon and Wish were the two largest third-party e-commerce platforms that we collaborate with. We regrouped our sales and marketing team for sale through Amazon in 2019 in order to devote more efforts to strengthening our business presence on Amazon. Our revenue generated from Amazon increased from RMB450.2 million in 2019 to RMB615.1 million in 2020, and further to RMB1,672.3 million in 2021, primarily due to our efforts to develop our sale through Amazon during the Track Record Period and the sales volume of both our hot-selling products and new products launched through Amazon increased. Our revenue generated from Amazon increased from RMB629.4 million for the six months ended June 30, 2021 to RMB1,157.5 million for the six months ended June 30, 2022, primarily due to (i) the increased customer orders due to our continuous efforts to develop our sales through Amazon; and (ii) the increased selling prices for our products sold on such platform, to pass the additional selling expenses and distribution costs, such as the rising costs for advertising services on Amazon and the rising outbound shipping charges under the FBA model, to customers aiming to maintain our profitability on such platform. For example, our operating staff for sale through Amazon increased by over 60% as of June 30, 2022, as compared with that of December 31, 2021. Our revenue generated from Wish increased slightly from RMB778.5 million in 2019 to RMB841.1 million in 2020, primarily due to our increased sales through Wish to North America in 2020, as we continued to focus more on the development of our sale to North American market through third-party e-commerce platforms, including Wish. Our revenue generated from Wish decreased from RMB841.1 million in 2020 to RMB304.1 million in 2021, primarily as we reduced our sale of products with low profit margin through Wish and strategically focused more on sale through other third-party e-commerce platforms, especially Amazon. We also reduced our marketing and advertising expenses for sale through Wish since the second half of 2020. In particular, compared with that of the whole year of 2020, in 2021, we reduced our marketing and advertising expenses and staff resources for sale through Wish by over 60%, thus the number of SPUs of our new products launched on Wish and the number of our new products sold through Wish decreased significantly in 2021. Our revenue generated from Wish decreased from RMB225.0 million for the six months ended June 30, 2021 to RMB21.7 million for the six months ended June 30, 2022, primarily as we reduced marketing and advertising investments and staff resources for sale through Wish in the first half of 2022.

Following our strategies of developing self-operated online stores, our revenue generated from self-operated online stores experienced rapid growth in 2019 and 2020, amounted to RMB109.7 million and RMB362.6 million, respectively, accounting for 7.7% and 19.1%, respectively, of our total revenue in the same years, primarily due to our continuous efforts to improve our sale through self-operated online stores, including attracting customers and cultivating our brand awareness through (i) placing advertisement covering countries where our products are sold to, on nine leading online social media platforms, such as Google, Instagram and Facebook, the advertisement fees we paid for the advertisement placement on which increased from RMB49.6 million in 2019 to RMB183.6 million in 2020; and (ii) offering sales and promotional discounts of up to 40% on our self-operated online stores mainly during the festival and holiday seasons. With such continuous efforts, the number of new products launched on our self-operated online stores increased from 2019 to 2020. The number of SPUs sold through our self-operated online stores increased from 4,912 in 2019 to 6,479 in 2020. Our revenue generated from self-operated online stores decreased from RMB362.6 million in 2020 to RMB257.3 million in 2021, primarily as we strategically focused on cultivating selected self-operated online stores with better sales performance and profitability potential in the first half of 2021 to enhance profitability and concentrate our resources to cultivate our brand awareness, while reduced selling and marketing efforts on other self-operated online stores in 2021, thus our overall sale through self-operated online stores decreased in the same year. Our revenue generated from self-operated online stores further decreased from RMB172.6 million for the six months ended June 30, 2021 to RMB74.8 million for the six months ended June 30, 2022, primarily due to the decreased sales of products through self-operated online stores caused by (i) our operating strategies adjusted in the first half of 2021 to focus on the cultivation of selected self-operated online stores with better sales performance and profitability potential, which needs ramp-up time before the realization of normal growth; and (ii) the reduced investment in the sales and marketing for our self-operated online stores during the same period. Despite the decreased revenue from self-operated online stores as a whole, the selected self-operated online stores strategically cultivated by us since the first half of 2021 have achieved growth under our strategic cultivation.

We started to sell products through self-operated online stores in 2018. In 2019 and 2020, our self-operated online stores were loss-making, primarily as we typically spend relatively high marketing and advertising expenses at the early development stage of such online stores, in order to cultivate our own brand awareness and accumulate customer base. We took measures to turn around the financial performance of our self-operated online stores, such as cultivating selected self-operated online stores with better sales performance in the first half of 2021 to establish brand awareness, attracting mid- to high-end customers and raising prices of products sold through such online stores to the extent appropriate. In 2021, we started to generate profit through operating such online stores. We aim to improve the financial performance of those selected self-operated online stores strategically cultivated by us through growing brand awareness and developing business operations.

Revenue breakdown by geographical location

As of the Latest Practicable Date, our products were primarily sold to customers located in over 80% of the countries and regions around the world. The following table sets forth a breakdown of our revenue by geographical location of our customers for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
North America										
United States	840,173	58.8	1,309,955	69.0	2,007,191	85.5	876,302	79.6	1,213,163	95.0
Others[(1)]	59,621	4.2	68,347	3.6	22,190	1.0	13,154	1.2	6,931	0.5
Sub-total	**899,794**	**63.0**	**1,378,302**	**72.6**	**2,029,381**	**86.5**	**889,456**	**80.8**	**1,220,094**	**95.5**
Europe										
Germany	93,751	6.6	80,744	4.3	71,021	3.0	46,562	4.2	19,459	1.5
United Kingdom	48,453	3.4	67,425	3.6	42,207	1.8	20,233	1.8	10,129	0.8
France	80,526	5.6	55,155	2.9	20,815	0.9	12,781	1.2	2,730	0.2
Italy	24,108	1.7	21,434	1.1	7,035	0.3	3,898	0.4	1,601	0.1
Others[(2)]	167,820	11.7	156,849	8.2	96,498	4.1	71,603	6.5	12,567	1.0
Sub-total	**414,658**	**29.0**	**381,607**	**20.1**	**237,576**	**10.1**	**155,077**	**14.1**	**46,486**	**3.6**
Asia										
Israel	4,752	0.3	4,771	0.3	4,412	0.2	2,527	0.2	1,403	0.1
Japan	16,755	1.2	39,879	2.1	19,751	0.8	17,926	1.6	478	0.0
Others	16,292	1.1	11,887	0.6	25,937	1.1	18,300	1.7	2,138	0.2
Sub-total	**37,799**	**2.6**	**56,537**	**3.0**	**50,100**	**2.1**	**38,753**	**3.5**	**4,019**	**0.3**
Others[(3)]	**76,603**	**5.4**	**81,663**	**4.3**	**29,486**	**1.3**	**17,400**	**1.6**	**6,928**	**0.6**
Total	**1,428,854**	**100.0**	**1,898,109**	**100.0**	**2,346,543**	**100.0**	**1,100,686**	**100.0**	**1,277,527**	**100.0**

Notes:

(1) Include countries such as Canada.

(2) Include countries such as Spain and Netherlands.

(3) Include countries such as Australia.

During the Track Record Period and up to the Latest Practicable Date, the United States had been our largest end-market. Our revenue generated from sale of products in the United States amounted to RMB840.2 million, RMB1,310.0 million, RMB2,007.2 million, RMB876.3 million and RMB1,213.2 million, respectively, accounting for 58.8%, 69.0%, 85.5%, 79.6% and 95.0%, respectively, of our total revenue in 2019, 2020 and 2021 and the first half of 2021 and 2022.

Our revenue generated from sale of products in North America increased from RMB899.8 million in 2019 to RMB1,378.3 million in 2020, and further to RMB2,029.4 million in 2021. Our revenue generated from sale of products in North America increased from RMB889.5 million for the six months ended June 30, 2021 to RMB1,220.1 million for the six months ended June 30, 2022. Such continuous increase during the Track Record Period was primarily due to our increased sales through Amazon, through which we mainly focused on North America market. In particular, our revenue generated from sale of products in the United States increased from RMB840.2 million in 2019 to RMB1,310.0 million in 2020, and further to RMB2,007.2 million in 2021. Our revenue generated from sale of products in the United States increased from RMB876.3 million for the six months ended June 30, 2021 to RMB1,213.2 million for the six months ended June 30, 2022. Such continuous increase was primarily due to our increased sales through Amazon. Our revenue generated from sale of products in Europe decreased from RMB414.7 million in 2019 to RMB381.6 million in 2020, and further to RMB237.6 million in 2021, primarily as we strategically shifted our focus to sales through Amazon, the market focus of which is mainly North America thus less European customers purchased products from us. In the first half of 2022, we further reduced our resources allocated to the sale through Wish and continued to focus on Amazon, the major market focus of which is not Europe. As a result, our revenue generated from sale of products in Europe further decreased from RMB155.1 million for the six months ended June 30, 2021 to RMB46.5 million for the six months ended June 30, 2022. Our revenue generated from sale of products in Asia increased from RMB37.8 million in 2019 to RMB56.5 million in 2020, primarily due to our enhanced marketing activities in line with our strategic exploration of Asia market. Our revenue generated from sale of products in Asia decreased slightly from RMB56.5 million in 2020 to RMB50.1 million in 2021, and further decreased from RMB38.8 million for the six months ended June 30, 2021 to RMB4.0 million for the six months ended June 30, 2022, primarily due to the decrease in our sale of products in Japan mainly through self-operated online stores, as a result of our streamlining of self-operated online store business and reduced selling and marketing efforts on such self-operated online stores in 2021 and the first half of 2022.

Cost of Sales

Our cost of sales primarily consists of (i) cost of inventories sold; (ii) freight and insurance cost, mainly representing the inbound shipping charges and related insurance fees; and (iii) impairment provision of inventories, mainly representing the impairment provision we made for inventories. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(unaudited)			
Cost of inventories sold	380,731	88.5	455,266	87.6	469,071	80.8	228,121	85.7	230,148	74.6
Freight and insurance cost	27,658	6.4	34,928	6.7	90,522	15.6	31,653	11.9	57,869	18.8
Impairment provision of inventories	22,386	5.1	29,952	5.7	21,162	3.5	6,322	2.4	20,313	6.6
Others	144	0.0	155	0.0	253	0.1	129	0.0	81	0.0
Total	**430,919**	**100.0**	**520,301**	**100.0**	**581,008**	**100.0**	**266,225**	**100.0**	**308,411**	**100.0**

During the Track Record Period, cost of inventories sold constituted the largest portion of our cost of sales. Cost of inventories sold mainly represents purchase price of products we procure from OEM suppliers. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our cost of inventories sold amounted to RMB380.7 million, RMB455.3 million, RMB469.1 million, RMB228.1 million and RMB230.1 million, respectively, accounting for approximately 88.5%, 87.6%, 80.8%, 85.7% and 74.6%, respectively, of our total cost of sales for the same periods. During the Track Record Period, our cost of sales fluctuated primarily in line with the fluctuation in the cost of inventories sold. Our cost of inventories increased in 2020, primarily in line with our expanded sales in the same year. Our cost of inventories sold increased slightly from RMB455.3 million in 2020 to RMB469.1 million in 2021, primarily due to the slight increase of our sales volume of menswear and footwear products in 2021. Our cost of inventories sold increased from RMB228.1 million for the six months ended June 30, 2021 to RMB230.1 million for the six months ended June 30, 2022, primarily due to the increased orders we received from customers in the first half of 2022.

Impairment provision of inventories mainly represents the impairment provision we made for inventories. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our impairment provision of inventories amounted to RMB22.4 million, RMB30.0 million, RMB21.2 million, RMB6.3 million and RMB20.3 million, respectively, accounting for approximately 5.1%, 5.7%, 3.5%, 2.4% and 6.6%, respectively, of our total cost of sales for the same periods. During the Track Record Period, we provided a significant amount of impairment loss on inventories, primarily as we assessed the net realizable value of inventories and the amount of impairment based on multiple factors, including product lifecycle, sales performance and age of inventories.

The following table sets forth a breakdown of our cost of sales by business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Cost of sales	% of total	Cost of sales	% of total	Cost of sales	% of total	Cost of sales	% of total	Cost of sales	% of total
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sale of apparel products	361,728	84.0	393,864	75.7	459,907	79.2	199,287	74.9	250,181	81.1
Sale of footwear products	61,819	14.3	86,915	16.7	91,358	15.7	44,836	16.8	57,069	18.5
Sale of other products	7,372	1.7	39,522	7.6	29,743	5.1	22,102	8.3	1,161	0.4
Total	**430,919**	**100.0**	**520,301**	**100.0**	**581,008**	**100.0**	**266,225**	**100.0**	**308,411**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit consists of our revenue less cost of sales. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our gross profit amounted to RMB997.9 million, RMB1,377.8 million, RMB1,765.5 million, RMB834.5 million and RMB969.1 million, respectively. Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our gross profit margin was 69.8%, 72.6%, 75.2%, 75.8% and 75.9%, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by business segment:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Sale of apparel products	785,164	68.5	944,551	70.6	1,373,770	74.9	625,171	75.8	766,477	75.4
Sale of footwear products	194,590	75.9	314,215	78.3	362,257	79.9	184,501	80.4	201,018	77.9
Sale of other products	18,181	71.2	119,042	75.1	29,508	49.8	24,789	52.9	1,621	58.3
Total	**997,935**	**69.8**	**1,377,808**	**72.6**	**1,765,535**	**75.2**	**834,461**	**75.8**	**969,116**	**75.9**

In 2019, 2020 and 2021, the gross profit margin of sale of both apparel and footwear products increased continuously. The main reason for such increase was our strategic focus on developing our sale through Amazon, the prices of apparel and footwear products on which was relatively high, as (i) Amazon primarily targets mid- to high-end customers with strong spending power; and (ii) we have more pricing power for our hot-selling products on Amazon. Our gross profit margin of sale of apparel products remained relatively stable in the first half of 2022, compared with that in the first half of 2021. Our gross profit margin of sale of footwear products decreased in the first half of 2022, primarily due to the decrease in selling prices mainly as we sold certain footwear products that were short in size or out-of-season at discount. The increase of the gross profit margin of sale of other products in 2020 was primarily due to our stronger bargaining power with our OEM suppliers, resulting from our growing economies of scale. The decrease of the gross profit margin of sale of other products in 2021 was primarily due to discounts we offered on products that were short in size, such as furniture, decoration goods and outdoor and sports goods. The increase of the gross profit margin of sale of other products in the first half of 2022 was primarily due to the decreased sale of products with low profit margin on Wish.

The table below sets forth a breakdown of revenue, gross profit and gross profit margin by sales channel for the periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2019			2020			2021			2021			2022		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000 (unaudited)	%	RMB'000	RMB'000	%
Third-party E-commerce Platforms															
Amazon	450,152	330,616	73.4	615,117	441,809	71.8	1,672,349	1,264,705	75.6	629,382	486,741	77.3	1,157,463	878,527	75.9
Wish	778,482	527,028	67.7	841,108	593,811	70.6	304,125	228,148	75.0	224,981	167,174	74.3	21,745	16,334	75.1
Others[(1)]	84,019	53,509	63.7	49,663	31,596	63.6	75,805	50,060	66.0	43,292	28,841	66.6	21,095	13,664	64.8
Sub-total	**1,312,653**	**911,153**	**69.4**	**1,505,888**	**1,067,216**	**70.9**	**2,052,279**	**1,542,913**	**75.2**	**897,655**	**682,756**	**76.1**	**1,200,303**	**908,525**	**75.7**
Self-operated Online Stores	109,708	83,748	76.3	362,601	289,514	79.8	257,319	209,190	81.3	172,612	139,193	80.6	74,756	60,007	80.3
Others[(2)]	6,493	3,034	46.7	29,620	21,078	71.2	36,945	13,432	36.4	30,419	12,512	41.1	2,468	584	23.7
Total	**1,428,854**	**997,935**	**69.8**	**1,898,109**	**1,377,808**	**72.6**	**2,346,543**	**1,765,535**	**75.2**	**1,100,686**	**834,461**	**75.8**	**1,277,527**	**969,116**	**75.9**

Notes:

(1) Primarily include other third-party e-commerce platforms, such as eBay and AliExpress.

(2) Primarily represent our sale of apparel and other products to corporate customers. Our revenue generated from offline sale of apparel and other products to corporate customers increased significantly during the years ended December 31, 2019, 2020 and 2021, primarily due to the diversification of our product offerings which was in line with the expansion of our business and our sale to Jiahe Group and Super Summer. Our revenue generated from offline sale of apparel and other products to corporate customers decreased in the first half of 2022, primarily as we strategically focused more on our principal business, namely, sale of apparel and footwear products to overseas individual customers, and reduced sale of other products, in particular, furniture and outdoor and sports goods to corporate customers during the same period.

Our gross profit increased continuously during the Track Record Period, generally in line with our increased revenue during the same periods. Our gross profit margin increased from 69.8% in 2019 to 72.6% in 2020, and further to 75.2% in 2021, primarily as (i) we strategically focused more on developing our sale though Amazon, which primarily targets mid- to high-end customers with strong spending power; and (ii) we developed and streamlined our self-operated online store business, through which we enjoyed a relatively high gross profit as our sale through self-operated online stores mainly target at mid- to high-end customers, the price of products sold to whom are generally at a relatively high level. Our gross profit margin remained relatively stable at 75.9% in the first half of 2022 compared with 75.8% in the first half of 2021.

The gross profit margin of our sale through Amazon decreased from 77.3% in the first half of 2021 to 75.9% in the first half of 2022, primarily as (i) the increase in our cost of sales incurred for sale through Amazon outpaced the increase in our revenue generated from sale through such platform, due to the increased product return rate during the period of high inflation and the increasing interest rates in the United States in the first half of 2022, in line with the industry trend as confirmed by Frost & Sullivan; and (ii) we offered discounts to customers for certain products that were short in size or out-of-season on Amazon. See "Business – Our Products – Our Product Portfolio" for details of our increased return rate. The gross profit margin of our sale through other third-party e-commerce platforms decreased from 66.6% in the first half of 2021 to 64.8% in the first half of 2022, primarily as we sold certain products that were short in size or out-of-season at discount. The increase of our gross profit margin of our sale through other third-party e-commerce platforms in 2021 was primarily due to the increase of selling prices of our products to align the rising logistics service fees during the spread of COVID-19 in overseas market during the same year. The increased logistics service fees for our sale through other third-party e-commerce platforms were mainly included in freight and insurance cost in selling expenses and distribution costs and not part of our freight and insurance cost in cost of sales thus had no impact on our cost of sales for such sale. The decrease of the gross profit margin of our sale of apparel and other products to corporate customers in 2021 was primarily due to our sale of furniture with relatively low profit margin, as we intended to focus more on sale of apparel and footwear products and ceased to explore sale of furniture through e-commerce platforms thereby disposing the relevant inventories in the same year. The gross profit margin of our sale of apparel and other products to corporate customers decreased from 41.1% in the first half of 2021 to 23.7% in the first half of 2022, primarily due to our sale of products that have been in stock for a relatively long period for promotion purpose, such as bicycles, to corporate customers with relatively low prices.

Selling Expenses and Distribution Costs

Our selling expenses and distribution costs primarily consist of (i) freight and insurance cost; (ii) commission fee to third-party e-commerce platforms; (iii) marketing and advertising expenses; (iv) service fee to the third-party platforms; (v) employee benefit expenses; (vi) depreciation of property, plant and equipment and right-of-use assets; and (vii) labor outsourcing costs. The following table sets forth a breakdown of our selling expenses and distribution costs for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* *(unaudited)*	*% of total*	*RMB'000*	*% of total*
Freight and insurance cost	384,499	46.1	511,659	44.0	544,329	38.6	255,846	40.2	308,996	36.9
Commission fee to third-party e-commerce platforms	206,836	24.8	245,465	21.1	349,625	24.7	150,399	23.6	209,448	25.0
Marketing and advertising expenses	116,197	13.9	263,244	22.7	319,057	22.6	146,215	23.0	192,208	22.9
Service fee to the third-party platforms	50,687	6.1	65,714	5.7	99,440	7.0	41,315	6.5	65,649	7.8
Employee benefit expenses	59,224	7.1	55,177	4.7	70,974	5.0	29,798	4.7	42,029	5.0
Depreciation of property, plant and equipment and right-of-use assets	4,392	0.5	6,587	0.6	10,293	0.7	5,434	0.8	6,995	0.8
Labor outsourcing costs	4,563	0.5	6,919	0.6	7,485	0.5	2,257	0.4	4,552	0.6
Others[1]	7,212	1.0	7,452	0.6	12,502	0.9	5,158	0.8	8,378	1.0
Total	**833,610**	**100.0**	**1,162,217**	**100.0**	**1,413,705**	**100.0**	**636,422**	**100.0**	**838,255**	**100.0**

Note:

(1) Others primarily comprise consumption of ancillary supplies and packaging materials.

Freight and insurance cost primarily represents outbound shipping charges and related insurance fees incurred. The freight and insurance cost varies with the weight and the shipping destination of the products. Commission fee to third-party e-commerce platforms represents the commission fees arising from our sale through third-party e-commerce platforms in accordance with our agreements with them. Marketing and advertising expenses mainly include the expenses paid to third parties for marketing and advertising activities. Service fee to the third-party platforms comprises other service fees, online store leasing fees, and other miscellaneous fees charged by such third-party e-commerce platforms. Third-party e-commerce platforms typically remit net proceeds to us after deducting their service fee and commission fee. Such service fee varies with the sales amount of our products sold through such platforms. See "Business – Our Business Process – Sales and Marketing – Third-party E-commerce Platforms" for details of the ranges of platform service fees of different platforms. Employee benefit expenses mainly represent the salaries, bonuses, social security and housing fund and other welfare we paid to our online store operating staff and supply chain management staff. Labor outsourcing costs represent labor outsourcing fees for outsourced warehouse management works.

Our selling expenses and distribution costs increased from RMB833.6 million in 2019 to RMB1,162.2 million in 2020, and further to RMB1,413.7 million in 2021. Such increase was primarily attributable to (i) increased marketing and advertising expenses incurred in connection with more advertisement placed by us on major social media platforms, including Facebook, Instagram and Google, which was in line with the expansion of our business; and (ii) the increased commission fee to third-party e-commerce platforms, which was in line with the growth of our sale through third-party e-commerce platforms, in particular, Amazon. Our selling expenses and distribution costs increased from RMB636.4 million for the six months ended June 30, 2021 to RMB838.3 million for the six months ended June 30, 2022, primarily due to (i) increased commission fee charged by third-party e-commerce platforms in the first half of 2022, primarily caused by the increase of our sale through Amazon, which charged us for all purchase orders regardless of whether the products were subsequently returned, and the commission fee rate charged by which was relatively higher than other third-party e-commerce platforms during the same period; (ii) increased freight and insurance costs mainly in relation to the increase in outbound shipping charges under the FBA model; (iii) increased employee benefit expenses primarily caused by the increase in the number of sales and operation staff; and (iv) increased marketing and advertising expenses for promotion of our newly launched product SPUs and increased advertising prices driven by more sellers intending to place advertisements on Amazon under advertising bidding scheme.

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) employee benefit expenses; (ii) [**REDACTED**]; (iii) office expenses; (iv) professional fees; (v) depreciation of right-of-use assets; (vi) depreciation of property, plant and equipment; (vii) IT server fees; (viii) short-term rental expenses; (ix) amortization of intangible assets; and (x) settlement payment. The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(unaudited)			
Employee benefit expenses	44,003	63.2	46,772	65.9	53,523	49.1	26,650	47.9	32,466	51.6
[**REDACTED**]	–	–	–	–	21,546	19.8	13,332	24.0	10,781	17.1
Office expenses	5,907	8.5	6,617	9.3	6,764	6.2	3,215	5.8	4,207	6.7
Professional fees	2,903	4.2	2,678	3.8	5,812	5.3	2,427	4.4	3,302	5.3
Depreciation of right-of-use assets	4,740	6.8	4,677	6.6	4,842	4.4	2,297	4.1	2,772	4.4
Depreciation of property, plant and equipment	1,894	2.7	2,279	3.2	3,565	3.3	1,559	2.8	2,170	3.4
IT server fees	2,704	3.9	3,142	4.4	2,475	2.3	1,023	1.8	1,153	1.8
Short-term rental expenses	170	0.2	52	0.1	227	0.2	73	0.1	495	0.8
Amortization of intangible assets	275	0.4	302	0.4	325	0.3	144	0.3	324	0.5
Settlement payment	2,996	4.3	982	1.4	1,701	1.6	1,284	2.3	114	0.2
Others(1)	4,044	5.8	3,478	4.9	8,189	7.5	3,612	6.5	5,139	8.2
Total	**69,636**	**100.0**	**70,979**	**100.0**	**108,969**	**100.0**	**55,616**	**100.0**	**62,923**	**100.0**

Note:

(1) Others primarily comprise transportation and accommodation expenses of business travels and entertainment expenses, and labor outsourcing expenses in relation to the remuneration we paid to outsourced workers conducting supply chain management.

Employee benefit expenses primarily comprise salaries, bonuses, social security and housing fund and other welfare of our management team and administrative staff. [**REDACTED**] primarily represent the fees and charges we spent in relation to the [**REDACTED**]. For details, see "– [**REDACTED**]." Office expenses primarily comprise utilities, maintenance and other general office expenses. Professional fees primarily comprise service fees we paid to third-party professionals during our daily operations. Depreciation of right-of-use assets primarily represent depreciation of our operation leases. Depreciation of property, plant and equipment primarily represent depreciation of our office equipment. IT server fees primarily represent fees incurred in relation to the use of servers. Short-term rental expenses primarily comprise rental expenses for leasing warehouses, employees' dormitories and offices. Amortization of intangible assets primarily represent amortization of software and use right of website. Settlement payment primarily comprises settlement fees we paid to third parties for alleged infringement. For details, see "Business – Intellectual Property."

Our general and administrative expenses maintained relatively stable at RMB71.0 million in 2020 compared to that of in 2019. Our general and administrative expenses increased from RMB71.0 million in 2020 to RMB109.0 million in 2021, primarily due to (i) the [**REDACTED**] incurred in relation to the [**REDACTED**]; and (ii) the increased employee benefit expenses, primarily as we increased the remuneration paid to our employees in 2021 and the exemption of our social insurance contribution and housing provident as an employer granted by the local government during the COVID-19 pandemic did not continue in 2021. Our general and administrative expenses increased from RMB55.6 million for the six months ended June 30, 2021 to RMB62.9 million for the six months ended June 30, 2022, primarily due to the increase in employee benefit expenses caused by the increased number of our IT employees and designers and the increased level of employee benefits in the first half of 2022.

Net (Impairment Losses)/Reversal of Impairment on Financial Assets

Net impairment losses or reversal of impairment on financial assets primarily represent provisions for impairment of trade receivables, net of reversal in the ordinary course of business. We recorded net impairment losses on financial assets of RMB0.6 million, RMB0.7 million, RMB0.3 million and RMB3.1 million for the years ended December 31, 2019 and 2020 and the six months ended June 30, 2021 and 2022, respectively, and reversed impairment of trade receivables of RMB15,000 for the year ended December 31, 2021, mainly relating to the changes in provision for impairment of trade receivables due from third-party e-commerce platforms.

Other Income

Our other income primarily consists of (i) government grants; and (ii) consulting service income. The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* *(unaudited)*	*% of total*	*RMB'000*	*% of total*
Government grants	1,980	45.6	7,305	81.3	11,226	70.3	701	18.7	5,179	92.5
Consulting service income	1,959	45.1	1,157	12.9	2,304	14.4	2,005	53.4	128	2.3
Others[(1)]	401	9.3	519	5.8	2,452	15.3	1,049	27.9	289	5.2
Total	**4,340**	**100.0**	**8,981**	**100.0**	**15,982**	**100.0**	**3,755**	**100.0**	**5,596**	**100.0**

Note:

(1) Others primarily comprise service fees from providing logistics services to third-party merchants.

Government grants primarily represent governmental incentives to high-tech enterprises, research and development grants and subsidies on export proceeds (出口收匯補貼) and subsidies to encourage the development of cross-border e-commerce business granted by the local government at their discretion, which are non-recurring. Consulting service income primarily comprises service fees from providing warehousing and logistics services, design services and software services to third-party platform-based sellers in China, all of whom were Independent Third Parties as of the Latest Practicable Date (including (i) Jiahe Group, which was once a related party before its disposal in May 2021; and (ii) Hangzhou Modengxian and Hangzhou Qingruxu, which were once our subsidiaries before their disposals in February 2021). See "History, Reorganization and Corporate Structure – Reorganization – Onshore Reorganization – (iii) Deregistration or Disposal of Non-operating Subsidiaries and Branch – b. Subsidiaries disposed of" for details of the disposals. After the disposals, Hangzhou Qingruxu commenced B2B export of personal care and home textiles products, while Hangzhou Modengxian commenced export of home textiles products. Both Hangzhou Modengxian and Hangzhou Qingruxu received consulting services from us since they commenced business operations in February 2021 and up to May 2021. Except for Jiahe Group, Hangzhou Modengxian and Hangzhou Qingruxu, we have not provided consulting services to companies related to us during the Track Record Period. We typically enter into agreement with a term of five years with such third-party platform-based sellers. The service fees charged by us are determined based on a percentage of the sales revenue generated by the third-party platform-based sellers in the relevant month. Such fees are generally settled on a monthly basis. Leveraging our long-term and stable relationships with reliable logistics service suppliers, we provide other small-scale third-party platform-based sellers with our warehousing and logistics service platform through which they can enjoy high quality warehousing and logistics services at prices lower than that of their own and we charge service fees for return. In addition, we have accumulated extensive database, design capabilities and experience during years of operations in cross-border e-commerce export industry, based on which we are able to provide product design recommendations to third-party platform-based sellers for them to timely identify the fashion trend and respond to customer needs. To a much lesser extent, we also utilize our IT capabilities accumulated during our operations of online seller stores to provide third-party platform-based sellers with software development and maintenance services.

The continuous increase in other income during the Track Record Period was primarily due to the increased government grants including (i) subsidies to encourage the development of participants in cross-border e-commerce business; and (ii) financial subsidies in recognition of our contribution to the local economy. This increase was partially offset by the decrease of consulting service income in 2020 and the first half of 2022, primarily as we strategically focused on sale of apparel and footwear products during the same periods. Our consulting service income increased from RMB1.2 million in 2020 to RMB2.3 million in 2021, primarily as we provided short-term consulting services to an individual industrial and commercial household in 2021.

Net Other Gains or Losses

Our net other gains or losses primarily consist of (i) net foreign exchange gains or losses; (ii) penalty and interest for late payment of taxes; (iii) net gains or losses on disposal of property, plant and equipment; (iv) net losses on disposal of right-of-use assets; and (v) fair value gains on financial assets at fair value through profit or loss. The following table sets forth a breakdown of our net other gains or losses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* *(unaudited)*	*% of total*	*RMB'000*	*% of total*
Net foreign exchange gains/(losses)	3,554	102.2	(3,874)	33.0	(8,566)	94.2	(4,637)	97.6	8,860	102.4
Penalty and interest for late payment of taxes	(169)	(4.9)	(8,223)	70.0	(475)	5.2	(214)	4.5	(246)	(2.8)
Net gains/(losses) on disposal of property, plant and equipment	(50)	(1.4)	3	(0.0)	(53)	0.6	(45)	0.9	(16)	(0.2)
Net losses on disposal of right-of-use assets	–	–	–	–	–	–	–	–	(16)	(0.2)
Fair value gains on financial assets at fair value through profit or loss	131	3.8	201	(1.7)	33	(0.3)	33	(0.7)	–	–
Others[(1)]	11	0.3	140	(1.3)	(31)	0.3	111	(2.3)	74	0.8
Total	**3,477**	**100.0**	**(11,753)**	**100.0**	**(9,092)**	**100.0**	**(4,752)**	**100.0**	**8,656**	**100.0**

Note:

(1) Others primarily comprise our gains from disposal of waste packaging materials.

Our net foreign exchange gains or losses primarily represent the gains or losses on the uncollected outstanding trade and other receivables denominated in foreign currency, mainly the U.S. dollar, caused by the fluctuation in the foreign exchange rates of the foreign currency against Renminbi. Penalty and interest for late payment of taxes represent the penalty and interest arise from the late payment of indirect tax for sale through our self-operated online stores. See "Business – Taxation and Related Arrangements." Our net gains or losses on disposal of property, plant and equipment mainly represent the gains or losses we recorded from disposal of office equipment and our sublease of the properties. Fair value gains on financial assets at fair value through profit or loss primarily represent our gains from our investment in wealth management products we purchased from commercial banks. See "– Selective Items from Consolidated Statements of Financial Position – Financial Assets at Fair Value through Profit or Loss" for details of our strategy, internal policies and procedures to monitor our investment in wealth management products.

We recorded net other losses in 2020, primarily due to the increase in penalty and interest for late payment of taxes in 2020, in relation to our late payment of taxes regarding our sale through self-operated online stores to the U.S. We also recorded net other losses for the six months ended June 30, 2021 and the year ended December 31, 2021, primarily due to the increase of net foreign exchange losses caused by the appreciation of Renminbi in 2021.

Net Finance Costs

Our net finance costs consist of (i) interest expenses on bank borrowings; (ii) finance charges for lease liabilities in connection with our leases; (iii) interest expenses on loans from related parties; (iv) net foreign exchange losses on cash and cash equivalents and bank borrowings; and (v) net foreign exchange gains on cash and cash equivalent and bank borrowings. The following table sets forth a breakdown of our net finance costs for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* *(unaudited)*	*% of total*	*RMB'000*	*% of total*
Interest expenses on bank borrowings	4,223	50.9	3,899	58.0	6,588	66.7	2,329	60.2	5,470	99.6
Finance charges for lease liabilities	1,059	12.8	1,035	15.4	1,851	18.7	848	21.9	1,186	21.6
Interest expenses on loans from related parties	3,160	38.1	1,184	17.6	18	0.2	18	0.5	–	–
Net foreign exchange losses on cash and cash equivalents and bank borrowings	–	–	414	6.2	1,329	13.5	664	17.1	–	–
Others	213	2.6	188	2.8	90	0.9	12	0.3	50	0.9
Total finance costs	**8,655**	**104.4**	**6,720**	**100.0**	**9,876**	**100.0**	**3,871**	**100.0**	**6,706**	**122.1**
Finance income:										
Net foreign exchange gains on cash and cash equivalent and bank borrowings	(365)	(4.4)	–	–	–	–	–	–	(1,215)	(22.1)
Total	**8,290**	**100.0**	**6,720**	**100.0**	**9,876**	**100.0**	**3,871**	**100.0**	**5,491**	**100.0**

Our interest expenses on loans from related parties decreased in 2020 primarily as we repaid loans from our shareholders in the same year, which were borrowed by us in late 2018 for working capital purpose.

Fair value changes of redeemable convertible preferred shares

Our fair value changes of redeemable convertible preferred shares represent the losses arising from change in fair value of our issued redeemable convertible preferred shares, which were recognized as financial liability at fair value through profit or loss. Such changes will no longer exist after the automatic conversion of our redeemable convertible preferred shares to ordinary shares of the Company upon the [**REDACTED**] and are non-cash in nature and are not directly related to our operating activities. Our fair value changes of redeemable convertible preferred shares amounted to RMB2.3 million, RMB0.3 million and RMB2.3 million, respectively, in 2021 and the first half of 2021 and 2022.

Income Tax Expenses

Our income tax expenses consist of (i) current income tax; and (ii) deferred income tax. The following table sets forth a breakdown of our income tax expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
			RMB'000		
				(unaudited)	
Current income tax	16,603	20,681	35,068	21,207	11,597
Deferred income tax	(4,112)	(219)	2,054	1,535	(1,563)
Total	**12,491**	**20,462**	**37,122**	**22,742**	**10,034**

We were not subject to any income or capital gains tax in the Cayman Islands pursuant to the tax rules and regulations of the Cayman Islands during the Track Record Period. During the same period, we were not subject to income or capital gains tax in the BVI.

Our subsidiaries incorporated in Hong Kong, are subject to Hong Kong profits tax rate of 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000 during the Track Record Period.

Our PRC subsidiaries are subject to the statutory EIT rate of 25%, except (i) Zhejiang Zibuyu and Hangzhou Xingzezhi, which enjoy a preferential EIT rate of 15% for their high-tech enterprises status until 2023 and 2022, respectively; and (ii) Wuxi Zibuyu, Guangzhou Zibuyu, Anhui Yueyu, Hangzhou Junbuqi, Anqing Zibuyu, Hangzhou Chengyusi, Shenzhen Zibuyu, Xiamen Zibuyu, Dongguan Zibuyu and Guangzhou Xingzezhi, with a small and micro enterprises status under the *Enterprise Income Tax Law of the PRC* (企業所得稅法), which enjoy a EIT rate of 2.5% to 10%. For details of relevant governmental policies, see "Regulatory Overview – Laws and Regulations Related to Our Business in the PRC – Regulations Related to Tax – EIT." The preferential tax treatments enjoyed by us may change. Any discontinuation or change in preferential tax treatment or government grants that currently are or may be available to us in the future could materially and adversely affect our business, financial condition and results of operations.

Our effective income tax rate, calculated as income tax expense divided by profit before income tax multiplied by 100%, was 13.3%, 15.2%, 15.6%, 16.6% and 14.1% for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively. Our effective income tax rate during the Track Record Period was lower than our statutory EIT rate, primarily due to the above-mentioned preferential or reduced tax rate we enjoy.

The below table sets forth our income tax paid by jurisdiction for the periods indicated:

	Year ended December 31,			**Six months ended June 30,**	
	2019	**2020**	**2021**	**2021**	**2022**
			RMB'000		
				(unaudited)	
PRC	9,856	11,908	11,165	9,067	4,109
Hong Kong	2,508	12,214	5,083	1,223	1,197
United States	22	–	–	–	–
Total	**12,386**	**24,122**	**16,248**	**10,290**	**5,306**

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our income tax payments amounted to RMB12.4 million, RMB24.1 million, RMB16.2 million, RMB10.3 million and RMB5.3 million, respectively, while our current income tax expenses amounted to RMB16.6 million, RMB20.7 million, RMB35.1 million, RMB21.2 million and RMB11.6 million, respectively, for the same periods. The difference between the income tax payments and current income tax expenses was primarily due to (i) the time difference between the time to record income tax expenses and to pay the income tax for the respective periods in the PRC; and (ii) the time difference between the time to record income tax expenses, file and pay the income tax for the respective periods, as well as the prepayment of tax in the coming year based on the taxable profits for the preceding year of our subsidiaries incorporated in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, we paid all relevant income taxes that were due and applicable to us and had no disputes or unresolved tax issues with the relevant tax authorities.

YEAR TO YEAR/PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Revenue

Our revenue increased by 16.1% to RMB1,277.5 million for the six months ended June 30, 2022 from RMB1,100.7 million for the six months ended June 30, 2021, primarily due to (i) an increase of RMB192.2 million in revenue from our sale of apparel products; and (ii) an increase of RMB28.8 million in revenue from our sale of footwear products, which is in line with the increase of our sales through third-party e-commerce platforms, especially Amazon. Such increase was partially offset by the decrease of RMB44.1 million in revenue from our sale of other products in the first half of 2022.

Sale of apparel products

Our revenue from sale of apparel products increased by 23.3% to RMB1,016.7 million for the six months ended June 30, 2022 from RMB824.5 million for the six months ended June 30, 2021, primarily due to our increased sales through Amazon, mainly as (i) we increased marketing and advertising investments on our sale through Amazon; and (ii) we increased prices of our apparel products sold through Amazon to pass the additional selling expenses and distribution costs to customers, aiming to maintain our profitability on such platform, taking in to account the rising prices for advertising services on Amazon and the rising outbound shipping charges under the FBA model.

Sale of footwear products

Our revenue from sale of footwear products increased by 12.5% to RMB258.1 million for the six months ended June 30, 2022 from RMB229.3 million for the six months ended June 30, 2021, primarily due to our increased sales of footwear products through Amazon, mainly caused by the same reason as our increased sales of apparel products through such platform during the same period.

Sale of other products

Our revenue from sale of other products decreased by 94.1% to RMB2.8 million for the six months ended June 30, 2022 from RMB46.9 million for the six months ended June 30, 2021, primarily due to the decrease of our sale of other products, as we strategically focused more on our principal business, namely, sale of apparel and footwear products to overseas individual customers, and reduced sale of other products, in particular, furniture and outdoor and sports goods to corporate customers during the same period.

Cost of Sales

Our cost of sales increased by 15.8% to RMB308.4 million for the six months ended June 30, 2022 from RMB266.2 million for the six months ended June 30, 2021, primarily due to (i) an increase of RMB26.2 million in freight and insurance cost, which is in line with our increased sales; and (ii) an increase of RMB14.0 million in impairment provision of inventories, in relation to the increase in our inventories with relatively long age in the first half of 2022.

Sale of apparel products

Our cost of sales incurred for sale of apparel products increased by 25.5% to RMB250.2 million for the six months ended June 30, 2022 from RMB199.3 million for the six months ended June 30, 2021, primarily due to the increased cost of inventories sold caused by our increased procurement of apparel products from OEM suppliers for sales through Amazon in the first half of 2022.

Sale of footwear products

Our cost of sales incurred for sale of footwear products increased by 27.3% to RMB57.1 million for the six months ended June 30, 2022 from RMB44.8 million for the six months ended June 30, 2021, primarily attributable to the increased cost of inventories sold caused by our increased procurement of footwear products from OEM suppliers for sales through third-party e-commerce platforms, especially Amazon, in the first half of 2022.

Sale of other products

Our cost of sales incurred for sale of other products decreased by 94.7% to RMB1.2 million for the six months ended June 30, 2022 from RMB22.1 million for the six months ended June 30, 2021, primarily due to the decrease of cost of inventories sold in relation to the decreased procurement from suppliers of other products, especially furniture and outdoor and sports goods, which was in line with our business focus on apparel and footwear products.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased by 16.1% to RMB969.1 million for the six months ended June 30, 2022 from RMB834.5 million for the six months ended June 30, 2021. Our gross profit margin remained relatively stable at 75.9% for the six months ended June 30, 2022 compared with 75.8% for the six months ended June 30, 2021.

The gross profit margin of sale of apparel products remained relatively stable at 75.4% for the six months ended June 30, 2022 compared with 75.8% for the six months ended June 30, 2021. The gross profit margin of sale of footwear products decreased to 77.9% for the six months ended June 30, 2022 from 80.4% for the six months ended June 30, 2021, primarily as we sold certain footwear products that were short in size or out-of-season at discount aiming to promote inventory turnover. The gross profit margin of sale of other products increased to 58.3% for the six months ended June 30, 2022 from 52.9% for the six months ended June 30, 2021, primarily as we reduced sale of products with low profit margin on Wish in the first half of 2022.

Selling Expenses and Distribution Costs

Our selling expenses and distribution costs increased by 31.7% to RMB838.3 million for the six months ended June 30, 2022 from RMB636.4 million for the six months ended June 30, 2021, primarily due to (i) an increase of RMB59.0 million in commission fee to third-party e-commerce platforms, primarily due to the increase of our sale through Amazon, which charged us for all purchase orders regardless of whether the products were subsequently returned, and the commission fee rate charged by which was relatively higher than other third-party e-commerce platforms during the same period; (ii) an increase of RMB53.2 million in freight and insurance costs mainly in relation to the increase in outbound shipping charges under the FBA model; (iii) an increase of RMB12.2 million in employee benefit expenses, primarily caused by the increase in the number of sales and operation staff; and (iv) an increase of RMB46.0 million in marketing and advertising expenses caused by the increased prices for advertising services from Amazon and our increased promotion of newly launched product SPUs on Amazon. More sellers chose to place advertisements using Amazon's advertising services, under which generally advertisements with the highest bidding prices can be displayed. Therefore, the prices for Amazon's advertising services increased with the growth of advertising bid from advertisers in the first half of 2022, as confirmed by Frost & Sullivan.

General and Administrative Expenses

Our general and administrative expenses increased by 13.1% to RMB62.9 million for the six months ended June 30, 2022 from RMB55.6 million for the six months ended June 30, 2021, primarily due to an increase of RMB5.8 million in employee benefit expenses caused by the increased number of our IT employees and designers and the increased level of employee benefits in the first half of 2022. Such increase was partially offset by the decrease of RMB2.6 million in [**REDACTED**] in relation to the [**REDACTED**].

Net (Impairment Losses)/Reversal of Impairment on Financial Assets

Our net impairment losses on financial assets increased significantly to RMB3.1 million for the six months ended June 30, 2022 from RMB0.3 million for the six months ended June 30, 2021, primarily due to the increase in provision for impairment of trade receivables due from third-party e-commerce platforms, such as Wish and Amazon, as of June 30, 2022.

Other Income

Our other income increased by 49.0% to RMB5.6 million for the six months ended June 30, 2022 from RMB3.8 million for the six months ended June 30, 2021, primarily due to an increase of RMB4.5 million in government grants primarily in relation to financial subsidies in recognition of our contribution to the local economy and subsidies on cross-border e-commerce. Such increase was partially offset by a decrease of RMB1.9 million in consulting service income, primarily as we strategically focused more on sale of apparel and footwear products.

Net Other Gains or Losses

We recorded net other gains of RMB8.7 million for the six months ended June 30, 2022, primarily due to net foreign exchange gains of RMB8.9 million caused by appreciation of the U.S. dollar in the first half of 2022. We recorded net other losses of RMB4.8 million for the six months ended June 30, 2021, primarily due to net foreign exchange losses of RMB4.6 million caused by appreciation of Renminbi in the first half of 2021.

Net Finance Costs

Our net finance costs increased by 41.8% to RMB5.5 million for the six months ended June 30, 2022 from RMB3.9 million for the six months ended June 30, 2021, primarily due to an increase of RMB3.1 million in interest expenses on bank borrowings, primarily due to our increased bank borrowings to finance our capital expenditure and working capital requirements.

Income Tax Expense

Our income tax expense decreased by 55.9% to RMB10.0 million for the six months ended June 30, 2022 from RMB22.7 million for the six months ended June 30, 2021, in line with our decreased taxable income. Our effective income tax rate decreased to 14.1% for the six months ended June 30, 2022 from 16.6% for the six months ended June 30, 2021, primarily due to the decrease of preferential tax rate enjoyed by our subsidiaries which are recognized as small and micro enterprises under the EIT laws from 10% in 2021 to 5% in the first half of 2022, due to the newly released tax relief measures for small and micro enterprises in the PRC in 2022.

Profit for the Period

As a result of the foregoing, our profit decreased by 46.3% to RMB61.3 million for the six months ended June 30, 2022 from RMB114.2 million for the six months ended June 30, 2021. Our net profit margin, which represents profit for the period as a percentage of revenue, decreased from 10.4% for the six months ended June 30, 2021 to 4.8% for the six months ended June 30, 2022, primarily as the increase in our selling expenses and distribution costs outpaced the increase in our revenue. In particular, (i) the growth rate of our revenue decreased, primarily due to the increased product return rate mainly caused by the negative impact brought by the high inflation and the increasing interest rates in the United States in the first half of 2022 on the spending power and the purchasing habits of our customers, resulting in more conservative consumption and more frequent product return, as confirmed by Frost & Sullivan; (ii) the increase in marketing and advertising expenses was primarily due to the increased prices for advertising services on Amazon, in line with the industry trend as confirmed by Frost & Sullivan, and our increased promotion of newly launched product SPUs on Amazon; (iii) the increase in freight and insurance cost in our selling expenses and distribution costs was primarily due to the increase in outbound shipping prices under the FBA model since early 2022, in line with the industry trend as confirmed by Frost & Sullivan; and (iv) the increase in employee benefit expenses in both selling expenses and distribution costs and general and administrative expenses, mainly caused by the increased number of employees, mainly consisted of staff we recruited for our sales and operation, product designing and development and IT teams, to expand our talent reserves for future business expansion.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 23.6% to RMB2,346.5 million for the year ended December 31, 2021 from RMB1,898.1 million for the year ended December 31, 2020, primarily due to (i) an increase of RMB495.3 million in revenue from our sale of apparel products; and (ii) an increase of RMB52.5 million in revenue from our sale of footwear products, which is in line with the increase of our sales through third-party e-commerce platforms, especially Amazon. Such increase was partially offset by the decrease of RMB99.3 million in revenue from our sale of other products.

Sale of apparel products

Our revenue from sale of apparel products increased by 37.0% to RMB1,833.7 million for the year ended December 31, 2021 from RMB1,338.4 million for the year ended December 31, 2020, primarily due to our increased sales through Amazon and AliExpress in 2021.

Sale of footwear products

Our revenue from sale of footwear products increased by 13.1% to RMB453.6 million for the year ended December 31, 2021 from RMB401.1 million for the year ended December 31, 2020, primarily due to more footwear products sold through Amazon, which is in line with the development of our business on Amazon.

Sale of other products

Our revenue from sale of other products decreased by 62.6% to RMB59.3 million for the year ended December 31, 2021 from RMB158.6 million for the year ended December 31, 2020, primarily as we strategically strengthened our sale of apparel and footwear products and reduced our selling and marketing efforts on sale of other products in 2021.

Cost of Sales

Our cost of sales increased by 11.7% to RMB581.0 million for the year ended December 31, 2021 from RMB520.3 million for the year ended December 31, 2020, primarily due to an increase of RMB55.6 million in freight and insurance cost, which is in line with our increased sales volume through Amazon under the FBA model. Such increase was partially offset by a decrease of RMB8.8 million in impairment provision of inventories, primarily as the aging of most of our inventories in stock was relatively short in 2021.

Sale of apparel products

Our cost of sales incurred for sale of apparel products increased by 16.8% to RMB459.9 million for the year ended December 31, 2021 from RMB393.9 million for the year ended December 31, 2020, primarily due to our increased cost of inventories sold caused by our increased procurement of apparel products from OEM suppliers for sale on Amazon. The procurement cost of products sold on Amazon is relatively high as Amazon primarily targets mid- to high-end customers with strong spending power.

Sale of footwear products

Our cost of sales incurred for sale of footwear products increased by 5.1% to RMB91.4 million for the year ended December 31, 2021 from RMB86.9 million for the year ended December 31, 2020, primarily attributable to the increased cost of inventories sold caused by our increased procurement of footwear products, in particular, our expansion of sale through third-party e-commerce platforms.

Sale of other products

Our cost of sales incurred for sale of other products decreased by 24.7% to RMB29.7 million for the year ended December 31, 2021 from RMB39.5 million for the year ended December 31, 2020, primarily due to the decrease of cost of inventories sold caused by our decreased procurement from suppliers of other products, in line with our strategic focus on apparel and footwear products in 2021.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased by 28.1% to RMB1,765.5 million for the year ended December 31, 2021 from RMB1,377.8 million for the year ended December 31, 2020. Our gross profit margin increased to 75.2% for the year ended December 31, 2021 from 72.6% for the year ended December 31, 2020, primarily as we strategically focused more on our sale through Amazon, the average retail price of apparel products set by sellers on which is generally higher compared to other third-party e-commerce platforms.

The gross profit margin of sale of apparel products increased to 74.9% for the year ended December 31, 2021 from 70.6% for the year ended December 31, 2020, primarily as (i) we increased the price for products sold through Amazon in 2021 considering the increased selling expenses and distribution costs spent on such platform; and (ii) our bargaining power with OEM suppliers increased continuously, utilizing our economies of scale. Due to the same reason, the gross profit margin of sale of footwear products increased to 79.9% for the year ended December 31, 2021 from 78.3% for the year ended December 31, 2020, while the gross profit margin of sale of other products decreased to 49.8% for the year ended December 31, 2021 from 75.1% for the year ended December 31, 2020, primarily due to discounts we offered on slow-selling products, such as furniture, decoration goods and outdoor and sports goods.

Selling Expenses and Distribution Costs

Our selling expenses and distribution costs increased by 21.6% to RMB1,413.7 million for the year ended December 31, 2021 from RMB1,162.2 million for the year ended December 31, 2020, primarily due to (i) an increase of RMB104.2 million in commission fees to the third-party e-commerce platforms, which is in line with our increased sales through such platforms; (ii) a significant increase of RMB55.8 million in marketing and advertising expenses, primarily due to more advertisement placed on major social media platforms to further promote our sale of apparel and footwear products through third-party e-commerce platforms; (iii) an increase of RMB33.7 million in service fee to the third-party platforms attributable to the increase in products sold though Amazon under the FBA model, in line with our strategic business expansion on Amazon during the same year; and (iv) an increase of RMB32.7 million in freight and insurance costs primarily due to more sales in 2021 and the reduced discount offered by our suppliers on freight charges during the outbreak of COVID-19.

General and Administrative Expenses

Our general and administrative expenses increased to RMB109.0 million for the year ended December 31, 2021 from RMB71.0 million for the year ended December 31, 2020, primarily due to (i) an increase of RMB21.5 million in [**REDACTED**]; and (ii) an increase of RMB6.8 million in employee benefit expenses, primarily due to the increase in the remuneration paid to our employees.

Net (Impairment Losses)/Reversal of Impairment on Financial Assets

We recorded reversed impairment of trade receivables of RMB15,000 for the year ended December 31, 2021, while we recorded net impairment losses on financial assets of RMB0.7 million for the year ended December 31, 2020, primarily due to the decreased trade receivables due from third-party e-commerce platforms as of the year end.

Other Income

Our other income significantly increased by 78.0% to RMB16.0 million for the year ended December 31, 2021 from RMB9.0 million for the year ended December 31, 2020, primarily due to an increase of RMB3.9 million in government grants primarily relating to financial subsidies in recognition of our contribution to the local economy and subsidies on cross-border e-commerce.

Net Other Gains or Losses

We recorded net other losses of RMB9.1 million for the year ended December 31, 2021, primarily due to net foreign exchange losses of RMB8.6 million caused by appreciation of Renminbi in 2021.

Net Finance Costs

Our net finance costs increased by 47.0% to RMB9.9 million for the year ended December 31, 2021 from RMB6.7 million for the year ended December 31, 2020, primarily due to (i) an increase of RMB2.7 million in interest expenses on bank borrowings due to our increased bank loans in 2021 for working capital purpose caused by our business growth; and (ii) an increase of RMB0.9 million in net foreign exchange losses on cash and cash equivalents and bank borrowings due to more foreign currency withdrawn by us from the third-party payment platforms and the appreciation of RMB before their conversion into RMB.

Income Tax Expense

Our income tax expense increased significantly by 81.4% to RMB37.1 million for the year ended December 31, 2021 from RMB20.5 million for the year ended December 31, 2020, in line with our increased taxable income. Our effective income tax rate remained relatively stable at 15.6% for the year ended December 31, 2021 compared to 15.2% for the year ended December 31, 2020.

Profit for the Year

As a result of the foregoing, our profit increased significantly by 75.9% to RMB200.5 million for the year ended December 31, 2021 from RMB114.0 million for the year ended December 31, 2020. Our net profit margin, which represents profit for the year as a percentage of revenue, increased from 6.0% for the year ended December 31, 2020 to 8.5% for the year ended December 31, 2021, primarily due to more sale through Amazon, where we generally achieved higher gross profit margin.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue increased by 32.8% to RMB1,898.1 million for the year ended December 31, 2020 from RMB1,428.9 million for the year ended December 31, 2019, primarily due to (i) an increase of RMB191.5 million in revenue from our sale of apparel products; (ii) an increase of RMB144.7 million in revenue from our sale of footwear products; and (iii) an increase of RMB133.0 million in revenue from our sale of other products, which is in line with the increase of our sales volume and the expansion of our product offerings.

Sale of apparel products

Our revenue from sale of apparel products increased by 16.7% to RMB1,338.4 million for the year ended December 31, 2020 from RMB1,146.9 million for the year ended December 31, 2019, primarily due to the increased sales through Amazon and Wish.

Sale of footwear products

Our revenue from sale of footwear products increased by 56.4% to RMB401.1 million for the year ended December 31, 2020 from RMB256.4 million for the year ended December 31, 2019, primarily due to the continuous development of our self-operated online stores, through which we mainly sold footwear products.

Sale of other products

Our revenue from sale of other products increased significantly by 520.5% to RMB158.6 million for the year ended December 31, 2020 from RMB25.6 million for the year ended December 31, 2019, primarily due to our efforts to expand our product offerings and diversify the product portfolio.

Cost of Sales

Our cost of sales increased by 20.7% to RMB520.3 million for the year ended December 31, 2020 from RMB430.9 million for the year ended December 31, 2019, primarily due to an increase of RMB74.5 million in cost of inventories sold, primarily due to an increase in procurement of products from OEM suppliers to support our increased sales, in line with our business expansion.

Sale of apparel products

Our cost of sales incurred for sale of apparel products increased by 8.9% to RMB393.9 million for the year ended December 31, 2020 from RMB361.7 million for the year ended December 31, 2019, primarily due to our increased procurement of apparel products from OEM suppliers.

Sale of footwear products

Our cost of sales incurred for sale of footwear products increased by 40.6% to RMB86.9 million for the year ended December 31, 2020 from RMB61.8 million for the year ended December 31, 2019, primarily attributable to the increased procurement of footwear products, in particular, our expansion of self-operated online stores.

Sale of other products

Our cost of sales incurred for sale of other products increased by 436.1% to RMB39.5 million for the year ended December 31, 2020 from RMB7.4 million for the year ended December 31, 2019, primarily due to our increased procurement of sporting goods, furniture and decoration goods and kitchenware.

Gross Profit and Gross Profit Margin

As a result of foregoing, our gross profit increased by 38.1% to RMB1,377.8 million for the year ended December 31, 2020 from RMB997.9 million for the year ended December 31, 2019. Our gross profit margin increased to 72.6% for the year ended December 31, 2020 from 69.8% for the year ended December 31, 2019, primarily as we strategically focused more on our sale through Amazon, which primarily targets mid- to high-end customers with strong spending power.

The gross profit margin of sale of apparel products increased to 70.6% for the year ended December 31, 2020 from 68.5% for the year ended December 31, 2019, primarily as our bargaining power with OEM suppliers grew stronger continuously, utilizing our economies of scale. Due to the same reason, the gross profit margin of sale of footwear products increased to 78.3% for the year ended December 31, 2020 from 75.9% for the year ended December 31, 2019, while the gross profit margin of sale of other products increased to 75.1% for the year ended December 31, 2020 from 71.2% for the year ended December 31, 2019.

Selling Expenses and Distribution Costs

Our selling expenses and distribution costs increased by 39.4% to RMB1,162.2 million for the year ended December 31, 2020 from RMB833.6 million for the year ended December 31, 2019, primarily due to (i) a significant increase of RMB147.0 million in marketing and advertising expenses, primarily due to our increased sales through self-operated online stores and more advertisement placed on major social media platforms to further increase user traffic of our self-operated online stores, mainly due to the nature that self-operated online stores rely on their own capabilities to attract customers thus having a relatively higher marketing expenses as compared with third-party e-commerce platforms; (ii) an increase of RMB127.2 million in freight and insurance costs primarily due to more sales in 2020 and the reduced discount offered by our suppliers on freight charges during the outbreak of COVID-19; (iii) an increase of RMB38.6 million in commission fees to the third-party e-commerce platforms, in line with our increased sales through such platforms; and (iv) an increase of RMB15.0 million in service fee to the third-party platforms attributable to the increase in products sold though Amazon under the FBA model, in line with our strategic business expansion on Amazon during the same period. Such increases were partially offset by a decrease of RMB4.0 million in employee benefit expenses, attributable to the exemption of our social security contribution as employers by local governments during COVID-19 pandemic.

General and Administrative Expenses

Our general and administrative expenses maintained relatively stable at RMB69.6 million and RMB71.0 million for the years ended December 31, 2019 and 2020, respectively.

Net (Impairment Losses)/Reversal of Impairment on Financial Assets

Our net impairment losses on financial assets remained relatively stable at RMB0.7 million for the year ended December 31, 2020 and RMB0.6 million for the year ended December 31, 2019, respectively.

Other Income

Our other income significantly increased by 106.9% to RMB9.0 million for the year ended December 31, 2020 from RMB4.3 million for the year ended December 31, 2019, primarily due to an increase of RMB5.3 million in government grants relating to financial subsidies in recognition of our contribution to the local economy and subsidies on export proceeds. This increase was partially offset by a decrease of RMB0.8 million in consulting service income, which is consistent with our business focus on sale of apparel and footwear products.

Net Other Gains or Losses

We recorded net other losses of RMB11.8 million for the year ended December 31, 2020, primarily due to (i) penalty and interest for the late payment of taxes of RMB8.2 million in 2020 caused by our late payment of indirect taxes primarily in relation to our sale through self-operated online stores to the U.S.; and (ii) net foreign exchange losses of RMB3.9 million caused by appreciation of Renminbi in 2020. We recorded net other gains of RMB3.5 million for the year ended December 31, 2019, primarily due to net foreign exchange gains of RMB3.6 million caused by depreciation of Renminbi in 2019.

Net Finance Costs

Our net finance costs decreased by 18.9% to RMB6.7 million for the year ended December 31, 2020 from RMB8.3 million for the year ended December 31, 2019, primarily due to (i) a decrease of RMB2.0 million in interest expenses on loans from related parties due to the repayment of loans from related parties; and (ii) a decrease of RMB0.3 million in interest expenses on bank borrowings due to the repayment of bank loans.

Income Tax Expense

Our income tax expense increased significantly by 63.8% to RMB20.5 million for the year ended December 31, 2020 from RMB12.5 million for the year ended December 31, 2019, in line with our increased taxable income. Our effective income tax rate increased to 15.2% for the year ended December 31, 2020 from 13.3% for the year ended December 31, 2019, primarily due to increased taxable income in our subsidiaries incorporated in Hong Kong.

Profit for the Year

As a result of the foregoing, our profit increased significantly by 40.5% to RMB114.0 million for the year ended December 31, 2020 from RMB81.1 million for the year ended December 31, 2019. Our net profit margin, which represents profit for the year as a percentage of revenue, increased from 5.7% for the year ended December 31, 2019 to 6.0% for the year ended December 31, 2020, primarily due to more sale through Amazon, where we generally achieved higher gross profit margin.

SELECTIVE ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Trade Receivables

The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000			
Accounts receivables	190,626	167,337	119,825	181,641
Less: allowance for impairment	(953)	(837)	(599)	(908)
Total	**189,673**	**166,500**	**119,226**	**180,733**

Trade receivables mainly represent outstanding balances due from third-party e-commerce platforms. All of our trade receivables during the Track Record Period were due from Independent Third Parties.

Our trade receivables decreased by 12.2% to RMB166.5 million as of December 31, 2020 from RMB189.7 million as of December 31, 2019. Our trade receivables further decreased by 28.4% to RMB119.2 million as of December 31, 2021 from RMB166.5 million as of December 31, 2020. Such continuous decrease of our trade receivables was primarily due to our increased sales through Amazon, the settlement cycle of which is relatively shorter than other third-party e-commerce platforms. Our trade receivables increased by 51.6% to RMB180.7 million as of June 30, 2022 from RMB119.2 million as of December 31, 2021, primarily due to the increase of our sales through third-party e-commerce platforms in the first half of 2022.

The following table sets forth aging analysis of trade receivables, based on invoice date, as of the dates indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000			
Within three months	171,977	158,154	114,638	178,674
Between three months and six months	13,770	7,279	1,831	1,448
Between six months and one year	4,566	1,649	2,504	847
More than one year	313	255	852	672
Total	**190,626**	**167,337**	**119,825**	**181,641**

The majority of our trade receivables have credit term ranging from approximately 10 days to 90 days, which varies depending on the different platform policies. We seek to maintain strict control over our outstanding trade receivables and overdue balances are reviewed closely and regularly by our management.

As of December 31, 2019 and 2020 and June 30, 2022, we recognized impairment of trade receivables of RMB0.6 million, RMB0.7 million and RMB3.1 million, respectively, and as of December 31, 2021, we recognized reversed impairment of trade receivables of RMB15,000 mainly relating to the changes in provision for impairment of trade receivables due from third-party e-commerce platforms. We assessed the expected credit losses by considering historical default rates, existing market conditions and forward-looking information and made impairment provisions equivalent to 0.5% of our trade receivables. For details regarding the allowance for impairment of our trade receivables, see Note 21 in Appendix I to this document.

As of June 30, 2022, our trade receivables aged over three months amounted to RMB3.0 million. As of the Latest Practicable Date, RMB0.6 million of our trade receivables aged over three months as of June 30, 2022 had been subsequently settled, accounted for approximately 21.9% of our trade receivables aged over three months as of June 30, 2022. Considering that we had not experienced any material failure to collect trade receivables from the relevant customers during the Track Record Period, we believe we are able to collect the remaining trade receivables and we have made sufficient provisions for such trade receivables.

We calculate the trade receivables turnover days using the average of the opening and closing trade receivables balances for the period, divided by revenue for the relevant period, multiplied by the number of days in the relevant period (360 days for 2019, 2020 and 2021 and 180 days for the six months ended June 30, 2022). The following table sets forth our trade receivables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Trade receivables turnover days	47	34	22	21

Our trade receivables turnover days decreased from 47 days for the year ended December 31, 2019 to 34 days for the year ended December 31, 2020, and further decreased to 22 days for the year ended December 31, 2021. Our trade receivables turnover days decreased slightly from 22 days for the year ended December 31, 2021 to 21 days for the six months ended June 30, 2022. Such continuous decrease during the Track Record Period was primarily due to our increased sales through Amazon, the settlement cycle of which is relatively shorter than other third-party e-commerce platforms.

As of the Latest Practicable Date, RMB176.9 million of our trade receivables as of June 30, 2022 had been subsequently settled, accounted for approximately 97.4% of our trade receivables as of June 30, 2022.

Inventories

Our inventories mainly consist of (i) finished goods produced by our OEM suppliers; and (ii) right of goods return, representing net realizable value of inventories for anticipate return based on our historical return rate. The following table sets forth our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000			
Finished goods	231,291	277,256	694,227	802,604
Right of goods return	1,343	3,134	6,964	9,599
Less: provision for impairment	(54,490)	(24,550)	(36,868)	(51,121)
Total	**178,144**	**255,840**	**664,323**	**761,082**

The nature of our business requires us to have sufficient stocks of finished products in different designs, colors and sizes to satisfy customers' demand, especially before and during the festival season. Material supply shortage may adversely affect our ranking and marketing on third-party e-commerce platforms, especially Amazon, which may negatively impact our sales performance, such as the decrease in sales volume and sales income. We generally stock up on products in advance and with certain products in excess of our estimated sales target as buffer, considering the relatively longer life cycle and shipment period of our products sold through Amazon. Inventories of finished goods increased from RMB178.1 million as of December 31, 2019 to RMB255.8 million as of December 31, 2020, and further to RMB664.3 million as of December 31, 2021. Inventories of finished goods further increased from RMB664.3 million as of December 31, 2021 to RMB761.1 million as of June 30, 2022. The continuous increase during the Track Record Period was primarily attributable to (i) the continuous expansion of business scale and active prospect of our sale through Amazon, on which the life cycle of our products is relatively longer as compared with that on other third-party e-commerce platforms; and (ii) mass production order we placed with our OEM suppliers for prudence reasons during waves of COVID-19 recurrence, while at the same time, to satisfy the foreseeable increase of market demand in the coming season. In particular, with the continuous spread of COVID-19, over 85% of our finished products in stock for sale through Amazon were shipped to the overseas warehouses of our logistics service suppliers (including Amazon FBA warehouses) before our receipt of customer orders in 2021. In the fourth quarter of 2021, we stocked additional products for prudence, in response to any possible further waves of COVID-19 recurrence and production suspension of OEM suppliers during the Chinese New Year holiday in early 2022. As a result, our inventories of finished goods in 2021 increased significantly compared to that of 2020. In the first half of 2022, we stocked more apparel and footwear products, especially products for sale in the autumn or winter season of the fourth quarter of the year to be prepared for (i) the festival seasons in the fourth quarter of the year, such as Black Friday and Christmas; and (ii) potential further waves of COVID-19 pandemic. The average unit prices of autumn or winter collections are generally relatively high. Such increased procurement and stock also contributed to the increase of our inventories of finished goods as of June 30, 2022.

The following table sets forth aging analysis of inventories, as of the dates indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000			
Within three months	132,385	183,852	377,311	256,688
Between three months and six months	22,434	27,091	95,363	117,630
Between six months and one year	18,297	26,107	163,911	263,336
Between one year and two years	5,028	18,790	27,738	123,428
Total	**178,144**	**255,840**	**664,323**	**761,082**

As of June 30, 2022, inventories at cost aging within one year accounted for 79.6% of our total inventories. We closely monitor our inventories aging over one year.

We calculate the inventories turnover days using the average of the opening and closing inventory balances for the period, divided by cost of sales for the relevant period, multiplied by the number of days in the relevant period (360 days for 2019, 2020 and 2021 and 180 days for the six months ended June 30, 2022). The following table sets forth our inventories turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Inventories turnover days	175	177	304	442

Our inventories turnover days increased from 175 days for the year ended December 31, 2019 to 177 days for the year ended December 31, 2020, and further to 304 days for the year ended December 31, 2021. Our inventories turnover days increased from 304 days in 2021 to 442 days for the six months ended June 30, 2022. The reason for such continuous increase during the Track Record Period was that we focused more on sale through Amazon, the life cycle of products sold on which is relatively long, and increased our stocks of finished products in the overseas warehouses of Amazon under the FBA model. Under the FBA model, we ship inventories to Amazon's warehouses, which generally takes 40 to 60 days, and then Amazon fulfills the order to our customers on our behalf. The increase of our inventories turnover days, in particular, the significant increase in 2021 and the first half of 2022, was also attributable to our increased balance of inventories as of December 31, 2020 and 2021 and June 30, 2022, respectively.

To timely meet the customer demand in different seasons, we place mass production order to OEM suppliers to ensure the sufficiency of products in stock, based on our analysis of sales volume of relevant products in the previous year as well as the latest sales and market trend. We generally stock sufficient autumn and winter collections from June to September each year. As for apparel and footwear products for spring, summer and autumn, as well as products that are suitable for the whole year, we generally prepare the stock from September to December each year. We believe we are able to utilize our inventories as of June 30, 2022, considering that (i) the increase in our inventories in the first half of 2022 was primarily caused by the mass production order of hot-selling products we placed with our OEM suppliers to satisfy the future market demand; (ii) approximately 92% of the inventories before impairment as of June 30, 2022 were prepared for our sale on Amazon, on which the product life cycle is generally relatively long; and (iii) we have implemented strengthened measures to manage our inventories and improve the turnover of our inventories as of the Latest Practicable Date. We closely monitor our inventories, in particular inventories aging over one year. Our management increased their emphasis on controlling the inventories in stock by encouraging frequent procurement with less procurement volume in a single order for our procurement from OEM suppliers. We had established our internal plan to manage our inventories with relatively long age, which had been implemented as of the Latest Practicable Date. For instance, we set target for the sales volume of product SPUs in the following 12 months. Our management from time to time reviews the implementation status and timely adjusts our inventory management measures as appropriate.

We assess the net realizable value of the inventories as well as the required amount of impairment of inventory provision at each balance sheet date, which involves significant judgment on determination of the estimated residual value of the inventories based on our marketing and retail pricing strategy, sales forecast of each product collection, and the price markdown necessary to sell off-season products at certain stage of the product life cycle based on the general historical pattern on a season-by-season basis. The provision for inventories is primarily calculated based on the net realizable value of the inventories, which is affected by multiple factors, including but not limited to the aging of inventories and the expected life cycle of the products. In particular, the net realizable value of the inventories decreases along with the aging of inventories and the reduction of product life cycle. We believe we have made sufficient provisions for our inventories, considering (i) our historical sales performance, in particular, during the Track Record Period, we had not encountered any material impairment loss that have materially and adversely affected our business operations caused by slow-moving inventories; (ii) our strategic business focus on expanding our sale through Amazon, the life cycle of products on which is relatively longer than other third-party e-commerce platforms; and (iii) for inventories in stock as of December 31, 2019 and 2020, we made provision for the apparel and footwear products which were primarily for sale on Wish and were estimated to have lower assessed net realizable value due to the shorter product life cycle and lower sales expectation for prudent reason. For inventories before impairment as of December 31, 2021, approximately 90% of the inventories were prepared for sale on Amazon, while only approximately 6% of the inventories were prepared for sale on Wish, implicating the relatively high net realizable value of our inventories as of December 31, 2021. For inventories before impairment as of June 30, 2022, approximately 92% of the inventories were prepared for sale on Amazon, while only approximately 5% of the inventories were prepared for sale on Wish, implicating the relatively high net realizable value of our inventories as of June 30, 2022.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, the majority of our inventories are products suitable for spring/autumn and summer. The following table sets forth the composition of our inventories before impairment by season as of the dates indicated:

	As of December 31,						As of June 30,	
	2019		2020		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Inventories suitable for spring/autumn	88,791	38.2	132,829	47.4	363,747	51.9	357,344	44.0
Inventories suitable for summer	61,721	26.5	50,083	17.9	150,910	21.5	227,429	28.0
Inventories suitable for winter	53,576	23.0	51,877	18.5	124,207	17.7	136,013	16.7
Inventories suitable for all seasons	28,546	12.3	45,601	16.2	62,327	8.9	91,417	11.3
Total inventories before impairment	**232,634**	**100.0**	**280,390**	**100.0**	**701,191**	**100.0**	**812,203**	**100.0**

As of the Latest Practicable Date, RMB155.5 million of our inventories as of June 30, 2022 had been subsequently utilized, accounted for approximately 19.2% of our inventories as of June 30, 2022. Such utilization rate was relatively low, primarily due to the increased inventories we prepared as of June 30, 2022 and the generally long turnover days of our inventories. We expect the subsequent utilization rate of inventories to increase significantly in the fourth quarter of 2022, as (i) we generally carry out more sales and marketing activities before and during holidays in the fourth quarter of the year, such as Black Friday and Christmas; and (ii) approximately 73% of the inventories in terms of amount as of June 30, 2022 that were still in stock as of the Latest Practicable Date were apparel and footwear products prepared for sale in both spring and autumn of the year, products for sale in the winter season in the fourth quarter or products that are suitable for the whole year. Considering the remaining approximately 27% of the inventories were primarily apparel and footwear products prepared for sale on Amazon during summer and the relatively long life cycle of products sold through Amazon, we believe that such remaining inventories were not subject to the risk of obsolescence or impairment.

Cash and Cash Equivalents

Our cash and cash equivalents represent our current deposits with banks. Our cash and cash equivalents increased to RMB83.0 million as of December 31, 2020 from RMB27.1 million as of December 31, 2019, primarily due to increased prepayments made by our customers through our self-operated online stores, which is in line with the increased sales through self-operated online stores and the rapid development of our self-operated online store business in 2020. Our cash and cash equivalents decreased to RMB80.9 million as of December 31, 2021 from RMB83.0 million as of December 31, 2020, primarily due to our accelerated settlement with certain OEM suppliers and more payment we settled in the second half of 2021. Our cash and cash equivalents increased to RMB82.9 million as of June 30, 2022 from RMB80.9 million as of December 31, 2021, primarily due to the increase in the amount we withdrew from third-party payment platforms for our sale as we conducted such withdrawal in a timely manner in the first half of 2022.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had restricted cash of RMB0.5 million, RMB1.4 million, RMB1.3 million and RMB1.3 million, respectively. Our restricted cash as of December 31, 2019 was primarily pledged for issuing credit card to our subsidiaries for the payment of operating expenses. Our restricted cash as of December 31, 2020 primarily consisted of deposit of RMB0.9 million sealed by a court for a litigation brought by a footwear OEM supplier with us for alleged delayed payment. Such deposit was subsequently released after the settlement of the litigation for which we paid a total of RMB3.3 million to such footwear OEM supplier. Our restricted cash as of December 31, 2021 and June 30, 2022 was primarily pledged for (i) our subsidiaries' application for the credit card for the payment of expenses incurred in their ordinary course of business; and (ii) our long-term bank borrowings.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss mainly included wealth management products we purchased from commercial banks. The fair value of wealth management products is determined based on discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. We recorded financial assets at fair value through profit or loss of RMB5.8 million as of December 31, 2020. We redeemed such products in January 2021.

In relation to the valuation of our financial assets categorized within the level 3 of fair value hierarchy, we adopted multiple procedures. We have established capital and investment policies, such as *Capital Management Policy* (資金管理制度), to monitor and manage our settlement activities and financing activities, and control the risks relating to the purchase of wealth management products. Before the investment, our Fund Management Department of our Finance Center (財務中心資金管理部) typically reviews the terms of the relevant wealth management products and prudently considers all information available and applies various applicable valuation in determining whether to purchase the relevant wealth management products. Our management team reviews the analysis on the details of the proposed wealth management products from the Fund Management Department of the Finance Center and consults with our accountants when necessary. We purchase wealth management products only when we have spare cash in addition to sufficient cash for our operations and our unused time deposits exceed a certain amount. We typically purchase short-term low-risk wealth management products with no fixed maturity term and are redeemable at will. We conduct periodic evaluation on the fair value of the financial assets we hold. Such evaluation generally comprises the fair value measurement assessment, profitability and risk condition of the relevant investments. Our finance employees are required to timely report the evaluation results to our chief financial officer. We did not record any financial assets at fair value through profit or loss as of December 31, 2019 and 2021 and June 30, 2022.

For details of the fair value measurement of the level 3 financial assets, particularly the fair value hierarchy, discounted cash approach and significant unobservable inputs, please see Note 3.3 to the Accountant's Report set forth in Appendix I to this document.

In respect of the valuation of the financial assets and liabilities, with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 (the "**Guidance**") applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures: (i) reviewed the terms of the relevant financial assets and financial liabilities; and (ii) carefully considered all information especially those non-market related information input, such as possibilities under different scenarios, time to redeem the financial assets, which require significant management assessments and estimates. Based on the above procedures, our Directors are of the view that the valuation analysis categorized within level 3 of fair value measurement is fair and reasonable and our financial statements are properly prepared.

Details of the fair value measurement of financial assets and financial liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 3 to the Accountant's Report in Appendix I to this document which was issued by the reporting accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The reporting accountant's opinion on the historical financial information, as a whole, of us for the Track Record Period is set out on page I-2 in Appendix I to this document. Our Directors are satisfied with the valuation work for financial assets and financial liabilities categorized within level 3 of fair value measurement in our historical financial information for the purpose of the preparation of the Accountant's Report as referred to in Appendix I to this document.

The Joint Sponsors have conducted the following due diligence work in relation to the valuation analysis performed by the Company's management on financial assets and financial liabilities at fair value through profit or loss (the "**FVTPL**"): (i) reviewed the relevant notes to the Accountant's Report set out in Appendix I to the document to understand the valuation approach and significant unobservable inputs adopted; (ii) discussed with the Company's management for the key bases and assumptions for the valuation of the FVTPL; and (iii) independently verified and assessed the key assumption adopted (i.e. the expected annual interest return of the wealth management products, the conversion, liquidation priority and redemption features of the redeemable convertible preference shares) by reviewing the purchase agreement of wealth management product, the investment agreement of each of Calor Capital (BVI) Limited and Aloe Tower Limited and the list of interest return of the wealth management product. Based on the above due diligence work and the views of and the work done by the Company's management and the Company's reporting accountants, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to have reasonable doubt on the valuation analysis performed by the Company's management on FVTPL.

Prepayments and other receivables

Prepayments and other receivables primarily consist of (i) receivables from payment platforms, mainly including the outstanding amount which we had not withdrawn from third-party payment platforms for our sales; (ii) prepayment, primarily comprising prepayment we made to our OEM suppliers and commission fees recorded as prepayment to third-party e-commerce platforms when payments from customers received and the underlying products had not been shipped; (iii) prepaid [**REDACTED**]; (iv) deposits, mainly including deposits made for leased properties and the operations of online seller stores; (v) value-added tax recoverable, mainly representing unutilized input VAT; and (vi) export tax refundable, mainly representing our export value-added tax subject to refund. The following table sets forth our prepayments and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000			
Receivables from payment platforms	20,152	46,567	59,357	22,797
Prepayment to suppliers and platforms	10,212	36,131	20,579	9,091
Prepaid [**REDACTED**]	–	–	6,858	3,437
Deposits	194	1,319	804	2,201
Value-added tax recoverable	279	395	1,028	707
Export tax refundable	–	1,647	344	110
Others(1)	401	757	176	1,368
Total	**31,238**	**86,816**	**89,146**	**39,711**

Note:

(1) Others primarily comprise petty cash advanced to our employees for business purposes.

Our prepayments and other receivables increased from RMB31.2 million as of December 31, 2019 to RMB86.8 million as of December 31, 2020, and further to RMB89.1 million as of December 31, 2021. Such continuous increase was primarily attributable to the increase in receivables from third-party payment platforms caused by the increased sales. Our prepayments and other receivables decreased from RMB89.1 million as of December 31, 2021 to RMB39.7 million as of June 30, 2022, primarily due to the decrease in receivables from payment platforms caused by the increase in settlement frequency with payment platforms of our self-operated online stores.

As of the Latest Practicable Date, RMB18.9 million of our receivables from payment platforms as of June 30, 2022 had been subsequently settled, accounted for approximately 82.9% of our receivables from payment platforms as of June 30, 2022.

Trade Payables

Trade payables primarily comprise (i) trade payables due to third parties, representing the outstanding amounts due to our suppliers which are non-interest-bearing; and (ii) trade payables due to related parties.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000			
Trade payables – due to third parties	103,316	99,528	117,751	152,564
Trade payables – due to related parties	27,727	–	–	–
Total	**131,043**	**99,528**	**117,751**	**152,564**

Our trade payables due to third parties maintained relatively stable at RMB103.3 million and RMB99.5 million as of December 31, 2019 and 2020, respectively. Our trade payables due to third parties increased to RMB117.8 million as of December 31, 2021 from RMB99.5 million as of December 31, 2020, primarily due to our increased purchase from OEM suppliers, in line with our business development. Our trade payables due to third parties increased to RMB152.6 million as of June 30, 2022 from RMB117.8 million as of December 31, 2021, primarily due to the resumption of our settlement with certain OEM suppliers and logistics service suppliers to semimonthly or monthly basis, in light of the alleviation of negative impact of COVID-19 on product supply and delivery.

Our trade payables due to related parties mainly represented certain trade payables due to Mr. Hua. We purchased inventories from Mr. Hua, the consideration of which was paid in 2019 and then settled in 2020. We did not purchase any inventories from Mr. Hua after 2019. Therefore, our trade payables due to related parties decreased from RMB27.7 million as of December 31, 2019 to nil as of December 31, 2020.

The following table sets forth an aging analysis of our trade payables, based on invoice date, as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000			
Within three months	94,447	91,872	106,269	141,652
Between three months and one year	2,142	2,130	11,446	10,875
Between one year and two years	9,034	1,320	11	12
Over two years	25,420	4,206	25	25
Total	**131,043**	**99,528**	**117,751**	**152,564**

The trade payables aging within three months amounted to RMB91.9 million as of December 31, 2020 and increased to RMB106.3 million as of December 31, 2021. The trade payables aging within three months increased from RMB106.3 million as of December 31, 2021 to RMB141.7 million as June 30, 2022. Such continuous increase was primarily due to the increased production order we placed with our OEM suppliers to satisfy the foreseeable increasing market demand.

Our suppliers generally grant credit terms to us ranging from 15 days to two months. We calculate the trade payables turnover days using the average of the opening and closing trade payable balances for the period, divided by cost of sales for the relevant period, multiplied by the number of days in the relevant period (360 days for 2019, 2020 and 2021 and 180 days for the six months ended June 30, 2022). The following table sets forth our trade payables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Trade payables turnover days	110	80	67	79

Our trade payables turnover days decreased from 110 days for the year ended December 31, 2019 to 80 days for the year ended December 31, 2020, and further to 67 days for the year ended December 31, 2021, primarily due to (i) the change of payment terms to payment in advance or weekly payment from the prior semimonthly or monthly settlement with our OEM suppliers and logistics service suppliers in response to their settlement request during the outbreak of COVID-19 and the estimated increase in our sales through third-party e-commerce platforms; and (ii) the prepayment arrangement with three suppliers that we newly procured from in 2020. Our trade payables turnover days increased from 67 days for the year ended December 31, 2021 to 79 days for the six months ended June 30, 2022, primarily due to the resumption of our settlement with certain OEM suppliers and logistics service suppliers to semimonthly or monthly basis, in light of the alleviation of negative impact of COVID-19 on product supply and delivery in the first half of 2022.

As of the Latest Practicable Date, RMB146.7 million of our trade payables as of June 30, 2022 had been subsequently settled, accounted for approximately 96.2% of our trade payables as of June 30, 2022.

Other Payables

Other payables primarily consist of (i) refund liabilities; (ii) payroll and social security; (iii) payables to third-party e-commerce platforms; (iv) payables for [**REDACTED**]; (v) other tax payables; (vi) interest payables; (vii) payable for acquisition of Xingzezhi BVI; and (viii) loans from related parties. The following table sets forth our other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000			
Refund liabilities	26,826	37,665	34,122	56,434
Payroll and social security	39,163	40,256	46,423	36,050
Payables to third-party e-commerce platforms	22,550	14,419	6,956	25,284
Payables for [**REDACTED**]	–	–	4,330	7,157
Other tax payables	5,524	19,127	11,800	2,387
Interest payables	128	89	292	266
Payable for acquisition of Xingzezhi BVI	–	6,250	–	–
Loans from related parties	23,956	–	–	–
Other payables(1)	17,378	18,335	10,331	3,798
Total	**135,525**	**136,141**	**114,254**	**131,376**

Note:

(1) Primarily included advertising fees payable by us to third-party advertising agencies.

Refund liabilities represent expected returns payable to our customers in relation to sales made. Payables to third-party e-commerce platforms primarily comprise commission fees to the third-party e-commerce platforms and service fees we paid to Amazon for FBA services. Other tax payables primarily represent our provisions to sales tax. Payable for acquisition of Xingzezhi BVI represent the consideration payable for the acquisition of the total issued share capital of Xingzezhi BVI. See "History, Reorganization and Corporate Structure – Reorganization – Offshore Reorganization." Loans from related parties represent loans from our shareholders. See "– Related Party Transactions."

Our other payables remained relatively stable at RMB136.1 million as of December 31, 2020, compared to that of December 31, 2019. Our other payables decreased from RMB136.1 million as of December 31, 2020 to RMB114.3 million as of December 31, 2021, primarily due to (i) the decrease of RMB7.5 million in payables to third-party e-commerce platforms, primarily due to the increase of our sales through Amazon, the settlement period with which is relatively short; (ii) the decrease of RMB7.3 million in other tax payables, primarily due to our payment in 2021 for the previously unpaid indirect taxes primarily in relation to our sale through self-operated online stores to the U.S.; and (iii) the decrease of RMB6.3 million in payable for business combination under common control. Our other payables increased from RMB114.3 million as of December 31, 2021 to RMB131.4 million as of June 30, 2022, primarily due to the increase in refund liabilities, mainly caused by the increased expected returns payable to our customers on Amazon.

As of the Latest Practicable Date, RMB105.9 million of our other payables as of June 30, 2022 had been subsequently settled, accounted for approximately 80.6% of our other payables as of June 30, 2022.

Contract Liabilities

Our contract liabilities represent advanced payments from our customers on our self-operated online stores and certain third-party e-commerce platforms while the underlying products are yet to be delivered. The table below sets forth contract liabilities we recognized as of the dates indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
		RMB'000		
Contract liabilities	24,741	132,576	29,650	11,225
Total	**24,741**	**132,576**	**29,650**	**11,225**

Our contract liabilities increased from RMB24.7 million as of December 31, 2019 to RMB132.6 million as of December 31, 2020, primarily attributable to (i) the increased advances received from overseas customers through our self-operated online stores, in line with the rapid expansion of our self-operated online stores in 2020; and (ii) the delivery of our sale through third-party e-commerce platforms experienced delay during the outbreak of COVID-19. See "Business – Outbreak and Spread of COVID-19." Our contract liabilities decreased significantly from RMB132.6 million as of December 31, 2020 to RMB29.7 million as of December 31, 2021, and further decreased to RMB11.2 million as of June 30, 2022. Such continuous decrease was primarily attributable to (i) our resumed shipment of products in line with the gradual alleviation of COVID-19 pandemic; and (ii) the increase of efficiency of our supply chain, which enabled us to deliver products to customers more efficiently.

As of the Latest Practicable Date, RMB10.2 million of our contract liabilities as of June 30, 2022 had been subsequently settled, accounted for approximately 90.9% of our contract liabilities as of June 30, 2022.

Lease Liabilities

We lease certain properties as our offices, employees' dormitories and warehouses for our operations. Leases of properties generally have lease terms of three to five years. For any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset and a lease liability representing our obligation to make lease payments.

The table below sets forth the carrying amount of our lease liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000			
Carrying amount of lease liabilities				
Non-current lease liability	13,374	8,381	25,335	28,452
Current lease liability	12,326	12,366	14,506	19,461
Total	**25,700**	**20,747**	**39,841**	**47,913**

Our lease liabilities decreased from RMB25.7 million as of December 31, 2019 to RMB20.7 million as of December 31, 2020, primarily due to a decrease of RMB5.0 million in non-current lease liabilities as we paid the rent to lessor in 2020. Our lease liabilities increased from RMB20.7 million as of December 31, 2020 to RMB39.8 million as of December 31, 2021, primarily due to the increase in non-current lease liabilities in relation to our newly leased properties with long lease terms, such as warehouses. Our lease liabilities increased from RMB39.8 million as of December 31, 2021 to RMB47.9 million as of June 30, 2022, primarily due to (i) the increase in current lease liabilities as there left less than one year for the expiration of certain of our lease; and (ii) the increase in non-current lease liabilities in relation to our newly leased properties with long lease terms, such as premises leased for offices and warehouses.

Redeemable convertible preferred shares

Our redeemable convertible preferred shares represent redeemable convertible preferred shares issued by us arising from our [**REDACTED**] financing in May 2021. Our redeemable convertible preferred shares amounted to RMB106.1 million and RMB108.4 million, respectively, as of December 31, 2021 and June 30, 2022. For details of changes in the fair value of redeemable convertible preferred shares, see "– Description of Key Items of Consolidated Statement of Comprehensive Income – Fair value changes of redeemable convertible preferred shares."

Although our redeemable convertible preferred shares will be automatically converted to the ordinary shares upon the [**REDACTED**], to the extent we need to revalue the preferred shares prior to the [**REDACTED**], any changes in fair value of such redeemable convertible preferred shares will affect our financial positions and results of operations.

We do not expect to recognize any further loss or gain on fair value changes from preferred shares in the future after the conversion of our redeemable convertible preferred shares into the ordinary shares upon the [**REDACTED**].

For key terms of the above-mentioned preferred shares, see Note 31 to the Accountant's Report set forth in Appendix I to this document.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily consisted of expenditures on (i) property, plant and equipment, comprising office equipment and warehouse facilities; and (ii) intangible assets. The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
		RMB'000		
Property, plant and equipment	3,675	2,461	6,653	5,231
Intangible assets	248	–	495	3,101
Total	**3,923**	**2,461**	**7,148**	**8,332**

We expect to incur approximately RMB18.4 million in the year ending December 31, 2022, primarily related to equipment and facilities used in our warehouses and offices. We intend to fund our planned capital expenditures through a combination of the [**REDACTED**] from the [**REDACTED**] as well as cash generated from operations.

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the PRC, the availability of financing on terms acceptable to us and changes in the regulatory environment in the PRC. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

NET CURRENT ASSETS OR LIABILITIES

The table below sets forth, as of the dates indicated, our current assets, current liabilities and net current liabilities or assets:

	As of December 31,			As of June 30,	As of July 31,
	2019	**2020**	**2021**	**2022**	**2022**
			RMB'000		
					(Unaudited)
Current assets:					
Inventories	178,144	255,840	664,323	761,082	773,389
Trade receivables	189,673	166,500	119,226	180,733	178,787
Prepayment and other receivables	31,238	86,816	89,146	39,711	40,642
Financial assets at fair value through profit or loss	–	5,800	–	–	–
Restricted cash	523	1,380	1,260	1,299	2,314
Cash and cash equivalents	27,097	83,000	80,855	82,913	47,175
Total current assets	**426,675**	**599,336**	**954,810**	**1,065,738**	**1,042,307**
Current liabilities:					
Lease liabilities	12,326	12,366	14,506	19,461	23,131
Trade and other payables	266,568	235,669	232,005	283,940	233,521
Contract liabilities	24,741	132,576	29,650	11,225	11,578
Current income tax liabilities	13,612	10,053	28,873	35,471	34,626
Borrowings	79,518	71,000	209,939	224,309	237,389
Redeemable convertible preferred shares	–	–	106,091	108,365	108,365
Total current liabilities	**396,765**	**461,664**	**621,064**	**682,771**	**648,610**
Net current assets	**29,910**	**137,672**	**333,746**	**382,967**	**393,697**

We had net current assets of RMB393.7 million as of July 31, 2022, consisting of current assets of RMB1,042.3 million and current liabilities of RMB648.6 million, which represented an increase of RMB10.7 million from our net current assets of RMB383.0 million as of June 30, 2022. This was primarily due to (i) a decrease of RMB50.4 million in trade and other payables, primarily due to our settlement with certain OEM suppliers and logistics service suppliers in July 2022; and (ii) an increase of RMB12.3 million in inventories, primarily due to procurement from our OEM suppliers, in line with our business development. This was partially offset by (i) a decrease of RMB35.7 million in our cash and cash equivalents, primarily due to our settlement with certain OEM suppliers and logistics service suppliers; and (ii) an increase of RMB13.1 million in borrowings, due to the increase of our bank borrowings to meet our working capital requirements for daily operations.

We had net current assets of RMB383.0 million as of June 30, 2022, consisting of current assets of RMB1,065.7 million and current liabilities of RMB682.8 million, which represented an increase of RMB49.2 million from our net current assets of RMB333.7 million as of December 31, 2021. This was primarily due to (i) an increase of RMB96.8 million in inventories due to our increased procurement from the OEM suppliers, which was in line with the development of our business; (ii) an increase of RMB61.5 million in trade receivables, primarily due to the increase of our sales through third-party e-commerce platforms; (iii) a decrease of RMB18.4 million in contract liabilities, primarily due to resumed shipment of products with the gradual alleviation of COVID-19 pandemic and the increased efficiency of our supply chain, enabling us to deliver products to customers more efficiently; and (iv) an increase of RMB2.0 million in cash and cash equivalents. This was partially offset by (i) an increase of RMB51.9 million in trade and other payables, primarily due to the resumption of our settlement with certain OEM suppliers and logistics service suppliers to semimonthly or monthly basis, in light of the alleviation of negative impact of COVID-19 on product supply and delivery; (ii) a decrease of RMB49.4 million in prepayments and other receivables, primarily due to the decrease in receivables from payment platforms caused by the increase in settlement frequency with payment platforms of our self-operated online stores; (iii) an increase of RMB14.4 million in borrowings, primarily due to the increase in bank borrowings; and (iv) an increase of RMB6.6 million in current income tax liabilities, primarily due to the increase in charge of current income tax.

We had net current assets of RMB333.7 million as of December 31, 2021, consisting of current assets of RMB954.8 million and current liabilities of RMB621.1 million, which represented an increase of RMB196.1 million from our net current assets of RMB137.7 million as of December 31, 2020. This was primarily due to (i) an increase of RMB408.5 million in inventories due to our increased procurement from the OEM suppliers to meet the foreseeable increase of our customers' demand, which was in line with the development of our business; and (ii) a decrease of RMB102.9 million in contract liabilities, primarily due to our resumed shipment of products in line with the gradual alleviation of COVID-19 pandemic and the increase of efficiency of our supply chain, which enabled us to deliver products to customers more efficiently. This was partially offset by (i) an increase of RMB138.9 million in borrowings primarily due to the increase of our bank borrowings; (ii) an increase of RMB106.1 million in redeemable convertible preferred shares; (iii) a decrease of RMB47.3 million in trade receivables primarily due to our increased sales through Amazon, the settlement cycle of which is relatively shorter than other third-party e-commerce platforms; and (iv) an increase of RMB18.8 million in current income tax liabilities primarily due to the increase of our profit before income tax.

We had net current assets of RMB137.7 million as of December 31, 2020, consisting of current assets of RMB599.3 million and current liabilities of RMB461.7 million, which represented an increase of RMB107.8 million from our net current assets of RMB29.9 million as of December 31, 2019. This was primarily due to (i) an increase of RMB77.7 million in our inventories mainly due to our increased procurement to satisfy the foreseeable increase of our sales, in line with the development of our business; (ii) an increase of RMB55.9 million in cash and cash equivalents mainly due to the increase of RMB56.8 million in cash at bank primarily due to increased sales through our self-operated online stores, in line with the rapid development of our self-operated online stores; (iii) an increase of RMB55.6 million in prepayments and other receivables mainly attributable to increased receivables from payment platforms in line with our increased sales and increased prepayment to suppliers and platforms, as we adjusted our prepayment policy to be more favorable to suppliers in order to maintain stable supplies and logistics during the outbreak of COVID-19; and (iv) a decrease of RMB30.9 million in trade and other payables, primarily due to decreased amount due to a related party upon settlement. This was partially offset by (i) a decrease of RMB23.2 million in trade receivables due to the increase in our sales through Amazon, the settlement cycle of which is relatively shorter than other third-party e-commerce platforms; and (ii) an increase of RMB107.8 million in contract liabilities, primarily attributable to the delivery of our sale through third-party e-commerce platforms experienced delay during the outbreak of COVID-19.

We had net current assets of RMB29.9 million as of December 31, 2019, consisting of current assets of RMB426.7 million and current liabilities of RMB396.8 million. Our current assets as of December 31, 2019 primarily comprise (i) trade receivables of RMB189.7 million; (ii) inventories of RMB178.1 million; (iii) prepayment and other receivables of RMB31.2 million; and (iv) cash and cash equivalents of RMB27.1 million. Our current liabilities as of December 31, 2019 primarily comprise (i) trade and other payables of RMB266.6 million; (ii) borrowings of RMB79.5 million; (iii) contract liabilities of RMB24.7 million; (iv) current income tax liabilities of RMB13.6 million; and (v) lease liabilities of RMB12.3 million.

LIQUIDITY AND CAPITAL RESOURCES

Our business operations and expansion plans require a significant amount of capital, including cash and cash equivalents as well as other working capital requirements. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bank borrowings and capital contributions from Shareholders. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had cash and cash equivalents of RMB27.1 million, RMB83.0 million, RMB80.9 million and RMB82.9 million, respectively, consisting of cash at bank and in hand.

Cash Flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
			RMB'000		
				(unaudited)	
Operating profit before changes in working capital	136,013	185,347	288,685	156,473	115,067
Changes in working capital	(41,765)	(47,193)	(479,553)	(249,524)	(97,756)
Interest received	99	86	67	38	33
Income taxes paid	(12,385)	(24,122)	(16,248)	(10,290)	(5,306)
Net cash generated from/(used in) operating activities	81,962	114,118	(207,049)	(103,303)	12,038
Net cash (used in)/generated from investing activities	(3,642)	(8,000)	(764)	1,567	(8,325)
Net cash (used in)/generated from financing activities	(100,221)	(48,069)	206,997	133,639	(3,710)
Net (decrease)/increase in cash and cash equivalents	(21,901)	58,049	(816)	31,903	3
Cash and cash equivalents at the beginning of the year/period	48,603	27,097	83,000	83,000	80,855
Effects of exchange rate changes on cash and cash equivalents	395	(2,146)	(1,329)	(663)	2,055
Cash and cash equivalents at the end of the year/period	**27,097**	**83,000**	**80,855**	**114,240**	**82,913**

Net cash (used in)/generated from operating activities

We derive our cash inflow from operating activities primarily through sale of apparel, footwear and other products. Cash from operating activities primarily reflects our profit before taxation, adjusted for non-cash or non-operating items, such as depreciation of right-of-use assets, depreciation of property, plant, and equipment, amortization of intangible assets, losses or gains on disposal of property, plant and equipment, interests received on financial assets at fair value through profit or loss, interest expenses, interest income, net impairment losses or reversal of impairment on financial assets, net impairment losses on inventories, net exchange differences and the changes in working capital, including increase in restricted cash, inventories, trade receivables, prepayment and other receivables, trade and other payables and contract liabilities.

Our net cash generated from operating activities was RMB12.0 million for the six months ended June 30, 2022. This net cash inflow was primarily due to (i) our profit before tax of RMB71.3 million, as adjusted to reflect non-cash or non-operating items of RMB43.7 million, which primarily included net impairment losses on inventories of RMB20.3 million, depreciation of right-of-use assets of RMB9.8 million, interest expenses of RMB6.7 million and net impairment losses on financial assets of RMB3.1 million; (ii) an increase in trade and other payables of RMB52.6 million, primarily due to the resumption of our settlement with certain OEM suppliers and logistics service suppliers to semimonthly or monthly basis, in light of the alleviation of negative impact of COVID-19 on product supply and delivery; and (iii) a decrease in prepayment and other receivables of RMB49.8 million, primarily due to the decrease in receivables from payment platforms caused by the increase in settlement frequency with payment platforms of self-operated online stores. This net cash inflow was partially offset by (i) an increase in inventories of RMB117.1 million, primarily due to our increased procurement from the OEM suppliers, which was in line with the development of our business; and (ii) an increase in trade receivables of RMB64.6 million, primarily due to the increase of sales through third-party e-commerce platforms.

Our net cash used in operating activities was RMB207.0 million for the year ended December 31, 2021. This net cash outflow was primarily due to (i) our profit before tax of RMB237.6 million, as adjusted to reflect non-cash or non-operating items of RMB51.1 million, which primarily included net impairment losses on inventories of RMB21.2 million, depreciation of right-of-use assets of RMB15.1 million and interest expenses of RMB8.5 million; (ii) an increase in inventories of RMB429.6 million, primarily due to the active prospect of our sales and mass production order we placed with our OEM suppliers; and (iii) a decrease in contract liabilities of RMB102.9 million primarily due to our resumed shipment of products in line with the alleviation of COVID-19 and the increase of efficiency of our supply chain, which enabled us to deliver products to customers more efficiently. This net cash outflow was partially offset by a decrease of trade receivables of RMB47.3 million caused by our increased sales through Amazon, the settlement cycle of which is relatively shorter than other third-party e-commerce platforms.

Our net cash generated from operating activities was RMB114.1 million for the year ended December 31, 2020. This net cash inflow was primarily due to (i) our profit before tax of RMB134.4 million, as adjusted to reflect non-cash or non-operating items of RMB50.9 million, which primarily included net impairment losses on inventories of RMB30.0 million, depreciation of right-of-use assets of RMB11.3 million and interest expenses of RMB6.3 million; and (ii) an increase in contract liabilities of RMB107.8 million attributable to the increased advances received from overseas customers through our self-operated online stores and the delayed delivery of our sale through third-party e-commerce platforms during the outbreak of COVID-19. This net cash inflow was partially offset by (i) an increase in inventories of RMB107.6 million caused by the continuous expansion of business scale and active prospect of our sales and mass production order we placed with our OEM suppliers to satisfy the foreseeable increase of market demand; (ii) a decrease in prepayment and other receivables of RMB55.7 million caused by the increase in receivables from third-party payment platforms caused by the increased sales; and the increase in prepayment we made to certain logistics service suppliers and certain OEM suppliers of our new products mainly due to the impact of COVID-19; and (iii) a decrease in trade and other payables of RMB13.3 million due to decreased trade payables due to related parties in line with our settlement and the decreased loan from related parties in line with repayment.

Our net cash generated from operating activities was RMB82.0 million for the year ended December 31, 2019. This net cash inflow was primarily due to (i) our profit before tax of RMB93.6 million, as adjusted to reflect non-cash or non-operating items of RMB42.4 million, which primarily included net impairment losses on inventories of RMB22.4 million, depreciation of right-of-use assets of RMB9.1 million, and interest expenses of RMB8.7 million; (ii) an increase in contract liabilities of RMB15.9 million primarily due to the increased advances received from overseas customers through our self-operated online stores; and (iii) an increase in trade and other payables of RMB29.6 million caused by the increase in receivables from third-party payment platforms caused by the increased sales. This net cash inflow was partially offset by (i) an increase in inventories of RMB60.1 million; (ii) an increase in prepayment and other receivables of RMB14.2 million; and (iii) an increase in trade receivables of RMB12.4 million.

Net cash (used in)/generated from investing activities

Our cash used in investing activities mainly reflects our cash used in payment of property, plant and equipment, payment of intangible assets and payment of financial assets at fair value through profit or loss. Our cash generated from investing activities primarily reflects proceeds from sale of financial assets at fair value through profit or loss, proceeds from disposals of property, plant and equipment.

Our net cash used in investing activities was RMB8.3 million for the six months ended June 30, 2022. This net cash outflow was primarily due to (i) payments of property, plant and equipment of RMB5.2 million, primarily in relation to our payments of warehousing facilities, fire safety facilities for our warehouses and electronic equipments; and (ii) payments of intangible assets of RMB3.1 million.

Our net cash used in investing activities was RMB0.8 million for the year ended December 31, 2021. This net cash outflow was primarily due to (i) payments of financial assets at fair value through profit or loss of RMB14.8 million; and (ii) payments of property, plant and equipment of RMB6.7 million. This net cash outflow was partially offset by proceeds from sale of financial assets at fair value through profit or loss of RMB20.6 million.

Our net cash used in investing activities was RMB8.0 million for the year ended December 31, 2020. This net cash outflow was primarily due to payments of financial assets at fair value of through profit or loss of RMB175.3 million, partially offset by the proceeds from sale of financial assets at fair value through profit or loss of RMB169.7 million, in connection with the purchase and redemption of wealth management products. See "– Selective Items from Consolidated Statements of Financial Position – Financial Assets at Fair Value through Profit or Loss."

Our net cash used in investing activities was RMB3.6 million for the year ended December 31, 2019. This net cash outflow was primarily due to payments of financial assets at fair value through profit or loss of RMB207.0 million. This net cash outflow was partially offset by the proceeds from sale of financial assets at fair value through profit or loss of RMB207.1 million, in connection with the purchase and redemption of wealth management products.

Net cash generated from/(used in) financing activities

Cash inflow generated from financing activities mainly comprises proceeds from bank borrowings, proceeds from related parties' loans and proceeds from third parties' loans. Our cash flow used in financing activities mainly comprises repayment of bank borrowings, repayment of borrowings from related parties, repayment of borrowings from third parties, principal elements of lease payments, contributions from shareholders, dividend paid to shareholders, deemed distributions to shareholders in relation to reorganization and interest paid.

Our net cash used in financing activities was RMB3.7 million for the six months ended June 30, 2022. This net cash outflow was primarily due to (i) repayment of bank borrowings of RMB126.4 million; (ii) principal elements of lease payments of RMB10.2 million; and (iii) interest paid of RMB6.7 million. This net cash outflow was partially offset by proceeds from bank borrowings of RMB139.9 million.

Our net cash generated from financing activities was RMB207.0 million for the year ended December 31, 2021. This net cash inflow was primarily due to (i) proceeds from bank borrowings of RMB245.2 million; (ii) proceeds from issue of redeemable preference shares of RMB103.8 million; and (iii) loans from related parties of RMB22.0 million. This net cash inflow was partially offset by (i) repayment of bank borrowings of RMB106.0 million; (ii) repayment of loans from related parties of RMB21.9 million; and (iii) principal elements of lease payments of RMB15.4 million.

Our net cash used in financing activities was RMB48.1 million for the year ended December 31, 2020. This net cash outflow was primarily due to (i) repayment of bank borrowings of RMB98.8 million; (ii) repayment of borrowings from related parties of RMB67.0 million; and (iii) principal elements of lease payments of RMB10.9 million. This net cash outflow was partially offset by (i) proceeds from bank borrowings of RMB92.0 million; and (ii) proceeds from related parties' loans of RMB43.0 million.

Our net cash used in financing activities was RMB100.2 million for the year ended December 31, 2019. This net cash outflow was primarily due to (i) repayment of borrowings from related parties of RMB120.0 million; (ii) repayment of bank borrowings of RMB97.9 million; and (iii) dividend paid to shareholders of RMB64.8 million. This net cash outflow was partially offset by (i) proceeds from related parties' loans of RMB122.9 million; and (ii) proceeds from bank borrowings of RMB102.3 million.

WORKING CAPITAL SUFFICIENCY

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations and bank borrowings.

Taking into account the financial resources available to us, including cash flow from operating activities and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

During the Track Record Period, our indebtedness mainly consisted of (i) bank borrowings; (ii) other payables; (iii) lease liabilities; and (iv) redeemable convertible preferred shares.

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of July 31,
	2019	**2020**	**2021**	**2022**	**2022**
			RMB'000		
					(Unaudited)
Included in current liabilities					
Bank borrowings					
– Secured borrowings[1]	47,800	56,000	130,139	152,109	162,189
– Unsecured borrowings	31,718	15,000	79,800	72,200	75,200
Redeemable convertible preferred shares	–	–	106,091	108,365	108,365
Loans from related parties	23,956	–	–	–	–
Current portion of lease liabilities	12,326	12,366	14,506	19,461	23,131
Sub-total	**115,800**	**83,366**	**330,536**	**352,135**	**368,885**
Included in non-current liabilities					
Non-current portion of lease liabilities	13,374	8,381	25,335	28,452	51,380
Bank borrowings					
– Secured borrowings	–	–	300	300	300
Total	**129,174**	**91,747**	**356,171**	**380,887**	**420,565**

Note:

(1) Such bank borrowings were guaranteed by our related parties, pledge of property and pledge of deposits.

Our bank borrowings during the Track Record Period were denominated in Renminbi, except for our borrowings from the Hongkong and Shanghai Banking Corporation Limited of USD2.5 million. Our bank borrowings during the Track Record Period were used to finance our capital expenditure and working capital requirements. Our current bank borrowings increased from RMB71.0 million as of December 31, 2020 to RMB209.9 million as of December 31, 2021, primarily due to our increased working capital need in 2021 with the expansion of our business. Due to the same reason, our current bank borrowings further increased from RMB209.9 million as of December 31, 2021 to RMB224.3 million as of June 30, 2022.

During the Track Record Period, we did not have any material default on our short-term bank borrowings.

All guarantees and pledges of properties provided to us by our Controlling Shareholders and related parties for our bank borrowings during the Track Record Period will be released upon the [**REDACTED**]. See "Relationship with Controlling Shareholders – Independence from Our Controlling Shareholders – Financial Independence" for details.

Except as discussed above, we had no outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of July 31, 2022, being our indebtedness statement date. After due and careful consideration, our Directors confirm that there had been no material adverse change in our indebtedness since July 31, 2022 and up to the Latest Practicable Date.

As of July 31, 2022, we had unutilized credit facilities of RMB39.8 million. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

Contingent Liabilities

We did not have, as of July 31, 2022, any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interest and classified as owners' equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

RELATED PARTY TRANSACTIONS

Transactions with Related Parties

Loans from Related Parties

During the Track Record Period, we had loans from related parties, including our shareholders, directors, senior management of our subsidiaries and/or their family members. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, we had loans from related parties of RMB122.9 million, RMB43.0 million, RMB22.0 million and nil, respectively, primarily due to our growing capital demands for payment to our OEM suppliers and logistics service suppliers caused by our business expansion. We had repayment of loans from related parties of RMB120.0 million, RMB67.0 million, RMB21.9 million and nil, respectively, during the same periods. These loans were all denominated in Renminbi and repayable in one year. Certain of the loans were interest free while the remaining bear an interest rate with reference to the bank interest rate during the same period. The interest rate was determined with reference to the interest rate of bank loans under similar terms. In 2019, 2020 and 2021 and the first half of 2022, we paid interest expenses of RMB3.2 million, RMB1.2 million, RMB18,000 and nil, respectively. Our Directors believe that our liquidity and working capital would not be affected after the discontinuance of such related party loans after the [**REDACTED**], taking into account (i) our cash and cash equivalents as of June 30, 2022; (ii) our inventories as of June 30, 2022; (iii) our trade receivables as of June 30, 2022; (iv) prepayment and other receivables as of June 30, 2022; (v) the operating cash inflow we expected to receive from June 30, 2022 to the [**REDACTED**]; and (vi) our estimated net cash used in operating activities, including estimated staff costs, office expenses and other related expenses.

Upon the completion of this [**REDACTED**], we will comply with the relevant Listing Rules and adopt a more prudent approach when reviewing and engaging related party transactions.

Purchase of Advertising Services

Jiahe Group primarily engaged in the advertising agency business when we established and maintained business relationship with Jiahe Group. Jiahe Group had built business relationship with an Independent Third Party advertising reseller, which is authorized by multiple overseas social media platforms to place advertisements on such platforms. Jiahe Group was controlled by a family relative of Ms. Yu, who has experience in agency services accumulated from previous work experience. Jiahe Group was disposed (the "**Disposal**") to an Independent Third Party who is our former employee in May 2021. As confirmed by Frost & Sullivan, it is the industry practice that advertising customers may either choose authorized advertising resellers or advertising agencies that have business relationship with the authorized advertising resellers, to place advertisements on social media platforms, depending on factors such as the terms they offer, the social media platforms covered and any other restrictions on placing advertisements. We chose to cooperate with Jiahe Group in June 2020 to place advertisements on certain major social media platforms, as it was able to provide us with commercially reasonable terms that are comparable to those provided by other authorized advertising resellers or advertising agencies engaged by us. Since June 2020 and up to May 2021, Jiahe Group provided us advertising agency services mainly including targeted advertising services of our self-operated online stores on certain social media platforms. Our consideration to Jiahe Group, including the advertising fees for advertisement placement on social media platforms, net off the rebate provided by Jiahe Group, was RMB54.9 million in 2020 and RMB5.8 million in 2021. Such amount was trade in nature, and were fully settled as of the Latest Practicable Date. Our consideration to Jiahe Group after deducting the rebate decreased from RMB54.9 million for the year ended December 31, 2020 to RMB5.8 million for the year ended December 31, 2021, primarily as we started to cooperate with some new advertising agencies to place advertisements on social media platforms since late 2020. Along with our increased bargaining power with the rapid business expansion, more Independent Third Party advertising agencies approached us seeking for cooperation and offered attractive terms, some of which offered us rebate that could reduce our overall marketing and advertising expenses if we fulfill certain criteria, such as the amount of effective advertisement placement. We started to cooperate with them to place advertisements on social media platforms and expect to place advertisements with a lower price and reduce our marketing and advertising expenses. Taking into account the commercial terms provided by other advertising agencies and authorized advertising resellers during the Track Record Period, our Directors are of the view that the terms provided by Jiahe Group and relevant advertising fees paid by us are comparable to the market level and commercially reasonable. We ceased to procure online marketing advertising services from Jiahe Group in May 2021 when our contract with Jiahe Group expired upon mutual consent. We did not renew the contract with Jiahe Group in respect of advertising agency services after its expiry, and will not continue to procure advertising services from Jiahe Group, primarily as the new owner of Jiahe Group intends to focus on its other business after the Disposal, instead of further developing advertising agency services.

Sales and Services to Related Parties

From early 2021, to our best knowledge, Jiahe Group has diversified its business to sale of furniture and outdoor and sports goods through third-party e-commerce platforms to improve profitability. Therefore, Jiahe Group started to procure from multiple furniture and outdoor and sports goods suppliers, including us and other independent suppliers, in order to develop its sales business. To our best knowledge, the customers who procured the furniture and outdoor and sports goods from Jiahe Group are mainly retail customers of third-party e-commerce platforms, who are Independent Third Parties. In February 2021, we sold certain furniture and outdoor and sports goods to Jiahe Group for a consideration of RMB14.2 million, which was trade in nature, primarily as we intended to focus more on sale of apparel and footwear products going forward and ceased to explore sale of furniture through e-commerce platforms thereby disposing the inventories we hold in a one-off transaction. Further, we also provided warehousing and logistics services to facilitate Jiahe Group's sale of products procured from us and other third-party suppliers during its e-commerce business operations. Such services are regarded as other income and amounted to RMB1.5 million. To our best knowledge after making reasonable enquiries, since its disposal in May 2021 and up to the Latest Practicable Date, Jiahe Group operated as an e-commerce platform-based seller and focused primarily on sale of furniture and outdoor and sports goods through third-party e-commerce platforms.

Save for the related party transactions disclosed above, we had no other transactions with Jiahe Group during the Track Record Period and up to the Latest Practicable Date.

Balances with Related Parties

Trade and Other Payables

As of December 31, 2019, 2020 and 2021 and June 30, 2022, trade payables to Mr. Hua, which were trade in nature, amounted to RMB27.7 million, nil, nil and nil, respectively. For details of trade payables to Mr. Hua, see "– Selective Items from Consolidated Statements of Financial Position – Trade Payables."

As of December 31, 2019, 2020 and 2021 and June 30, 2022, other payables to Jiahe Group, which were trade in nature, amounted to nil, RMB1.5 million, nil and nil, respectively. For details of other payables with Jiahe Group, see "– Transactions with Related Parties – Purchase of Advertising Services" above.

We have petty cash and advanced payments made by our related parties during the daily operations, which were trade in nature. As of December 31, 2019, 2020 and 2021 and June 30, 2022, other payables to a shareholder of our Company amounted to RMB0.1 million, RMB9,000, nil and nil, respectively.

Other Receivables

We have petty cash and advanced payments made to our related parties during the daily operations, which were trade in nature. As of December 31, 2019, 2020 and 2021 and June 30, 2022, other receivables from a shareholder of our Company amounted to RMB50,000, nil, nil and nil, respectively.

Payables to Related Parties

During the Track Record Period, we also have payables to related parties which were non-trade in nature. Such amount was interest free and repayable upon demand. As of December 31, 2019, 2020 and 2021 and June 30, 2022, payables to related parties of non-trade nature amounted to RMB24.0 million, RMB6.3 million, nil and nil, respectively.

As of the Latest Practicable Date, we had settled all non-trade amounts due from/to related parties. We will not conduct non-trade related party transactions after the [**REDACTED**], except as in compliance with the Listing Rules.

It is the view of our Directors that each of the related party transactions set out in Note 34 of the Accountant's Report in Appendix I to this document (i) were conducted on normal and arm-length commercial terms, which are considered fair, reasonable and in the interest of our Shareholders as a whole; and (ii) do not distort our Track Record Period results or make our historical results not reflective of future performance.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Profitability ratios				
Gross profit margin(1)	69.8%	72.6%	75.2%	75.9%
Net profit margin(2)	5.7%	6.0%	8.5%	4.8%
Return on equity(3)	125.3%	66.1%	53.8%	N/A
Return on assets(4)	17.1%	17.7%	19.7%	N/A

	As of December 31,			As of June 30,
	2019	2020	2021	2022
Liquidity ratios				
Current ratio(5)	1.1x	1.3x	1.5x	1.6x
Quick ratio(6)	0.6x	0.7x	0.5x	0.4x
Capital adequacy ratios				
Gearing ratio(7)	199.6%	53.2%	95.5%	87.7%
Debt to equity ratio(8)	157.6%	5.1%	73.8%	68.6%
Liabilities to assets ratio(9)	86.4%	73.2%	63.4%	62.1%

Notes:

(1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin is calculated based on profit for the period divided by revenue and multiplied by 100%.

(3) Return on equity is calculated based on profit for the year divided by the total equity at the end of the year and multiplied by 100%.

(4) Return on assets is calculated based on profit for the year divided by total assets at the end of the year and multiplied by 100%.

(5) Current ratio is calculated based on total current assets divided by total current liabilities.

(6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(7) Gearing ratio is calculated based on total interest-bearing borrowings (including bank borrowings, loans from related parties, lease liabilities and redeemable convertible preferred shares) divided by total equity multiplied by 100%.

(8) Debt to equity ratio is calculated based on total interest-bearing borrowings (including bank borrowings, loans from related parties, lease liabilities and redeemable convertible preferred shares) less cash and cash equivalents divided by total equity multiplied by 100%.

(9) Liabilities to assets ratio is calculated based on total liabilities divided by total assets multiplied by 100%.

Gross Profit Margin and Net Profit Margin

See "– Year to Year/Period to Period Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the respective periods.

Return on Equity

Our return on equity decreased from 125.3% in 2019 to 66.1% in 2020 and further to 53.8% in 2021, primarily due to significant increase in our equity caused by the increase of our net profit.

Return on Assets

Our return on assets increased from 17.1% in 2019 to 17.7% in 2020, and further to 19.7% in 2021, primarily due to the increase of our net profit.

Current Ratio

Our current ratio increased from 1.1 as of December 31, 2019 to 1.3 as of December 31, 2020, and further to 1.5 in 2021. Our current ratio increased from 1.5 as of December 31, 2021 to 1.6 as of June 30, 2022. Such increase was primarily due to continuous increase in our inventories during the Track Record Period.

Quick Ratio

Our quick ratio increased from 0.6 as of December 31, 2019 to 0.7 as of December 31, 2020, primarily due to the increase in cash and cash equivalents. Our quick ratio decreased from 0.7 as of December 31, 2020 to 0.5 as of December 31, 2021, primarily due to the increase in our total current liabilities caused by the increase of bank borrowings and redeemable convertible preferred shares. Our quick ratio decreased from 0.5 as of December 31, 2021 to 0.4 as of June 30, 2022, primarily due to the increase in total current liabilities mainly caused by the increase of trade and other payables.

Gearing Ratio

Our gearing ratio decreased from 199.6% as of December 31, 2019 to 53.2% as of December 31, 2020, primarily due to (i) increase in cash and cash equivalents; and (ii) our prepayment of loans from related parties in 2020. Our gearing ratio increased from 53.2% as of December 31, 2020 to 95.5% as of December 31, 2021, primarily due to the increase in bank borrowings, lease liabilities and redeemable convertible preferred shares. Our gearing ratio decreased from 95.5% as of December 31, 2021 to 87.7% as of June 30, 2022, primarily due to the increase in total equity as of June 30, 2022.

Debt to Equity Ratio

Our debt to equity ratio decreased from 157.6% as of December 31, 2019 to 5.1% as of December 31, 2020, primarily due to the decrease of bank borrowings and the increase in total equity as a result of increase in the net profit earned in 2020. Our debt to equity ratio increased significantly from 5.1% as of December 31, 2020 to 73.8% as of December 31, 2021, primarily due to the increase in bank borrowings, lease liabilities and redeemable convertible preferred shares. Our debt to equity ratio decreased from 73.8% as of December 31, 2021 to 68.6% as of June 30, 2022, primarily due to the increase in total equity as of June 30, 2022.

Liabilities to assets ratio

Our liabilities to assets ratio decreased from 86.4% as of December 31, 2019 to 73.2% as of December 31, 2020, and further to 63.4% as of December 31, 2021. Our liabilities to assets ratio decreased from 63.4% as of December 31, 2021 to 62.1% as of June 30, 2022. Such continuous decrease was primarily due to the continuous increase of our total assets during the Track Record Period.

FINANCIAL RISKS

We are exposed to a variety of financial risks, including credit risk and liquidity risk, as set out below. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. We had not used any derivative financial instruments to hedge certain risk exposures during the Track Record Period. For further details, see Note 3 in the Accountant's Report set out in Appendix I to this document.

Foreign exchange risk

We operate internationally and are exposed to foreign exchange risk arising from various currency exposures. Our subsidiaries collect most of the revenue and incur most of the expenditures in respect of their functional currencies. Foreign exchange risk arises from various currency exposures primarily through proceeds received from customers and shareholders, and payments to the suppliers that are denominated in a currency other than our subsidiaries' functional currency. The currencies giving rise to this risk are primarily the U.S. dollar, the Euro and the Hong Kong dollar, as most of our sales and certain purchase are denominated in the U.S. dollar, the Euro and the Hong Kong dollar. Our management considers that our exposure to foreign currency exchange risk is not significant due to most of the functional currency of our subsidiaries is the same as the transaction currency.

We do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, if Renminbi had strengthened or weakened by 5% against the U.S. dollar, the Euro and the Hong Kong dollar with all other variables held constant, the total profit for the year or period would have been RMB1.5 million, RMB4.0 million, RMB2.5 million lower or higher and RMB1.6 million higher or lower, respectively, mainly as a result of foreign exchange losses or gains on translation of the U.S. dollar, the Euro and the Hong Kong dollar denominated cash and cash equivalents, trade and other receivables and trade and other payables.

Cash flow and fair value interest rate risk

Our interest rate risk arises from bank deposits and borrowings. Borrowings obtained at variable rates expose us to cash flow interest rate risk which is partially offset by cash at bank with variable interest rates. Borrowings obtained at fixed rates expose us to fair value interest rate risk. During the Track Record Period, our borrowings bore interest both at variable rates and fixed rates. Bank deposits carried at prevailing market interest rate expose us to cash flow interest rate risk. We closely monitor trend of interest rate and its impact on our interest rate risk exposure to ensure it is within an acceptable level. We currently do not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

During the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, if interest rate on borrowings had been increased or decreased by 50 basis points of current interest rate, with other variables held constant, post tax profit for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 would have been approximately RMB166,000 lower or higher, RMB155,000 lower or higher, RMB329,000 lower or higher, RMB92,000 lower or higher and RMB221,000 lower or higher, respectively.

Credit risk

We are exposed to credit risk in relation to our cash and cash equivalents, restricted cash and trade and other receivables. The carrying amount of each class of the above financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

Credit risk of cash and cash equivalents and restricted cash

To manage this risk, cash deposits at banks are mainly placed with state-owned and reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

Credit risk of trade receivables

We have policies in place to ensure that trade receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties.

We apply the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the aging.

Credit risk of other receivables

For other receivables, our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and experience. We believe that there is no material credit risk inherent in our outstanding balance of other receivables.

See Note 3 in the Accountant's Report set out in Appendix I to this document for details on credit risk.

Liquidity risk

To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows.

See Note 3 in the Accountant's Report set out in Appendix I to this document for details on liquidity risk.

DIVIDENDS

No dividend had been paid or declared by us during the Track Record Period. We do not currently have a pre-determined dividend payout ratio.

Subject to the Cayman Companies Act, through a general meeting, we may declare dividends, but no dividend may be declared unless out of either profit or share premium account and no dividend shall exceed the amount recommended by our Board. Any declaration of dividends will be at the absolute discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future. In accordance with the Cayman Companies Act and our Articles of Association, dividends may be declared and paid out of our profits and reserves lawfully available for distribution.

As we are a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid only out of the net profit for the year calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

Our distributable reserves comprise retained earnings. As of June 30, 2022, we had distributable reserves of RMB149.1 million.

[REDACTED]

Our [**REDACTED**] mainly include [**REDACTED**], legal and professional fees paid to the professional parties and other expenses for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. The estimated total [**REDACTED**] (based on the mid-point of our indicative [**REDACTED**] for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately HK$[**REDACTED**] (including (i) [**REDACTED**], SFC transaction levy, Stock Exchange trading fees and FRC transaction levy for all [**REDACTED**] of approximately HK$[**REDACTED**], and (ii) non-[**REDACTED**] related expenses of approximately HK$[**REDACTED**], which consist of (a) fees and expenses of legal advisors and accountants of approximately HK$[**REDACTED**], and (b) sponsor fee and other fees and expenses of approximately HK$[**REDACTED**]), representing approximately [**REDACTED**]% of the gross [**REDACTED**] based on the same assumptions. During the Track Record Period, we incurred [**REDACTED**] in aggregate of HK$[**REDACTED**], of which (i) HK$[**REDACTED**] was charged to the consolidated statements of profit or loss as general and administrative expenses; and (ii) HK$[**REDACTED**] was directly attributable to the issuance of shares and will be recognized as a deduction in equity directly upon the [**REDACTED**]. We expect approximately HK$[**REDACTED**] to be recognized as general and administrative expenses and approximately HK$[**REDACTED**] to be recognized as a deduction in equity directly upon the [**REDACTED**].

Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2022.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to show the effect of the [**REDACTED**] on our net tangible assets as of June 30, 2022, as if the [**REDACTED**] had taken place on June 30, 2022.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the [**REDACTED**] been completed as of June 30, 2022 or at any future date. The unaudited pro forma statement of adjusted net tangible assets is based on the unaudited consolidated total net tangible assets of our Group attributable to the owners of the Company as of June 30, 2022 derived from the Accountant's Report as set out in Appendix I to this document, and adjusted as follows:

	Audited consolidated net tangible assets of our Group attributable to the owners of the Company as of June 30, 2022	Estimated impact to the consolidated net tangible assets upon the conversion of the redeemable convertible preferred shares	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted net tangible assets attributable to the owners of the Company as of June 30, 2022	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$ equivalent*
	(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*	*(Note 5)*
Based on an [**REDACTED**] of HK$[[**REDACTED**] per Share	430,818	108,365	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[[**REDACTED**] per Share	430,818	108,365	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The audited consolidated net tangible assets attributable to owners of the Company as at June 30, 2022 is extracted from the historical financial information contained in the Accountant's Report set forth in Appendix I to this document, which is based on the audited consolidated net assets of our Group attributable to the owners of the Company as at June 30, 2022 of approximately RMB434,290,000 with an adjustment for the intangible assets attributable to owners of the Company as at June 30, 2022 of approximately RMB3,472,000.

(2) The Company's redeemable convertible preferred shares are all converted into the ordinary shares of the Company upon [**REDACTED**]. The adjustment represents the impact of the conversion of the redeemable convertible preferred shares into the ordinary shares of the Company, issued up to the date of this document, on the net tangible assets of the Group attributable to owners of the Company. The estimated impact is RMB108,365,000, being the carrying amount of the Company's redeemable convertible preferred shares as of June 30, 2022.

(3) The estimated [**REDACTED**] from the [**REDACTED**] are based on the [**REDACTED**] of HK$[**REDACTED**] per Share and HK$[**REDACTED**] per Share, respectively after deduction of the [**REDACTED**] fees and other related expenses paid/payable by the Company, excluding [**REDACTED**] of approximately RMB37,531,000 which has been accounted for in the consolidated statements of comprehensive income up to June 30, 2022. It does not take account of any Shares which may be issued upon the exercise of the [**REDACTED**] or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this document.

(4) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the conversion of the redeemable convertible preferred shares, the share subdivision, the Capitalization Issue and the [**REDACTED**] had been completed on June 30, 2022 without taking into account of any Shares which may be issued upon the exercise of the [**REDACTED**] or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this document.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8841 to HK$1.00, as set out in "Information about this Document and the [**REDACTED**]" to this document. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(6) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of our Group to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2022.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the [**REDACTED**] of the Shares on the Stock Exchange.

RECENT DEVELOPMENT

Recent Business Development

Since early 2022, there has been an increasing global inflation, especially in the United States. The Federal Reserve of the United States raised the interest rates in the United States several times in the first half of 2022. According to Frost & Sullivan, such inflation and the corresponding economic uncertainty adversely affected the spending power and the purchasing habits of customers, resulting in more conservative consumption and more frequent product return in cross-border e-commerce export B2C market. Such high inflation and increasing interest rates have been continuing since July 2022, according to Frost & Sullivan. Under such circumstance, our Directors expect the high inflation and increasing interest rates in the United States may continue affecting the growth rate of our results of operations during the remaining time of 2022. Considering that (i) our revenue growth rate is adversely affected by more conservative consumption and increased return rate of sale through Amazon in relation to the continuous negative impact on the spending power and customers' purchasing habits brought by the high inflation and the increasing interest rates in the United States; and (ii) we do not plan to reduce our investments in marketing and advertising activities aiming to maintain and strengthen our competitive position, thus we expect to continue to incur substantial marketing and advertising expenses in the second half of 2022, we expect to record decreased net profit for the year ending December 31, 2022, compared with that for the year ended December 31, 2021. See "Risks Factors – Risks relating to Our Business and Industry – Our business and financial position may be adversely affected if we are not able to continue servicing the United States market effectively or if there is any adverse change in the macroeconomic situation or economic downturn in the United States."

Since July 2022, there have been further waves of recurrence of COVID-19 cases in certain parts of the PRC, including Shanghai and Sanya. The PRC government has also imposed temporary regional control measures in cities where confirmed cases are reported. However, neither our OEM suppliers nor we were subject to any regional control measures which would materially and adversely affect our business, results of operations and financial conditions, as our procurement from OEM suppliers had not experienced any material interruption and none of our OEM suppliers informed us of any material impact caused by regional control measures. As of the Latest Practicable Date, none of our OEM suppliers were located in Shanghai or Sanya, which were the cities mostly affected by the recent recurrence of COVID-19 and thus subject to strict regional control measures. To our best knowledge after making reasonable inquiries with our major OEM suppliers, our OEM suppliers proactively adopt measures to mitigate the impact of COVID-19 pandemic. For example, some OEM suppliers require their employees to live and stay in their workshop and avoid unnecessary cross-regional traveling to meet the timing requirement of products supply during the pandemic. Therefore, our procurement, sales and delivery maintained stable subsequent to the Track Record Period and up to the Latest Practicable Date. We closely monitor the indicators for any further waves of COVID-19 outbreaks and proactively take precautionary measures to minimize the risk of spreading and contracting COVID-19 in our office premises.

The Impact of Recent Electricity Restriction Policies

Since September 2021, the PRC government has imposed power restriction policies across China, including the regions where we and certain of our OEM suppliers locate. During the Track Record Period and up to the Latest Practicable Date, our electricity consumption and daily operations had not been suspended or restricted at the request of the local government authority. To our best knowledge, a small number of our OEM suppliers had received notice on the restriction on the usage of electricity after September 2021. However, they managed to resume normal manufacturing through the deployment of electric generators. Up to the Latest Practicable Date, we had not experienced any material delay in product delivery by our OEM suppliers due to the impact of electricity restriction policies. See "Risk Factors – Risks Relating to Our Business and Industry – Our operations may be subject to risks brought by the power restriction policies of the PRC government from time to time."

No Material Adverse Change

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2022, being the date of the latest audited consolidated financial position of our Group as set out in the Accountant's Report in Appendix I to this document.

FUTURE PLANS

See the section headed "Business – Our Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate the [**REDACTED**] of the [**REDACTED**] which we will receive, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-end of the [**REDACTED**] stated in this document), will be approximately HK$[**REDACTED**], after deduction of [**REDACTED**] fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**] and assuming the [**REDACTED**] is not exercised.

We intend to use the [**REDACTED**] of the [**REDACTED**] for the following purposes:

- approximately [**REDACTED**]% (or HK$[**REDACTED**]) will be used to enhance our sales and branding capabilities, such as advertisement placement, procurement of marketing solutions and other promotion activities: among which, (a) approximately [**REDACTED**]% (or HK$[**REDACTED**]) to be used to procure Amazon advertising solution, such as sponsored products advertising, Amazon branding promotion services, customized advertisement and DSP services; (b) approximately [**REDACTED**]% (or HK$[**REDACTED**]) to be used to procure advertising services on other third-party e-commerce platforms; and (c) approximately [**REDACTED**]% (or HK$[**REDACTED**]) to be used to place advertisement on leading social media platforms, including Facebook, Instagram and Google, and procure other marketing solutions. In particular, we expect to spend HK$[**REDACTED**] from November 2022 to the end of 2023 to procure branding promotion services in different third-party platforms, to accommodate our business expansion demands after [**REDACTED**], and spend HK$[**REDACTED**] in 2024 and HK$[**REDACTED**] in 2025 for additional marketing activities in response to our then business operations.

  The expense relating to our sales and marketing activities which is primarily for the business we operate on third-party online platforms will be recorded as selling expenses and distribution costs. The above expansion plans will have no material impact on our cost structure. We expect to enhance our sales and marketing capabilities on third-party online platforms through such plans, which enables us generate more revenue, improve our profit margin and increase our operating cash inflow in the long-term.

- approximately [**REDACTED**]% (or HK$[**REDACTED**]) will be used to enhance our supply chain management system; among which:

  (i) approximately [**REDACTED**]% (or HK$[**REDACTED**]) will be used to establish our own smart logistics and warehousing system, estimated based on our past experience in warehousing leasing and industry average costs to establish new warehouses: among which (a) approximately [**REDACTED**]% (or HK$[**REDACTED**]) will be used for the acquisition or construction of our own warehouse equipped with warehousing systems, including HK$[**REDACTED**] to acquire a parcel of land with a site area of approximately 33,000 sq.m. in 2025 and on which we plan to spend HK$[**REDACTED**] to construct our own warehouse. We expect to expand our warehousing capacity by 100,000 m^3 (equivalent to the warehousing capacity of a warehouse with GFA of 33,000 sq.m.) upon completion of such warehousing establishment; and (b) approximately [**REDACTED**]% (or HK$[**REDACTED**]) to be used for the leasing of warehouse facilities. We expect to expanding our warehousing capacity by 144,000 m^3 (equivalent to the warehousing capacity of a warehouse with GFA of 48,000 sq.m.) through such warehousing leasing. In particular, we plan to use approximately HK$[**REDACTED**], HK$[**REDACTED**], and HK$[**REDACTED**] to lease additional warehouses with GFA of 19,000 sq.m., 14,000 sq.m. and 15,000 sq.m. from November 2022 to the end of 2023, in 2024 and in 2025, respectively. Through the above-mentioned measures, we estimate the aggregated GFA of our warehouses to expand by 24%, 14% and 13% each year in the next three years, which is in line with our business expansion plan. Our planned acquisition or construction and leasing of warehouse facilities could collectively increase our existing warehousing capacity by over four times; and

  (ii) approximately [**REDACTED**]% (or HK$[[**REDACTED**]) will be used to upgrade our existing warehouses management: among which, approximately [**REDACTED**]% (or HK$[**REDACTED**]) to be used for the recruitment of 20 to 24 warehouse operations managers, 6 to 10 logistics managers and 21 to 26 product supply chain managers in the next three years. In particular, we expect to spend HK$[**REDACTED**] from November 2022 to the end of 2023, HK$[**REDACTED**] in 2024 and HK$[**REDACTED**] in 2025 to expand our supply chain management team, which is in line with our business expansion plan; and approximately [**REDACTED**]% (or HK$[**REDACTED**]) to be used to upgrade our existing logistics and warehouse system through acquiring modern facilities and equipment such as Personal Digital Assistant, smart picking systems and smart packing systems, to improve the operating efficiency of our warehouses.

The establishment of smart logistics and warehousing system is expected to increase our property, plant and equipment and right-of-use assets. The expenses relating to the upgrade of existing warehouses and the intelligentization of our supply chain management will be recorded as general and administrative expenses and selling expenses and distribution costs. Such plans will not materially affect our cost structure. We expect to enhance our supply chain management capabilities through such plans, which enhance the efficiency of our supply chain and improve our profit margin in the long-term.

- approximately [**REDACTED**]% (or HK$[**REDACTED**]) will be used for the establishment of large-scale independent self-operated online stores on our proprietary websites; among which,

  (i) approximately [**REDACTED**]% (or HK$[**REDACTED**]) to be used to procure marketing solutions for large-scale independent self-operated online stores and place advertisement on leading social media platforms, including Facebook, Instagram and Google. In particular, we expect to spend HK$[**REDACTED**] from November 2022 to the end of 2023 for the marketing solutions at the initial development stage of large-scale independent self-operated online stores. And we expect to spend HK$[**REDACTED**] in 2024 and HK$[**REDACTED**] in 2025, to satisfy our gradually increasing advertising demand to enhance our customer-acquisition capacity; and

  (ii) approximately [**REDACTED**]% (or HK$[**REDACTED**]) to be used to procure servers and other relevant equipment to support the operation of the large-scale independent self-operated online stores.

  The expenses relating to the establishment of large-scale independent self-operated online stores will be recorded as general and administrative expenses and selling expenses and distribution costs. The above expansion plans will have no material impact on our cost structure. We expect to achieve the establishment and expansion as well as the enhancement of our brand recognition of the large-scale independent self-operated online stores through such plans, which enables us to generate more revenue, improve our profit margin and increase our operating cash inflow in the long-term.

- approximately [**REDACTED**]% (or HK$[**REDACTED**]) will be used to enhance our product research and development capabilities, among which,

  (i) approximately [**REDACTED**]% (or HK$[**REDACTED**]) will be used to establish and upgrade our intelligent platforms: among which, (i) approximately [**REDACTED**]% (or HK$[**REDACTED**]) to be used for the procurement of equipment such as server and computers, cloud services, and the upgrade and maintenance of our equipment and cloud services for the development of such platforms. In particular, we expect to spend HK$[**REDACTED**] from November 2022 to the end of 2023, HK$[**REDACTED**] in 2024 and HK$[**REDACTED**] in 2025 for the above-mentioned procurement plan, which is in line with our business expansion plan; and (ii) approximately [**REDACTED**]% (or HK$[**REDACTED**]) to be used to establish our overseas buyers team in the next three years, to collect fashion elements worldwide and provide supplement to our intelligent design system. In particular, we expect to spend HK$[**REDACTED**] from November 2022 to the end of 2023, HK$[**REDACTED**] in 2024 and HK$[**REDACTED**] in 2025 to expand the buyer team, which is in line with our business expansion plan; and

  (ii) approximately [**REDACTED**]% (or HK$[**REDACTED**]) will be used to upgrade and establish research and development center: among which, (a) approximately [**REDACTED**]% (or HK$[**REDACTED**]) to be used to lease properties with GFA of approximately 2,000 sq.m. as our new office premises for our research and development center in the next three years and to renovate and upgrade our research and development center in the next three years; and (b) approximately [**REDACTED**]% (or HK$[**REDACTED**]) to be used as our research and development expenses and to procure more facilities for our research and development works, such as computers, sewing machines and fabric detecting machines.

  The expenses relating to expanding our overseas buyers team will be recorded as our selling expenses and distribution costs and general and administrative expenses. The establishment and upgrade of our intelligent platforms and research and development centers will affect our cost structure and the relevant expenses will be recorded as general and administrative expenses. As the above development on our research and development capabilities enhances our operating efficiency and enables us to identify customers' demand for product design more efficiently, we expect to generate more revenue, enhance our profit margin and operating cash inflow.

- approximately [**REDACTED**]% (or HK$[**REDACTED**]) will be used for the upgrade and procurement of our IT infrastructure, including procurement of cloud services, hardware and software for firewalls, intelligent management systems and design management systems in the next three years.

  We expect the upgrade and procurement of IT infrastructure will increase our property, plant and equipment and intangible assets. We expect the development of our IT system will cause cash outflow in the short-term but enhance our operating efficiency and profit margin in the long-term.

The above allocation of the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the estimated [**REDACTED**] or that the [**REDACTED**] is exercised.

If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the high-end of the [**REDACTED**] stated in this document) and assuming the [**REDACTED**] is not exercised, we will receive the [**REDACTED**] of approximately HK$[**REDACTED**], after deduction of [**REDACTED**] fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**].

If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the low-end of the [**REDACTED**] stated in this document) and assuming the [**REDACTED**] is not exercised, the [**REDACTED**] we will receive will be approximately HK$[**REDACTED**], after deduction of [**REDACTED**] fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**].

In the event that the [**REDACTED**] is exercised in full, we will receive additional [**REDACTED**] ranging from approximately HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the low-end of the proposed [**REDACTED**]) to HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the high-end of the proposed [**REDACTED**]), after deduction of [**REDACTED**] fees and commissions and estimated expenses payable by us in connection with the [**REDACTED**].

To the extent that the [**REDACTED**] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will place the [**REDACTED**] in short-term interest-bearing accounts at authorized licensed banks. We will make an appropriate announcement if there is any change to the above proposed use of [**REDACTED**] or if any amount of the [**REDACTED**] will be used for general corporate purpose.

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[**REDACTED**]

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[REDACTED]

The following is the text of a report set out on pages [I-[1]] to [I-[4]], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZIBUYU GROUP LIMITED, HUATAI FINANCIAL HOLDINGS (HONGKONG) LIMITED AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of Zibuyu Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-[5]] to [I-[76]], which comprises the consolidated statements of financial position as at December 31, 2019, 2020 and 2021 and June 30, 2022, the statements of financial position of the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-[5]] to [I-[76]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 1.5 and Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 1.5 and Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022 and the consolidated financial position of the Group as at December 31, 2019, 2020 and 2021 and June 30, 2022, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 1.5 and Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and cash flows for the six months ended June 30, 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Note 1.5 and Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 1.5 and Note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-[5]] have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[*Date*]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all amounts are rounded to the nearest thousand (RMB'000), unless otherwise stated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,			Six months ended June 30,	
	Note	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Revenue	*5*	1,428,854	1,898,109	2,346,543	1,100,686	1,277,527
Cost of sales	*8*	(430,919)	(520,301)	(581,008)	(266,225)	(308,411)
Gross profit		997,935	1,377,808	1,765,535	834,461	969,116
Selling expenses and distribution costs	*8*	(833,610)	(1,162,217)	(1,413,705)	(636,422)	(838,255)
General and administrative expenses	*8*	(69,636)	(70,979)	(108,969)	(55,616)	(62,923)
Net (impairment losses)/Reversal of impairment on financial assets		(616)	(697)	15	(293)	(3,077)
Other income	*6*	4,340	8,981	15,982	3,755	5,596
Other gains/(losses), net	*7*	3,477	(11,753)	(9,092)	(4,752)	8,656
Operating profit		101,890	141,143	249,766	141,133	79,113
Finance income	*9*	365	–	–	–	1,215
Finance costs	*9*	(8,655)	(6,720)	(9,876)	(3,871)	(6,706)
Finance costs – net		(8,290)	(6,720)	(9,876)	(3,871)	(5,491)
Fair value changes of redeemable convertible preferred shares	*31*	–	–	(2,259)	(287)	(2,274)
Profit before income tax		93,600	134,423	237,631	136,975	71,348
Income tax expense	*10*	(12,491)	(20,462)	(37,122)	(22,742)	(10,034)
Profit and total comprehensive income for the year/period, all attributable to owners of the Company		81,109	113,961	200,509	114,233	61,314
Earnings per share for profit attributable to owners of the Company (express in RMB per share)						
Basic and diluted	*14*	0.20	0.28	0.50	0.29	0.15

Note: The earnings per share presented above have not been taken into account the proposed capitalisation issue pursuant to the resolutions of the shareholders passed on [date] because the proposed capitalisation issue has not become effective as at the date of this report (note 14).

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at June 30,
	Note	**2019**	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*15*	6,549	6,172	9,109	12,094
Right-of-use assets	*16*	26,194	20,879	40,225	48,746
Intangible assets	*17*	827	525	695	3,472
Prepayments and other receivables	*18*	1,364	2,095	3,385	2,749
Deferred income tax assets	*28*	13,286	13,505	11,451	13,014
Total non-current assets		48,220	43,176	64,865	80,075
Current assets					
Inventories	*20*	178,144	255,840	664,323	761,082
Trade receivables	*21*	189,673	166,500	119,226	180,733
Prepayments and other receivables	*22*	31,238	86,816	89,146	39,711
Financial assets at fair value through profit or loss	*23*	–	5,800	–	–
Restricted cash	*24*	523	1,380	1,260	1,299
Cash and cash equivalents	*24*	27,097	83,000	80,855	82,913
Total current assets		426,675	599,336	954,810	1,065,738
Total assets		474,895	642,512	1,019,675	1,145,813
LIABILITIES					
Non-current liabilities					
Borrowings	*30*	–	–	300	300
Lease liabilities	*16*	13,374	8,381	25,335	28,452
Total non-current liabilities		13,374	8,381	25,635	28,752

		As at December 31,			As at June 30,
	Note	**2019**	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Lease liabilities	*16*	12,326	12,366	14,506	19,461
Trade and other payables	*29*	266,568	235,669	232,005	283,940
Contract liabilities	*5*	24,741	132,576	29,650	11,225
Current income tax liabilities		13,612	10,053	28,873	35,471
Borrowings	*30*	79,518	71,000	209,939	224,309
Redeemable convertible preferred shares	*31*	–	–	106,091	108,365
Total current liabilities		396,765	461,664	621,064	682,771
Total liabilities		410,139	470,045	646,699	711,523
EQUITY					
Equity attributable to owners of the Group					
Share capital	*25*	138	138	138	138
Share premium	*25*	1,299,862	1,299,862	1,299,862	1,299,862
Other reserves	*26*	(1,283,417)	(1,282,403)	(1,269,519)	(1,269,519)
Retained earnings	*27*	48,173	154,870	342,495	403,809
Total equity		64,756	172,467	372,976	434,290
Total equity and liabilities		474,895	642,512	1,019,675	1,145,813

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,			As at June 30,
	Note	**2019**	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current asset					
Investment in subsidiaries *(i)*		1,300,000	1,300,000	1,300,000	1,300,000
Prepayments and other receivables	*18*	–	–	95,635	100,335
		1,300,000	1,300,000	1,395,635	1,400,335
Current asset					
Prepayments and other receivables	*22*	–	–	7,191	6,274
Cash and cash equivalents		45	43	86	390
		45	43	7,277	6,664
Total assets		1,300,045	1,300,043	1,402,912	1,406,999
LIABILITIES					
Current liabilities					
Trade and other payables		44	45	917	–
Redeemable convertible preferred shares	*31*	–	–	106,091	108,365
		44	45	107,008	108,365
Total liabilities		44	45	107,008	108,365
EQUITY					
Equity attributable to owners of the Company					
Share capital	*25*	138	138	138	138
Share premium	*25*	1,299,862	1,299,862	1,299,862	1,299,862
Retained earnings/(accumulated losses)		1	(2)	(4,096)	(1,366)
Total equity		1,300,001	1,299,998	1,295,904	1,298,634
Total equity and liabilities		1,300,045	1,300,043	1,402,912	1,406,999

(i) Investment in subsidiaries represents the investment in Zibuyu BVI Limited and its subsidiaries measured at fair value at date of completion of the Reorganization.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Group				
	Note	**Share capital**	**Share premium**	**Other reserves**	**(Accumulated losses)/ retained earnings**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019		138	1,299,862	(1,290,811)	(25,542)	(16,353)
Profit for the year		–	–	–	81,109	81,109
Appropriation to statutory reserves		–	–	7,394	(7,394)	–
Balance at December 31, 2019		138	1,299,862	(1,283,417)	48,173	64,756
Balance at January 1, 2020		138	1,299,862	(1,283,417)	48,173	64,756
Profit for the year		–	–	–	113,961	113,961
Appropriation to statutory reserves		–	–	7,264	(7,264)	–
Business combination under common control	*1.3*	–	–	(6,250)	–	(6,250)
Balance at December 31, 2020		138	1,299,862	(1,282,403)	154,870	172,467
Balance at January 1, 2021		138	1,299,862	(1,282,403)	154,870	172,467
Profit for the year		–	–	–	200,509	200,509
Appropriation to statutory reserves		–	–	12,884	(12,884)	–
Balance at December 31, 2021		138	1,299,862	(1,269,519)	342,495	372,976
Balance at January 1, 2022		138	1,299,862	(1,269,519)	342,495	372,976
Profit for the period		–	–	–	61,314	61,314
Balance at June 30, 2022		138	1,299,862	(1,269,519)	403,809	434,290
(Unaudited)						
Balance at January 1, 2021		138	1,299,862	(1,282,403)	154,870	172,467
Profit for the period		–	–	–	114,233	114,233
Balance at June 30, 2021		138	1,299,862	(1,282,403)	269,103	286,700

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Six months ended June 30,	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Cash flows from operating activities						
Cash generated from/(used in) operations	*32*	94,248	138,154	(190,868)	(93,051)	17,311
Interest received		99	86	67	38	33
Income taxes paid		(12,385)	(24,122)	(16,248)	(10,290)	(5,306)
Net cash generated from/(used in) operating activities		81,962	114,118	(207,049)	(103,303)	12,038
Cash flows from investing activities						
Payments of property, plant and equipment		(3,675)	(2,461)	(6,653)	(4,530)	(5,231)
Payments of intangible assets		(248)	–	(495)	–	(3,101)
Proceeds from disposals of property, plant and equipment		150	60	551	264	7
Payments of financial assets at fair value through profit or loss		(207,000)	(175,300)	(14,800)	(14,800)	–
Proceeds from sale of financial assets at fair value through profit or loss		207,131	169,701	20,633	20,633	–
Net cash (used in)/generated from investing activities		(3,642)	(8,000)	(764)	1,567	(8,325)
Cash flows from financing activities						
Proceeds from issuance of redeemable preference shares	*31*	–	–	103,832	103,832	–
Proceeds from bank borrowings		102,348	92,000	245,223	83,360	139,890
Loans from related parties		122,887	43,032	22,030	22,030	–
Loans from third parties		7,284	7,200	–	–	–
Repayment of bank borrowings		(97,949)	(98,790)	(106,000)	(33,200)	(126,360)
Repayment of loans from related parties		(119,990)	(66,988)	(21,926)	(21,926)	–
Repayment of loans from third parties		(7,231)	(7,280)	–	–	–
Principal elements of lease payments		(8,274)	(10,898)	(15,433)	(7,854)	(10,231)
Payments of [**REDACTED**]		–	–	(5,775)	(2,836)	(327)
Dividend paid to shareholders		(64,844)	–	–	–	–
Decrease/(increase) in restricted cash pledged for bank borrowings		2,200	–	(360)	(360)	–
Deemed distributions to shareholders in relation to Reorganization	*1.2(iv)*	(27,994)	–	–	–	–
Business combination under common control	*1.3*	–	–	(6,250)	(6,250)	–
Interest paid		(8,658)	(6,345)	(8,344)	(3,157)	(6,682)

		Year ended December 31,			Six months ended June 30,	
	Note	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Net cash (used in)/generated from financing activities		(100,221)	(48,069)	206,997	133,639	(3,710)
Net (decrease)/increase in cash and cash equivalents		(21,901)	58,049	(816)	31,903	3
Cash and cash equivalents at beginning of the year/period	*24*	48,603	27,097	83,000	83,000	80,855
Effects of exchange rate changes on cash and cash equivalents		395	(2,146)	(1,329)	(663)	2,055
Cash and cash equivalents at the end of the year/period	*24*	27,097	83,000	80,855	114,240	82,913

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND REORGANIZATION

1.1 General information

Zibuyu Group Limited (the "Company") was incorporated in the Cayman Islands on August 6, 2018 as a limited liability company. The address of the Company's registered office is 3-212 Governors Square, 23 Lime Tree Bay Avenue, Seven Mile Beach, Grand Cayman, KY1-1203, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively, the "Group") are principally engaged in sale of apparel products, footwear products and other products, including electronic devices and stationery and sporting goods. The Company's products are sourced in the People's Republic of China (the "PRC") and sold to customers in locations including the United States (the "U.S."), Germany, France, Japan and other countries via self-operated online stores and third-party e-commerce platforms (the "[**REDACTED**] Business").

The ultimate controlling shareholders of the Group are Mr. Hua Bingru and Ms. Yu Feng (the spouse of Mr. Hua) (the "Controlling Shareholders").

1.2 Reorganization

Prior to the incorporation of the Company and the completion of the Reorganization as described below (the "Reorganization"), the [**REDACTED**] Business was mainly carried out by Zhejiang Zibuyu E-commerce Co., Ltd. (浙江子不語電子商務有限公司, "Zhejiang Zibuyu"), a limited liability company established in Hangzhou, the PRC, and its subsidiaries (the "Operating Entities").

In preparation for the [**REDACTED**] and [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "[**REDACTED**]"), the Group underwent the Reorganization to incorporate the Company as the holding company of the companies which now comprise the Group to conduct the [**REDACTED**] Business.

The Reorganization involved the following steps:

(i) Incorporation of the Company and Zibuyu BVI Limited

On August 6, 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The initial authorized share capital of our Company was U.S. dollars ("US$") 50,000 divided into 5,000,000 Shares of US$0.01 par value each. Upon incorporation, one share was allotted and issued at par value to our initial subscriber. On the same day, our initial subscriber transferred its one share to Mr. Hua at par value.

On August 21, 2018, Zibuyu BVI Limited ("Zibuyu BVI") was incorporated in the British Virgin Islands with 50,000 authorized shares of US$1.00 par value each. On the same day, one share was allotted and issued to the Company at par value and Zibuyu BVI became a wholly-owned subsidiary of the Company.

(ii) Acquisition of Zibuyu International Limited

On October 30, 2018, Zibuyu BVI acquired the entire share capital of Zibuyu International Limited ("Zibuyu HK") from Zhejiang Zibuyu at a consideration of Renminbi ("RMB") 1,850,000. Upon the completion of the acquisition, Zibuyu HK became a wholly-owned subsidiary of Zibuyu BVI.

(iii) Acquisition and subsequent disposal of USA Zibuyu Inc.

On November 30, 2018, Zibuyu BVI acquired the entire share capital of USA Zibuyu Inc. ("Zibuyu US") from Zhejiang Zibuyu at a consideration of US$10,000 (equivalent to RMB70,000), which was determined with reference to the initial investment made by Zhejiang Zibuyu. Upon completion of the acquisition, Zibuyu US became a wholly-owned subsidiary of Zibuyu BVI.

On July 9, 2019, Zibuyu BVI disposed the entire share capital of Zibuyu US to Mr. Li Fubin, an independent third party at a consideration of US$10,000 (equivalent to RMB70,000).

(iv) Acquisition of Zhejiang Zibuyu by Zibuyu HK

On December 14, 2018, Zibuyu HK acquired the entire equity interest in Zhejiang Zibuyu from the then shareholders of Zhejiang Zibuyu at a total consideration of RMB28,000,000. Upon the completion of the acquisition, Zhejiang Zibuyu became a wholly-owned subsidiary of Zibuyu HK.

1.3 Business combination under common control

Acquisition of Xingzezhi (BVI) Limited and its subsidiaries ("Xingzezhi (BVI) Group") by Zibuyu BVI

On December 28, 2020, Zibuyu BVI and Xingzezhi Cayman, a company controlled by Mr. Hua, one of the Controlling Shareholders, entered into a sale and purchase agreement, pursuant to which Zibuyu BVI purchased the entire issued share capital of Xingzezhi (BVI) Limited ("Xingzezhi BVI"), at a cash consideration of RMB6,250,000. Upon the completion of the acquisition in 2020, Xingzezhi BVI and its subsidiaries became wholly-owned subsidiaries of Zibuyu BVI. The acquisition was considered as a business combination under common control as Zibuyu BVI and Xingzezhi BVI are both controlled by the same controlling party before and after the transaction.

1.4 Subsidiaries

Upon the completion of the Reorganization and up to the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Registered capital				Percentage of attributable equity interest to the Company					Principal activities and place of operation	*Note*
			As at December 31,			As at June 30,	As at December 31,			As at June 30,	As at December 31,			As at June 30,	As at the date of this report		
			2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022			
Directly held:																	
Zibuyu BVI Limited	Limited liability company	British Virgin Islands August 21, 2018	US$1	US$1	US$1	US$1	US$50,000	US$50,000	US$50,000	US$50,000	100%	100%	100%	100%	100%	Investment holding, in the British Virgin Islands	(i)
Indirectly held:																	
Zibuyu International Limited	Limited liability company	Hong Kong September 19, 2016	HK$ 100,000	HK$ 100,000	HK$ 100,000	HK$ 100,000	HK$ 100,000	HK$ 100,000	HK$ 100,000	HK$ 100,000	100%	100%	100%	100%	100%	Operation of online stores on third party e-commerce platforms, procurement and sales of products, in Hongkong	(ii)
Hong Kong Zijin Limited	Limited liability company	Hong Kong November 26, 2018	–	–	–	–	HK$ 100,000	HK$ 100,000	HK$ 100,000	HK$ 100,000	100%	100%	100%	100%	100%	Investment holding, in Hongkong	(i)
Xingzezhi (BVI) Limited	Limited liability company	British Virgin Islands October 16, 2018	US$1	US$1	US$1	US$1	US$50,000	US$50,000	US$50,000	US$50,000	100%	100%	100%	100%	100%	Investment holding, in the British Virgin Islands	(i)
Zhejiang Zibuyu E-commerce Co., Ltd. 浙江子不語電子商務有限公司	Limited liability company	The PRC April 20, 2011	RMB 22,600,000	RMB 22,600,000	RMB 22,600,000	RMB 22,600,000	RMB 22,600,000	RMB 22,600,000	RMB 22,600,000	RMB 22,600,000	100%	100%	100%	100%	100%	Technical support and operation of website, in the PRC	(iv)
Hangzhou Shangzhi Network Technology Co., Ltd. 杭州上知網絡科技有限公司	Limited liability company	The PRC November 20, 2018	–	–	–	–	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	100%	100%	100%	100%	100%	Investment holding, in the PRC	(i)

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Registered capital				Percentage of attributable equity interest to the Company					Principal activities and place of operation	*Note*
			As at December 31,			As at June 30,	As at December 31,			As at June 30,	As at December 31,			As at June 30,	As at the date of this report		
			2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022			
Hangzhou Zibuyu Supply Chain Management Co., Ltd. 杭州子不語供應鏈管理有限公司	Limited liability company	The PRC August 29, 2017	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	100%	100%	100%	100%	100%	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(v)
Wuxi Zibuyu Supply Chain Management Co., Ltd. 無錫子不語供應鏈管理有限公司	Limited liability company	The PRC June 28, 2017	RMB 3,000,000	RMB 3,000,000	N/A	N/A	RMB 3,000,000	RMB 3,000,000	N/A	N/A	100%	100%	N/A	N/A	N/A	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)(vi)
Guangzhou Zibuyu Supply Chain Service Co., Ltd. 廣州子不語供應鏈服務有限公司	Limited liability company	The PRC October 16, 2017	RMB 3,000,000	RMB 3,000,000	RMB 3,000,000	RMB 3,000,000	RMB 3,000,000	RMB 3,000,000	RMB 3,000,000	RMB 3,000,000	100%	100%	100%	100%	100%	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)
Anhui Yueyu Supply Chain Management Co., Ltd. 安徽省悅語供應鏈管理有限公司	Limited liability company	The PRC April 8, 2019	RMB 1,000,000	RMB 1,000,000	RMB 1,500,000	RMB 1,500,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	100%	100%	100%	100%	100%	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)
Huzhou Zibuyu Supply Chain Management Co., Ltd. 湖州子不語供應鏈管理有限公司	Limited liability company	The PRC December 10, 2020	N/A	RMB 3,000,000	RMB 5,000,000	RMB 5,000,000	N/A	RMB 3,000,000	RMB 5,000,000	RMB 5,000,000	N/A	100%	100%	100%	100%	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)
Nanchang Zibuyu Supply Chain Management Co., Ltd. 南昌子不語供應鏈管理有限公司	Limited liability company	The PRC October 27, 2020	N/A	–	N/A	N/A	N/A	RMB 3,000,000	N/A	N/A	N/A	100%	N/A	N/A	N/A	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)(vi)

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Registered capital				Percentage of attributable equity interest to the Company					Principal activities and place of operation	Note
			As at December 31,			As at June 30,	As at December 31,			As at June 30,	As at December 31,			As at June 30,	As at the date of this report		
			2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022			
Hefei Zibuyu Network Technology Co., Ltd. 合肥子不語網絡科技有限公司	Limited liability company	The PRC August 23, 2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)(vi)
Hangzhou Chengyusi Network Technology Co., Ltd. 杭州成於思網絡科技有限公司	Limited liability company	The PRC May 23, 2018	RMB 500,000	RMB 500,000	RMB 500,000	RMB 500,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	100%	100%	100%	100%	100%	Technical support and operation of website, in the PRC	(i)
Hangzhou Jun Bu Qi Network Technology Co., Ltd. 杭州君不器網絡科技有限公司	Limited liability company	The PRC August 25, 2017	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	100%	100%	100%	100%	100%	Technical support and operation of website, in the PRC	(i)
Anqing Zibuyu Network Technology Co., Ltd. 安慶子不語網絡科技有限公司	Limited liability company	The PRC April 24, 2018	RMB 100,000	RMB 100,000	RMB 100,000	RMB 100,000	RMB 100,000	RMB 100,000	RMB 100,000	RMB 100,000	100%	100%	100%	100%	100%	Technical support and operation of website, in the PRC	(i)
Hangzhou Qingruxu Network Technology Co., Ltd. 杭州清如許網絡科技有限公司	Limited liability company	The PRC March 26, 2020	N/A	–	N/A	N/A	N/A	–	N/A	N/A	N/A	100%	N/A	N/A	N/A	Technical support and operation of website, in the PRC	(i)(vii)

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Registered capital				Percentage of attributable equity interest to the Company					Principal activities and place of operation	*Note*
			As at December 31,			As at June 30,	As at December 31,			As at June 30,	As at December 31,			As at June 30,	As at the date of this report		
			2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022			
Hangzhou Modengxian Information Technology Co., Ltd. 杭州莫等閒信息技術有限公司	Limited liability company	The PRC April 1, 2020	N/A	–	N/A	N/A	N/A	–	N/A	N/A	N/A	100%	N/A	N/A	N/A	Technical support and operation of website, in the PRC	(i)(vii)
Xingzezhi Hong Kong Limited	Limited liability company	Hong Kong November 1, 2018	–	–	HK$ 100,000	HK$ 100,000	HK$ 100,000	HK$ 100,000	HK$ 100,000	HK$ 100,000	100%	100%	100%	100%	100%	Operation of online stores on self-operated online stores, procurement and sales of products, in Hongkong	(iii)
Hangzhou Xingzezhi Internet Technology Co., Ltd. 杭州行則至網絡科技有限公司	Limited liability company	The PRC November 20, 2018	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	100%	100%	100%	100%	100%	Technical support and operation of website, in the PRC	(i)
Dongguan Zibuyu Supply Chain Management Co., Ltd. 東莞子不語供應鏈管理有限公司	Limited liability company	The PRC April 27, 2021	N/A	N/A	RMB 3,000,000	RMB 3,000,000	N/A	N/A	RMB 3,000,00	RMB 3,000,000	N/A	N/A	100%	100%	100%	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)
Shenzhen Zibuyu E-commerce Co., Ltd. 深圳子不語電子商務有限公司	Limited liability Company	The PRC December 22, 2021	N/A	N/A	–	RMB 1,000,000	N/A	N/A	RMB 1,000,000	RMB 1,000,000	N/A	N/A	100%	100%	100%	Technical support and operation of website, in the PRC	(i)

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Registered capital				Percentage of attributable equity interest to the Company					Principal activities and place of operation	*Note*
			As at December 31,			As at June 30,	As at December 31,			As at June 30,	As at December 31,			As at June 30,	As at the date of this report		
			2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022			
Guangzhou Xingzezhi Internet Technology Co., Ltd. 廣州行則至網絡科技有限公司	Limited liability Company	The PRC July 28, 2021	N/A	N/A	RMB 1,000,000	RMB 1,000,000	N/A	N/A	RMB 1,000,000	RMB 1,000,000	N/A	N/A	100%	100%	100%	Technical support and operation of website, in the PRC	(i)
Hangzhou Xingzezhi E-commerce Co., Ltd. 杭州行則至電子商務有限公司	Limited liability Company	The PRC March 16, 2022	N/A	N/A	N/A	–	N/A	N/A	N/A	RMB 5,000,000	N/A	N/A	N/A	100%	100%	Technical support and operation of website, in the PRC	(i)
Xiamen Zibuyu E-commerce Co., Ltd. 廈門子不語電子商務有限公司	Limited liability Company	The PRC May 17, 2022	N/A	N/A	N/A	–	N/A	N/A	N/A	RMB 1,000,000	N/A	N/A	N/A	100%	100%	Technical support and operation of website, in the PRC	(i)

(i) No audit of statutory financial statements were performed for these subsidiaries as they are newly incorporated or not required to issue audited financial statements under local statutory requirements of their respective places of incorporation.

(ii) The statutory financial statements of Zibuyu International Limited for the year ended December 31, 2019 were audited by W. H. Shum & Co., in Hong Kong, for the years ended December 31, 2020 and 2021 were audited by PricewaterhouseCoopers.

(iii) The statutory financial statements of Xingzezhi HK Limited for the period from the date of incorporation to December 31, 2019 were audited by W. H. Shum & Co., in Hong Kong, for the years ended December 31, 2020 and 2021 were audited by PricewaterhouseCoopers.

(iv) The statutory financial statements of Zhejiang Zibuyu E-commerce Co., Ltd. for the year ended December 31, 2019 were audited by Hangzhou Jinshan C.P.A. Partnership, for the year ended December 31, 2020 were audited by Zhejiang Zhengge Certified Public Accountants (General partner), for the year ended December 31, 2021 were audited by Beijing Zhongmingguocheng Certified Public Accountants LLP.

(v) The statutory financial statements of Hangzhou Zibuyu Supply Chain Management Co., Ltd. for the year ended December 31, 2020 were audited by Zhejiang Zhengge Certified Public Accountants (General partner), for the year ended December 31, 2021 were audited by Beijing Zhongmingguocheng Certified Public Accountants LLP.

(vi) In order to optimize the Group's business and shareholding structure, the Group deregistered Hefei Zibuyu Network Technology Co., Ltd. in the year ended December 31, 2019 and deregistered Wuxi Zibuyu Supply Chain Management Co., Ltd., and Nanchang Zibuyu Supply Chain Management Co., Ltd. during the year ended December 31, 2021.

(vii) In order to optimize the Group's business and shareholding structure, the Group disposed Hangzhou Qingruxu Network Technology Co., Ltd. and Hangzhou Modengxian Information Technology Co., Ltd. during the year ended December 31, 2021.

(viii) As at June 30, 2022, there are 431 companies, with no assets and liabilities, paid-up capital and business operation, established solely for the purpose of registration of seller stores on e-commerce platforms. These companies are indirectly wholly-owned subsidiaries of the Company.

* The English names of certain subsidiaries referred to above represent the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

1.5 Basis of presentation

Immediately prior to the Reorganization, the [**REDACTED**] Business is carried out by the Operating Entities. Pursuant to the Reorganization, the Operating Entities are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a recapitalization of the [**REDACTED**] Business with no changes in management of such business and the ultimate owners of the [**REDACTED**] Business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the [**REDACTED**] Business under the Operation Entities and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the Operating Entities, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the [**REDACTED**] Business under the consolidated financial statements of the Operating Entities for all years/periods presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") during the Track Record Period. The Historical Financial Information of the Group has been prepared under the historical cost convention, except for financial assets and liabilities measured at fair value through profit or loss.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

New standards and interpretations not yet adopted

All effective standards, amendments to standards and interpretations, including IFRS 16 "Leases", which is mandatory for the financial year beginning on January 1, 2019, have been early adopted and are consistently applied to the Group throughout the Track Record Period.

Certain new accounting standards and interpretations have been published that are not mandatory for the Track Record Period and have not been early adopted by the Group. These new standards and interpretations are:

		Effective for annual periods beginning on or after
IFRS 10 (Amendment) and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IAS 1 (Amendment)	Classification of liabilities as current or non-current	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
IAS 1 (Amendment) and IFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policies	January 1, 2023
IAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IAS 8 (Amendment)	Definition of Accounting Estimates	January 1, 2023

Management is currently assessing the effects of applying these new standards and amendments on the Group's consolidated financial information. None of these is expected to have a significant effect on the consolidated financial information of the Group. The Group does not expect to adopt these new standards and amendments until their effective dates.

2.2 Subsidiaries

Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Business combination

Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporate the financial statements items of the combining business in which the common control combination occurs as if it had been combined from the date when the combining business first came under the control of the controlling party.

The net assets of the combining business are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of comprehensive income includes the results of the combining business from the earliest date presented or since the date when the combining business first came under the common control, where this is a shorter period.

The comparative amounts in the Historical Financial Information are presented as if the business had been combined at the beginning of the previous reporting period or when it first came under common control, whichever is shorter. These activities were combined with all intra-group balances and transactions eliminated within the Group.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in the subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year/period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

2.6 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Since all of the assets of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in the consolidated statement of comprehensive income on a net basis within "Other gains/(losses), net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the profit or loss during the year/period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machinery	10-20 years
Transportation equipment	4 years
Electronic equipment	3 years
Office equipment	5 years
Leasehold improvements	3 years, or over lease term, whichever is the shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains/(losses), net" in the consolidated statements of comprehensive income.

2.8 Intangible assets

Software

Acquired software is initially capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Software is stated at historical cost less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful lives of 2 to 5 years.

The amortization period and amortization method of intangible assets are reviewed at each reporting period. The effects of any revision are recognized as profit or loss when the changes arise.

2.9 Impairment of non-financial assets

Assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "Other gains/(losses), net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in "Other gains/(losses), net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognized in "Other gains/(losses) – net" in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.10.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimation of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

The Group has following types of financial assets subject to IFRS 9's expected credit loss model:

- Trade receivables

- Other receivables

- Cash and bank balances

- Restricted bank balances

While cash and bank balances, restricted bank balances and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Impairment on other receivables, cash and bank balances and restricted bank balances are measured as lifetime expected credit losses if a significant increase in credit risk of a receivable has occurred since initial recognition.

Impairment of other receivables is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statements of comprehensive income.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of purchased inventories are determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Trade and other receivables

Trade receivables are amounts due from platforms or customers for merchandise sold or services rendered in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statements, cash and cash equivalents include cash on hand, demand deposits held at banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company issued shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over share capital shall be classified as share premium.

2.16 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case they are presented as non-current liabilities.

Borrowings are initially recognized at fair value (net of transaction costs) and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognized when the obligation is discharged, cancelled or expired. The difference between carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Foreign exchange gains and losses resulting from the borrowings denominated in foreign currencies are recognized in the consolidated statements of comprehensive income on a net basis within "Finance costs – net".

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Redeemable convertible preference shares

Holders of redeemable convertible preferred shares issued by the Company are redeemable upon occurrence of certain future events. These instruments can also be converted into ordinary shares of the Company automatically upon occurrence of an [**REDACTED**] of the Company as detailed in Note 31.

The Group designated the preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss. All fair value changes except for those relating to the Company's own credit risk are recognized in profit or loss. The component of fair value changes relating to the Company's own credit risk is recognized in other comprehensive income ("OCI"). Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in profit or loss.

The preferred shares were classified as current liability. The preferred shares holders can demand the Company to redeem the preferred shares within 12 months upon occurrence of certain future events.

2.20 Current and deferred income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.21 Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined contribution pension plans even if the employee leaves.

Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year/period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2.22 Share-based payments

Employee share scheme

Under the employee share scheme, shares were granted to employees for certain cash consideration vest immediately on grant date. On this date, the market value of the shares issued minus the consideration is recognized as an employee benefits expense with a corresponding increase in equity.

2.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.24 Revenue recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The following is a description of the accounting policy for the principal revenue streams of the Group.

(a) Sales of products

The Group sells its products to customers over self-operated online stores and third-party E-commerce platforms such as Amazon and Wish etc. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and delivery to the customers.

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on the receipt of products by customers.

If the contract for the sale of goods provide customers with rights of return, it gives rise to variable consideration.

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see note 7 below. Any other interest income is included in other income.

Interest income is recognized on a time-proportion basis using the effective interest method.

2.26 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year/period, adjusted for bonus elements in ordinary shares issued during the year/period and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.27 Leases

The Group mainly leases office, warehouse and dormitory as lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate

- amounts expected to be payable by the lessee under residual value guarantees

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

To determine the incremental borrowing rate, the Group:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items of IT equipment.

2.28 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to other non-current liabilities account and is released to the consolidated statements of comprehensive income on a straight-line basis over the expected useful life of the relevant assets.

The recognition period of government grants is reviewed, and adjusted if appropriate, at the end of each reporting period.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's directors or shareholders, where applicable.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures during the Track Record Period.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group entities collect most of the revenue and incur most of the expenditures in respect of their functional currencies. Foreign exchange risk arises from various currency exposures primarily through proceeds received from customers and shareholders, and payments to the suppliers that are denominated in a currency other than the Group's entities' functional currency. The currencies giving rise to this risk are primarily US$, European dollar ("EUR") and HK$, as most sales and certain purchase of the Group are denominated in US$, EUR and HK$. The management of the Group considers that the Group's exposure to foreign currency exchange risk is not significant due to most of the functional currency of the entities in Group is the same as the transaction currency.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At December 31, 2019, 2020 and 2021 and June 30, 2022, if RMB had strengthened/weakened by 5% against the US$, EUR and HK$ with all other variables held constant, the total profit for the year/period would have been RMB1,453,000, RMB4,010,000, RMB2,510,000 lower/higher and RMB1,617,000 higher/lower respectively, mainly as a result of net foreign exchange losses/gains on translation of US$, EUR and HK$ denominated cash and cash equivalents, trade and other receivables and trade and other payables.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank deposits and borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at bank with variable interest rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During the Track Record Period, the Group's borrowings bore interest both at variable rates and fixed rates.

Bank deposits carried at prevailing market interest rate expose the Group to cash flow interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure to ensure it is within an acceptable level. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

During the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, if interest rate on borrowings had been higher/lower by 50 basis points of current interest rate, with other variables held constant, net profit for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, would have been approximately RMB166,000 lower/higher and RMB155,000 lower/higher and RMB329,000 lower/higher, RMB92,000 lower/higher and RMB221,000 lower/higher, respectively.

Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash and trade and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Credit risk of cash and cash equivalents and restricted cash

To manage this risk, cash deposits at banks are mainly placed with state-owned and reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

(ii) Credit risk of trade receivables

The Group has policies in place to ensure that trade receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the aging.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations
- actual or expected significant changes in the operating results of customers
- significant changes in the expected performance and behaviour of the customers, including changes in the payment status.

Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the entire amounts of the receivables will have difficulty to be recovered and has recognized impairment losses.

The expected loss rates are based on the payment profiles of sales over a period of each reporting period and probability of default of counter parties on an ongoing basis throughout each reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product (GDP) and the growth rate of information technology industry to be the most relevant factor, and accordingly adjusted the historical loss rates based on expected changes in these factors.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. As there was no significant change of the customer base, historical credit loss rate of customers and forward-looking information for the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2022, the Group adopted the same expected credit loss rate during the Track Record Period.

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross carrying amount of trade receivables	190,626	167,337	119,825	181,641
Expected loss rate	(0.50%)	(0.50%)	(0.50%)	(0.50%)
Loss allowance	(953)	(837)	(599)	(908)

(iii) Credit risk of other receivables

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Other receivables mainly comprise deposits and other receivables. The Group considers the probability of default on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations.
- actual or expected significant changes in the operating results of the third party;

- significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, there was no significant increase in credit risk since initial recognition, the Group assessed that the expected credit losses for these receivables are not material through using the 12 months expected losses method.

Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2019					
Lease liabilities	13,221	9,167	3,448	1,472	27,308
Trade and other payables (excluding refund liabilities, payroll and welfare payables and other tax payables)	195,055	–	–	–	195,055
Borrowings	82,857	–	–	–	82,857
	291,133	9,167	3,448	1,472	305,220

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2020					
Lease liabilities	13,209	5,179	3,610	–	21,998
Trade and other payables (excluding refund liabilities, payroll and welfare payables and other tax payables)	131,360	–	–	–	131,360
Borrowings	72,837	–	–	–	72,837
	217,406	5,179	3,610	–	226,195

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2021					
Lease liabilities	14,782	12,830	14,013	–	41,625
Trade and other payables (excluding refund liabilities, payroll and welfare payables and other tax payables)	138,478	–	–	–	138,478
Borrowings	215,657	15	305	–	215,977
Redeemable convertible preferred shares	106,091	–	–	–	106,091
	475,008	12,845	14,318	–	502,171

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at June 30, 2022					
Lease liabilities	19,841	17,105	12,376	–	49,322
Trade and other payables (excluding refund liabilities, payroll and welfare payables and other tax payables)	188,971	–	–	–	188,971
Borrowings	230,026	311	–	–	230,337
Redeemable convertible preferred shares	108,365	–	–	–	108,365
	547,203	17,416	12,376	–	576,995

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net debt equity ratio. This ratio is calculated as "net debt" divided by "total (deficit)/equity". Net debt is calculated as borrowings and lease liabilities less cash and cash equivalents. The net debt equity ratios of December 31, 2019, 2020 and 2021 and June 30, 2022 were as follows:

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	79,518	71,000	210,239	224,609
Lease liabilities	25,700	20,747	39,841	47,913
Loans from related parties	23,956	–	–	–
Loans from third parties	80	–	–	–
Redeemable convertible preferred shares	–	–	106,091	108,365
Less: cash and cash equivalents	(27,097)	(83,000)	(80,855)	(82,913)
Net debt	102,157	8,747	275,316	297,974
Total equity	64,756	172,467	372,976	434,290
Total capital	166,913	181,214	648,292	732,264
Net debt to total capital ratio	61%	5%	42%	41%

3.3 Fair value estimation

(a) Fair value hierarchy

Financial instruments carried at fair value or where fair value was disclosed can be categorized by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorized into three levels within a fair value hierarchy as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

As at December 31, 2019, no assets or liabilities were measured at fair value. The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2020, 2021 and June 30, 2022.

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2020				
Financial assets at fair value through profit or loss	–	–	5,800	5,800
As at December 31, 2021				
Financial assets at fair value through profit or loss	–	–	–	–
Redeemable convertible preferred shares	–	–	106,091	106,091
As at June 30, 2022				
Financial assets at fair value through profit or loss	–	–	–	–
Redeemable convertible preferred shares	–	–	108,365	108,365

Quantitative information about fair value measurements on financial assets using significant unobservable inputs (Level 3) is as follow:

		Range of unobservable inputs			
		December 31,			June 30,
Significant unobservable inputs	Valuation approach	2019	2020	2021	2022
Expected rate of return per annum	Discounted cash flow	N/A	2.97%	N/A	N/A

Relationship of unobservable inputs to fair value: the higher of expected rate of return, the higher the fair value.

The Group manages the valuation of level 3 instruments for financial reporting purpose on a case by case basis. At least once every reporting year, the Group would assess the fair value of the Group's level 3 instruments by using valuation techniques.

Increasing/decreasing the discount rates by 0.5% would decrease/increase the fair values as at December 31, 2020 by approximately RMB1,000.

There were no transfers between Level 1, 2 and 3 during the Track Record Period.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- for other financial instruments discounted cash flow analysis.

The finance manager of the Group performs valuation on these level 3 instruments for financial reporting purposes. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group's level 3 instrument.

The level 3 instrument of the Group mainly includes redeemable convertible preferred shares (Note 31) and investments in a wealth management product (Note 23). As these instruments are not traded in an active market, their fair value has been determined using discounted cash flows approach and market approach etc. Major assumptions used in the valuation for preferred shares are presented in Note 31.

Fair value of redeemable convertible preferred shares is affected by the changes in the Company's equity value. If the Company's equity value had increased/decreased by 10% with all other variables held constant, the profit before income tax for the year ended December 31, 2021 and the six months ended June 30, 2021 and 2022 would have been approximately RMB10,609,000 lower/higher, RMB10,412,000 lower/higher and RMB10,836,000 lower/higher.

The Group used discounted cash flows approach to value the fair value of the instrument as at year end. The fair value changes of the instrument are immaterial due to the short period and low expected return rate. Accordingly, the sensitivity to changes in unobservable inputs is not material.

4 CRITICAL ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

(a) Estimation of the fair value of redeemable convertible preferred shares

The redeemable convertible preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the redeemable convertible preferred shares. Key assumptions such as the timing of the liquidation, redemption or [**REDACTED**] event as well as the probability of the various scenarios were based on the Group's best estimates.

(b) Net realizable value of inventories

Net realizable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable variable selling and marketing expenses.

The Group assesses the net realizable value of the inventories as well as the required amount of impairment of inventory provision at each balance sheet date, which involves significant judgment on determination of the estimated residual value of the inventory based on the Group's marketing and retail pricing strategy, sales forecast of each product collection, and the price markdown necessary to sell off-season products at certain stage of the product lifecycle based on the general historical pattern on a season-by-season basis. The Group performs regular check on the physical conditions of inventories and assesses possible write-down for any damaged inventories at each balance sheet date.

These key estimates are based on the current market condition and the historical experience of selling products of similar nature, which are reassessed at each balance sheet date as they could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle.

(c) Current and deferred income taxes

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determinations are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized as management considers that it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed.

5 SEGMENT INFORMATION

(a) Description of segments and principal activities

For management purposes, the Group is not organized into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information of customers

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
– North America	899,794	1,378,302	2,029,381	889,456	1,220,094
– Europe	414,658	381,607	237,576	155,077	46,486
– Others	114,402	138,200	79,586	56,153	10,947
	1,428,854	1,898,109	2,346,543	1,100,686	1,277,527

(b) Revenue during the Track Record Period

Revenue from contract with customers within the scope of IFRS 15 is as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
– Third-party e-commerce platforms	1,312,653	1,505,888	2,052,279	897,655	1,200,303
– Self-operated online stores	109,708	362,601	257,319	172,612	74,756
– Others	6,493	29,620	36,945	30,419	2,468
	1,428,854	1,898,109	2,346,543	1,100,686	1,277,527

The analysis of revenue from contract with customers within the scope of IFRS 15 recognized over time and at a point in time as required by IFRS15 is set out below:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Timing of revenue recognition					
– Point in time	1,428,854	1,898,109	2,346,543	1,100,686	1,277,527

(c) Contract liabilities

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	24,741	132,576	29,650	11,225

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year/ period	2,560	8,769	112,272	101,017	23,928

(d) Unsatisfied performance obligations

The following table shows the unsatisfied performance obligations resulting from contracts with customers:

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected to be recognized within one year				
Advances from customers	24,741	132,576	29,650	11,225

(e) Information about major customers

No individual customer's revenue exceeds 10% of the Group's total revenue during the Track Record Period.

6 OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Government grants *(i)*	1,980	7,305	11,226	701	5,179
Consulting service income	1,959	1,157	2,304	2,005	128
Others	401	519	2,452	1,049	289
	4,340	8,981	15,982	3,755	5,596

(i) Government grants provided to the Group mainly related to financial subsidies received from the local governments in the PRC. There are no unfulfilled conditions or other contingencies relating to these grants.

7 OTHER GAINS/(LOSSES), NET

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Net foreign exchange gains/(losses)	3,554	(3,874)	(8,566)	(4,637)	8,860
Fair value gains of financial assets at fair value through profit or loss	131	201	33	33	–
Net (losses)/gains on disposal of property, plant and equipment	(50)	3	(53)	(45)	(16)
Net losses on disposal of right-of-use assets	–	–	–	–	(16)
Penalty and interest for late payment of taxes	(169)	(8,223)	(475)	(214)	(246)
Others	11	140	(31)	111	74
	3,477	(11,753)	(9,092)	(4,752)	8,656

8 EXPENSES BY NATURE

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Freight and insurance cost	412,157	546,587	634,851	287,499	366,865
Cost of inventories sold *(Note 20)*	380,731	455,266	469,071	228,121	230,148
Commission to e-commerce platforms	206,836	245,465	349,625	150,399	209,448
Marketing and advertising expenses	116,197	263,244	319,057	146,215	192,208
Employee benefit expenses *(Note 11)*	103,227	101,949	124,497	56,448	74,495
Other platform fees	50,687	65,714	99,440	41,315	65,649
Provision of inventories	22,386	29,952	21,162	6,322	20,313
[**REDACTED**]	–	–	21,546	13,332	10,781
Depreciation of right-of-use assets *(Note 16)*	9,124	11,261	15,132	7,730	9,767
Labour outsourcing fees	5,417	7,338	9,319	3,158	6,569
Office expenses	5,907	6,617	6,764	3,215	4,207
Legal and professional fees	2,416	2,333	5,544	2,272	2,980
Depreciation of property, plant and equipment *(Note 15)*	1,902	2,282	3,568	1,560	2,170
IT server fees	2,704	3,142	2,475	1,023	1,153
Rental expenses *(Note 16)*	170	52	227	73	495
Amortization of intangible assets *(Note 17)*	275	302	325	144	324
Settlement fees	2,996	982	1,701	1,284	114
Auditors' remuneration	487	345	268	155	322
Other expenses	10,546	10,666	19,110	7,998	11,581
Total cost of sales, selling expenses and distribution costs and general and administrative expenses	1,334,165	1,753,497	2,103,682	958,263	1,209,589

The Group incurred expenses amounted to a total of approximately RMB13,388,000, RMB11,721,000 and RMB12,590,000, RMB5,804,000 and RMB6,040,000 related to research and development of new systems for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, respectively. All of these expenses comprise remuneration paid to certain staff in "Employee benefit expenses", amount paid to IT server in "IT server fees" and amortization of certain software in "Amortization of intangible assets".

9 FINANCE COSTS – NET

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Finance costs:					
Interest expenses on bank borrowings	4,223	3,899	6,588	2,329	5,470
Interest expenses on loans from related parties	3,160	1,184	18	18	–
Finance charges for lease liabilities *(Note 16)*	1,059	1,035	1,851	848	1,186
Net foreign exchange losses on cash and cash equivalents and bank borrowings	–	414	1,329	664	–
Others	213	188	90	12	50
Total finance costs	8,655	6,720	9,876	3,871	6,706
Finance income:					
Net foreign exchange gains on cash and cash equivalents and bank borrowings	(365)	–	–	–	(1,215)
Finance costs – net	8,290	6,720	9,876	3,871	5,491

10 INCOME TAX EXPENSE

The amount of income tax charged to the consolidated statement of comprehensive income represents:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Current income tax	16,603	20,681	35,068	21,207	11,597
Deferred income tax *(Note 28)*	(4,112)	(219)	2,054	1,535	(1,563)
Income tax expense	12,491	20,462	37,122	22,742	10,034

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the entity operates.

(i) Cayman Islands profits tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and is exempted from payment of the Cayman Islands income tax.

(ii) British Virgin Islands ("BVI") profits tax

The Company's subsidiaries incorporated in the BVI are exempted from BVI income tax, as they are incorporated under the International Business Companies Act of the BVI.

(iii) Hong Kong profits tax

The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000 for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022.

(iv) PRC corporate income tax ("CIT")

The Group's subsidiaries in the PRC are subject to PRC CIT which is calculated based on the applicable tax rate of 25% on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations, except for disclosed below.

Zhejiang Zibuyu had been recognized as the High New Tech Enterprises in 2018 and 2021. Hangzhou Xingzezhi had been recognized as the High New Tech Enterprises in 2020. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for relevant years.

For the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, several subsidiaries in PRC were qualified as small and micro enterprises under the PRC CIT regime, which enjoyed a corporate income tax rate of 2.5%-10%.

(v) PRC withholding income tax

According to the CIT Law, starting from January 1, 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends out of their profits earned after January 1, 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies, including those incorporated in Hong Kong.

During the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, no dividend withholding tax for PRC companies was provided as the directors have confirmed that the Group does not expect those subsidiaries to distribute the retained earnings as at December 31, 2019, 2020 and 2021 and June 30, 2022 in the foreseeable future. Unremitted earnings that deferred income tax liabilities have not been recognized totalled RMB69,033,000, RMB131,927,000, RMB246,301,000 and RMB273,723,000 as at December 31, 2019, 2020, 2021 and June 30, 2022.

The difference between the actual income tax expense charged to the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rates to profit before income tax can be reconciled as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before income tax	93,600	134,423	237,631	136,975	71,348
Tax calculated at tax rates applicable to profits of the respective subsidiaries	21,949	28,839	51,857	27,216	13,519
Preferential tax of certain subsidiaries	(7,149)	(6,985)	(12,503)	(3,964)	(2,417)
Expenses not deductible for tax purposes	50	501	876	336	24
Super deductions on research and development expenditures *(i)*	(2,370)	(2,228)	(2,410)	(1,129)	(1,241)
Income not subject to tax	(229)	(7)	(415)	(2)	(270)
Others	240	342	(283)	285	419
Income tax expense	12,491	20,462	37,122	22,742	10,034

(i) Super deductions for research and development expenditures

According to the relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim up to 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year/period (''Super Deduction''). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the Track Record Period.

11 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Wages, salaries and bonuses	86,915	94,241	110,344	50,513	65,623
Contributions to pension plan, medical insurance and other social insurance *(a)*	13,089	4,271	11,000	4,202	6,726
Housing fund	3,223	3,437	3,153	1,733	2,146
	103,227	101,949	124,497	56,448	74,495

(a) Pension costs-defined contribution plans

The employees of the Group in the PRC are members of a state-managed pension obligations operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

Due to COVID-19 pandemic, part of pension insurance, unemployment insurance and employee injury insurance were exempted by the local government in 2020.

12 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 1, 1, 2 and 1 and nil director for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, respectively. The emoluments of directors are reflected in the analysis presented in note (b) below. Details of the remunerations of the remaining highest paid non-director individuals during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Wages, salaries and bonuses	2,315	2,311	1,748	1,143	3,690
Contributions to pension plan, housing fund, medical insurance and other social benefits	215	98	223	134	179
	2,530	2,409	1,971	1,277	3,869

The number of highest paid non-director individuals whose remuneration for the Track Record Period fell within the following bands are as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
				(Unaudited)	
Nil to HK$1,000,000	4	4	3	4	2
HK$1,000,001 to HK$1,500,000	–	–	–	–	3
	4	4	3	4	5

(b) Directors' and the chief executive officer's emoluments

The remuneration of every director and the chief executive officer is set out below:

For the year ended December 31, 2019:

Name	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
	Fees	**Salaries**	**Discretionary bonuses**	**Defined contribution pension bonuses**	**Other allowances and benefits in kind**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman:						
Hua Bingru (Chief Executive Officer)	–	528	12	29	34	603
Executive directors						
Yang Xinmin*	–	258	315	29	34	636
Xu Shijian (Chief Financial Officer)	–	490	26	29	34	579
Wang Weiping	–	270	26	29	34	359
Wang Shijian	–	302	26	29	34	391
	–	1,848	405	145	170	2,568

For the year ended December 31, 2020:

Name	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
	Fees	**Salaries**	**Discretionary bonuses**	**Defined contribution pension bonuses**	**Other allowances and benefits in kind**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman:						
Hua Bingru (Chief Executive Officer)	–	563	51	2	21	637
Executive directors						
Xu Shijian (Chief Financial Officer)	–	395	43	3	24	465
Wang Weiping	–	283	44	3	24	354
Wang Shijian	–	326	44	3	24	397
Yang Xinmin*	–	253	104	3	24	384
	–	1,820	286	14	117	2,237

For the year ended December 31, 2021:

Name	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
	Fees	**Salaries**	**Discretionary bonuses**	**Defined contribution pension bonuses**	**Other allowances and benefits in kind**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman:						
Hua Bingru (Chief Executive Officer)	–	547	45	29	34	655
Executive directors						
Xu Shijian (Chief Financial Officer)	–	528	43	34	40	645
Dong Zhenguo	–	236	19	20	23	298
Wang Shijian	–	345	28	34	40	447
Wang Weiping	–	314	26	34	40	414
Non-executive Director						
Hua Hui	–	–	–	–	–	–
Independent non-executive directors						
Yu Kefei	–	–	–	–	–	–
Shen Tianfeng	–	–	–	–	–	–
Lau Kin Shing Charles	–	–	–	–	–	–
	–	1,970	161	151	177	2,459

For the six months ended June 30, 2021:

Name	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
	Fees	**Salaries**	**Discretionary bonuses**	**Defined contribution pension bonuses**	**Other allowances and benefits in kind**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)						
Chairman:						
Hua Bingru (Chief Executive Officer)	–	271	23	15	17	326
Executive directors						
Xu Shijian (Chief Financial Officer)	–	229	19	16	18	282
Wang Weiping	–	154	13	16	18	201
Wang Shijian	–	170	14	16	18	218
Dong Zhenguo	–	28	–	2	3	33
Non-executive Director						
Hua Hui	–	–	–	–	–	–
Independent non-executive directors						
Yu Kefei	–	–	–	–	–	–
Shen Tianfeng	–	–	–	–	–	–
	–	852	69	65	74	1,060

For the six months ended June 30, 2022:

Name	Emoluments paid or receivable in respect of a person's service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking				
	Fees	Salaries	Discretionary bonuses	Defined contribution pension bonuses	Other allowances and benefits in kind	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman:						
Hua Bingru (Chief Executive Officer)	–	271	21	22	14	328
Executive directors						
Xu Shijian (Chief Financial Officer)	–	299	21	18	21	359
Wang Weiping	–	160	9	18	19	206
Wang Shijian	–	175	12	18	20	225
Dong Zhenguo	–	207	14	18	22	261
Non-executive Director						
Hua Hui	–	–	–	–	–	–
Independent non-executive directors						
Yu Kefei	–	–	–	–	–	–
Shen Tianfeng	–	–	–	–	–	–
Lau Kin Shing Charles	–	–	–	–	–	–
	–	1,112	77	94	96	1,379

* Mr. Yang Xinmin tendered his resignation as director of the Company in December 2020 and the filing of change was completed on June 7, 2021.

Mr. Dong Zhenguo has been appointed as executive director and Ms. Hua Hui has been appointed as non-executive director from June 7, 2021.

[Mr. Yu Kefei, Mr. Shen Tianfeng and Dr. Lau Kin Shing Charles has been appointed as independent non-executive directors from [●], [●], 2022].

(i) Directors' retirement and termination benefits

None of the directors of the Company received any retirement benefits or termination benefits in respect of their services to the Group for the Track Record Period.

(ii) Consideration provided to third parties for making available directors' services

No payment was made to the former employers of the directors for making available the services of them as a Director of the Company during the Track Record Period.

(iii) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Save as those disclosed in Note 34, there were no other loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors, or body corporate controlled by or entities connected with any of the directors during the Track Record Period.

(iv) Directors' material interests in transactions, arrangements or contracts

Save as those disclosed in Note 30 and 34, there are no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Track Record Period.

13 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

On 31 October 2018, dividends of RMB64,844,000 were declared by Zhejiang Zibuyu E-commerce Co., Ltd. (Zhejiang Zibuyu), a subsidiary of the Company, to its the then shareholders. Such dividend was paid in cash during the year ended December 31, 2019.

For the details of deemed distribution, please refer to Note 26.

14 EARNINGS PER SHARE

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit attributable to the ordinary equity holders of the Company	81,109	113,961	200,509	114,233	61,314
Weighted average number of ordinary shares in issues ('000)	400,000	400,000	400,000	400,000	400,000
Basic earnings per share (express in RMB per share)	0.20	0.28	0.50	0.29	0.15

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective year/period. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of the issuance of 2,000,000 shares of the Company in connection with the Reorganization completed on December 14, 2018 and the share subdivision completed on September 16, 2022 whereby each ordinary share was subdivided into 200 ordinary shares (Note 25).

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all potentially dilutive ordinary shares.

The Company has one category of dilutive potential ordinary shares: redeemable convertible preferred shares. The dilutive potential ordinary shares were not included in the calculation of diluted earnings per share as the condition of conversion i.e. occurrence of the [**REDACTED**] of the Company of such convertible preferred shares to ordinary shares were not satisfied as at December 31, 2019, 2020 and 2021 and June 30, 2022. Accordingly, diluted earnings per share presented is the same as the basic earnings per share for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022.

The basic and diluted earnings per share as presented above has not taken into account the proposed capitalisation issue of shares pursuant to the shareholders' resolution passed on [date] because the proposed capitalisation issue has not become effective as of the date of this report.

15 PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment	Office equipment	Transportation equipment	Machinery	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019						
Cost	3,123	1,879	210	173	550	5,935
Accumulated depreciation	(599)	(209)	(72)	(26)	(53)	(959)
Net book amount	2,524	1,670	138	147	497	4,976
Year ended December 31, 2019						
Opening net book amount	2,524	1,670	138	147	497	4,976
Additions	1,177	1,279	–	–	1,219	3,675
Disposal	(200)	–	–	–	–	(200)
Depreciation *(Note 8)*	(805)	(500)	(44)	(16)	(537)	(1,902)
Net book amount	2,696	2,449	94	131	1,179	6,549
As at December 31, 2019						
Cost	4,067	3,158	210	173	1,769	9,377
Accumulated depreciation	(1,371)	(709)	(116)	(42)	(590)	(2,828)
Net book amount	2,696	2,449	94	131	1,179	6,549
Year ended December 31, 2020						
Opening net book amount	2,696	2,449	94	131	1,179	6,549
Additions	776	836	–	152	197	1,961
Disposals	(46)	(10)	–	–	–	(56)
Depreciation *(Note 8)*	(998)	(665)	(41)	(19)	(559)	(2,282)
Net book amount	2,428	2,610	53	264	817	6,172
As at December 31, 2020						
Cost	4,771	3,978	210	325	1,966	11,250
Accumulated depreciation	(2,343)	(1,368)	(157)	(61)	(1,149)	(5,078)
Net book amount	2,428	2,610	53	264	817	6,172
Year ended December 31, 2021						
Opening net book amount	2,428	2,610	53	264	817	6,172
Additions	1,231	4,227	5	618	1,028	7,109
Disposals	(94)	(258)	(1)	(251)	–	(604)
Depreciation *(Note 8)*	(1,307)	(1,097)	(22)	(54)	(1,088)	(3,568)
Net book amount	2,258	5,482	35	577	757	9,109
As at December 31, 2021						
Cost	5,721	7,718	213	679	1,773	16,104
Accumulated depreciation	(3,463)	(2,236)	(178)	(102)	(1,016)	(6,995)
Net book amount	2,258	5,482	35	577	757	9,109

	Electronic equipment	Office equipment	Transportation equipment	Machinery	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended June 30, 2022						
Opening net book amount	2,258	5,482	35	577	757	9,109
Additions	1,349	1,464	–	–	2,365	5,178
Disposals	(10)	(13)	–	–	–	(23)
Depreciation *(Note 8)*	(730)	(821)	(11)	(32)	(576)	(2,170)
Net book amount	2,867	6,112	24	545	2,546	12,094
As at June 30, 2022						
Cost	7,030	9,136	213	679	4,138	21,196
Accumulated depreciation	(4,163)	(3,024)	(189)	(134)	(1,592)	(9,102)
Net book amount	2,867	6,112	24	545	2,546	12,094

Depreciation of the Group's property, plant and equipment has been recognized as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
General and administrative expenses	1,894	2,279	3,565	1,559	2,170
Selling expenses	8	3	3	1	–
	1,902	2,282	3,568	1,560	2,170

16 LEASES

(i) Amounts recognized in the consolidated statements of financial position

The consolidated statements of financial position show the following amounts relating to leases:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
Office	12,618	9,514	6,505	9,649
Warehouse	13,383	11,271	33,713	38,956
Dormitory	193	94	7	141
	26,194	20,879	40,225	48,746
Lease liabilities				
Current	12,326	12,366	14,506	19,461
Non-current	13,374	8,381	25,335	28,452
	25,700	20,747	39,841	47,913

Additions to the right-of-use assets during the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022 were RMB23,045,000, RMB5,957,000, RMB39,547,000, RMB36,689,000 and RMB18,314,000, respectively.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Depreciation charge of right-of-use assets					
Office	4,649	4,585	4,756	2,254	2,729
Warehouse	4,384	6,584	10,290	5,433	6,995
Dormitory	91	92	86	43	43
	9,124	11,261	15,132	7,730	9,767
Interest expense (included in finance costs)	1,059	1,035	1,851	848	1,186
Expense relating to short-term leases (included in administrative expenses)	170	52	227	73	495

The total cash outflow for leases during the year ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022 were RMB9,503,000, RMB11,985,000, RMB17,511,000, RMB8,775,000 and RMB11,912,000 respectively.

17 INTANGIBLE ASSETS

	Software
	RMB'000
As at January 1, 2019	
Cost	1,204
Accumulated amortization	(350)
Net book amount	854
Year ended December 31, 2019	
Opening net book amount	854
Additions	248
Amortization charge *(Note 8)*	(275)
Net book amount	827
As at December 31, 2019	
Cost	1,452
Accumulated amortization	(625)
Net book amount	827
Year ended December 31, 2020	
Opening net book amount	827
Amortization charge *(Note 8)*	(302)
Net book amount	525
As at December 31, 2020	
Cost	1,452
Accumulated amortization	(927)
Net book amount	525
Year ended December 31, 2021	
Opening net book amount	525
Additions	495
Amortization charge *(Note 8)*	(325)
Net book amount	695
As at December 31, 2021	
Cost	1,947
Accumulated amortization	(1,252)
Net book amount	695

	Software
	RMB'000
Six months ended June 30, 2022	
Opening net book amount	695
Additions	3,101
Amortization charge *(Note 8)*	(324)
Net book amount	3,472
As at June 30, 2022	
Cost	5,048
Accumulated amortization	(1,576)
Net book amount	3,472

Amortization of the intangible assets has been recognized as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
General and administrative expenses	275	302	325	144	324

18 NON-CURRENT PREPAYMENTS AND OTHER RECEIVABLES – THE GROUP AND THE COMPANY

The Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits	1,364	1,595	3,341	2,653
Prepayment for purchase of property, plant and equipment	–	500	44	96
	1,364	2,095	3,385	2,749

The Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from subsidiaries *(i)*	–	–	95,635	100,335

(i) The amounts due from subsidiaries are interest free and repayable on demand.

19 FINANCIAL INSTRUMENTS BY CATEGORY

		As at December 31,			As at June 30,
	Note	**2019**	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	*23*	–	5,800	–	–
Financial assets at amortized cost:					
Trade receivables	*21*	189,673	166,500	119,226	180,733
Other receivables (excluding prepayments to suppliers and platforms, prepaid [**REDACTED**] and value-added tax recoverables)		22,111	51,885	64,022	29,129
Restricted cash	*24*	523	1,380	1,260	1,299
Cash and cash equivalents	*24*	27,097	83,000	80,855	82,913
		239,404	302,765	265,363	294,074
		239,404	308,565	265,363	294,074
Financial liabilities at fair value through profit or loss:					
Redeemable convertible preferred shares	*31*	–	–	106,091	108,365
Financial liabilities at amortized cost:					
Trade and other payables excluding non-financial liabilities		195,055	131,360	138,478	188,971
Borrowings	*30*	79,518	71,000	210,239	224,609
Lease liabilities	*16*	25,700	20,747	39,841	47,913
		300,273	223,107	494,649	569,858

20 INVENTORIES

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	231,291	277,256	694,227	802,604
Right of goods return	1,343	3,134	6,964	9,599
Less: provision	(54,490)	(24,550)	(36,868)	(51,121)
	178,144	255,840	664,323	761,082

The cost of inventories recognized as expenses and included in cost of sales amounted to RMB380,731,000, RMB455,266,000, RMB469,071,000, RMB228,121,000 and RMB230,148,000 for the years ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, respectively.

21 TRADE RECEIVABLES

	As at December 31,			As at June 30
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable	190,626	167,337	119,825	181,641
Less: provision for impairment	(953)	(837)	(599)	(908)
	189,673	166,500	119,226	180,733

The majority of the Group's receivables are with credit term approximately from 10 days to 90 days. At December 31, 2019, 2020 and 2021 and June 30, 2022, the aging analysis of the trade receivables, based on invoice date, was as follows:

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months	171,977	158,154	114,638	178,674
3 months to 6 months	13,770	7,279	1,831	1,448
6 months to 12 months	4,566	1,649	2,504	847
More than 1 year	313	255	852	672
	190,626	167,337	119,825	181,641

The movements in provision for impairment of trade receivables are as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At the beginning of the year/period	894	953	837	837	599
Provisions/(reversal) for trade receivables	616	697	(15)	293	3,077
Written off as uncollectible	(557)	(813)	(223)	(223)	(2,768)
At the end of the year/period	953	837	599	907	908

For the trade receivables, the Group has assessed the expected credit losses by considering historical default rates, existing market conditions and forward-looking information. Based on the assessment, the creation and reversal for impaired receivables have been included in the net impairment losses on financial assets. Amounts charged to allowance account are written off when there is no expectation of receiving the receivables.

The carrying amounts excluding provision of the Group's trade receivables were denominated in the following currencies:

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	54,431	68,236	101,077	169,941
EUR	947	1,470	2,010	5,147
RMB	133,893	91,892	15,234	5,130
Great Britain Pound ("GBP")	181	784	1,273	1,274
Brazil Real ("BRL")	–	337	36	41
Canada Dollar ("CAD")	30	147	62	15
Japanese Yen ("JPY")	838	728	10	2
Romanian Leu ("RON")	–	3,417	–	–
Others	306	326	123	91
	190,626	167,337	119,825	181,641

22 PREPAYMENTS AND OTHER RECEIVABLES – THE GROUP AND THE COMPANY

The Group

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables from payment platforms	20,152	46,567	59,357	22,797
Prepayments to suppliers and platforms	10,212	36,131	20,579	9,091
Prepaid [**REDACTED**]	–	–	6,858	3,437
Deposits	194	1,319	804	2,201
Value-added tax recoverable	279	395	1,028	707
Export tax refundable	–	1,647	344	110
Others	401	757	176	1,368
	31,238	86,816	89,146	39,711

The Company

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid [**REDACTED**](i)	–	–	6,858	3,437
Amounts due from subsidiaries	–	–	333	2,837
	–	–	7,191	6,274

(i) The percentage of new shares to be issued upon the [**REDACTED**] changed from 25% to 10% during the six months ended June 30, 2022.

The carrying amounts of other receivables approximate their fair values.

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Wealth management product				
– with principal and interests non-guaranteed	–	5,800	–	–

All wealth management products as at December 31, 2020 are denominated in RMB.

(i) Risk exposure and fair value measurements

For information about the methods and assumptions used in determining fair value please refer to Note 3.3.

24 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	27,620	84,379	82,115	84,212
Cash on hand	–	1	–	–
Less: Restricted cash *(a)*	(523)	(1,380)	(1,260)	(1,299)
Cash and cash equivalents	27,097	83,000	80,855	82,913

(a) Restricted cash

The breakdown of restricted cash by nature as at December 31, 2019, 2020 and 2021 and June 30, 2022 is as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged for bank borrowing	–	–	360	360
Guarantee for online store credit card facilities	403	382	779	818
Deposits for locking exchange	120	120	121	121
Pledged for a lawsuit	–	878	–	–
	523	1,380	1,260	1,299

(b) Cash at bank are denominated in

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	14,000	31,903	21,855	57,523
US$	10,544	51,514	57,316	24,105
HK$	587	561	877	1,617
GBP	1	244	1,006	851
CAD	–	79	98	102
EUR	511	33	814	4
JPY	1,977	45	139	–
AUD	–	–	10	10
	27,620	84,379	82,115	84,212

25 SHARE CAPITAL AND SHARE PREMIUM

Authorised	Number of ordinary shares	Number of preferred shares
As at December 31, 2019 and 2020	5,000,000	–
Re-designation upon issuance of preferred shares	(64,000)	64,000
As at December 31, 2021 and June 30, 2022	4,936,000	64,000

		Amount		
Issued	Number of ordinary shares issued	Equivalent nominal value of ordinary share	Share premium	Total
		RMB'000	*RMB'000*	*RMB'000*
As at December 31, 2019, 2020 and 2021 and June 30, 2022	2,000,000	138	1,299,862	1,300,000

The Company was established on August 6, 2018. The authorized and issued share capital was with par value of US$0.01 each.

Upon incorporation, one share was allotted and issued, credited as fully-paid, to CO Services Cayman Limited, our Company's initial subscriber and an independent third party. In 2018, 1,999,999 shares of US$0.01 each were allotted and issued to and 1 share was transferred from CO Services Cayman Limited to TONGMINGYUN ONE LIMITED, TONGMINGYUN TWO LIMITED, TONGMINGYUN THREE LIMITED and Zhongyao Limited evenly.

On September 16, 2022, each issued and unissued share of a par value of US$0.01 in the authorised share of the Company divided into 200 shares of a par value of US$0.00005 each. On the same day, the authorized share capital of the Company was further increased to US$100,000 divided into 2,000,000,000 Shares with a par value of US$0.00005 each, consisting of (a) 1,974,400,000 ordinary shares of a par value of US$0.00005 each; and (b) 25,600,000 preferred shares of a par value of US$0.0005 each.

26 OTHER RESERVES

		Other reserves		
	Note	**Statutory reserve**	**Capital reserve**	**Total**
		RMB'000	*RMB'000*	*RMB'000*
At January 1, 2019		9,189	(1,300,000)	(1,290,811)
Appropriation to statutory reserves		7,394	–	7,394
At December 31, 2019		16,583	(1,300,000)	(1,283,417)
Appropriation to statutory reserves		7,264	–	7,264
Business combination under common control	*1.3*	–	(6,250)	(6,250)
At December 31, 2020		23,847	(1,306,250)	(1,282,403)
Appropriation to statutory reserves		12,884	–	12,884
At December 31, 2021		36,731	(1,306,250)	(1,269,519)
At January 1 and June 30, 2022		36,731	(1,306,250)	(1,269,519)
(Unaudited) At January 1 and June 30, 2021		23,847	(1,306,250)	(1,282,403)

(a) Statutory surplus reserves

Pursuant to the relevant laws and regulations in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries.

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserves fund before distributing the net profit. When the balance of the statutory reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory reserves fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory reserves fund after such issue is not less than 25% of registered capital.

(b) Capital reserves

Capital reserve mainly represents i) the aggregate paid-in capital of the subsidiaries acquired, offset by investment costs in subsidiaries of the Company during the Reorganization; ii) deemed distribution of RMB28,000,000 to shareholders in 2018 due to the consideration paid by the Group to the shareholders for acquiring the entire net assets of Zhejiang Zibuyu and its subsidiaries (see Note 1.2 (iv)); and iii) RMB6,250,000 consideration paid by the Group to the shareholders for acquiring the entire net assets of Xingzezhi BVI and its subsidiaries as such Xingzezhi BVI has been consolidated into the Group on the basis of business combination under common control from the beginning of the Track Record Period (see Note 1.3).

27 RETAINED EARNINGS

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At the beginning of the year/period	(25,542)	48,173	154,870	154,870	342,495
Net profit for the year/period					
– Attributable to owners of the Company	81,109	113,961	200,509	114,233	61,314
Appropriation to statutory reserves	(7,394)	(7,264)	(12,884)	–	–
At the end of the year/period	48,173	154,870	342,495	269,103	403,809

28 DEFERRED INCOME TAX

The analysis of net deferred income tax assets and deferred income tax liabilities is as follows:

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets:				
to be recovered within 12 months	17,262	14,786	13,710	15,759
to be recovered after more than 12 months	1,871	1,525	3,478	3,310
	19,133	16,311	17,188	19,069
Deferred income tax liabilities:				
to be settled within 12 months	(4,042)	(1,386)	(2,433)	(2,917)
to be settled after more than 12 months	(1,805)	(1,420)	(3,304)	(3,138)
	(5,847)	(2,806)	(5,737)	(6,055)
Deferred tax assets – net	13,286	13,505	11,451	13,014

The movement of the deferred income tax account is as follows:

	Years ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
At beginning of the year/period	9,174	13,286	13,505	13,505	11,451
Credited/(charged) to profit or loss	4,112	219	(2,054)	(1,535)	1,563
At end of year/period	13,286	13,505	11,451	11,970	13,014

The movement in deferred income tax assets and liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accrued payroll	Allowance for impairment of accounts receivables and inventory provision	Lease liabilities	Tax losses	Accrued expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets:						
As at January 1, 2019	2,670	7,642	2,637	203	51	13,203
Credited/(charged) to profit or loss	947	1,506	1,126	2,363	(12)	5,930
At December 31, 2019	3,617	9,148	3,763	2,566	39	19,133
Credited/(charged) to profit or loss	378	(4,959)	(833)	2,631	(39)	(2,822)
At December 31, 2020	3,995	4,189	2,930	5,197	–	16,311
(Charged)/credited to profit or loss	(217)	1,984	3,109	(4,007)	8	877
At December 31, 2021	3,778	6,173	6,039	1,190	8	17,188
(Charged)/credited to profit or loss	(1,052)	2,410	348	182	(7)	1,881
At June 30, 2022	2,726	8,583	6,387	1,372	1	19,069
(Unaudited)						
At January 1, 2021	3,995	4,189	2,930	5,197	–	16,311
(Charged)/credited to profit or loss	(275)	1,060	2,663	(2,472)	–	976
At June 30, 2021	3,720	5,249	5,593	2,725	–	17,287

	Right-of-use assets	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
Deferred income tax liabilities:			
As at January 1, 2019	(2,549)	(1,480)	(4,029)
Charged to profit or loss	(1,082)	(736)	(1,818)
At December 31, 2019	(3,631)	(2,216)	(5,847)
Credited to profit or loss	902	2,139	3,041
At December 31, 2020	(2,729)	(77)	(2,806)
(Charged)/credited to profit or loss	(3,008)	77	(2,931)
At December 31, 2021	(5,737)	–	(5,737)
Charged to profit or loss	(318)	–	(318)
At June 30, 2022	(6,055)	–	(6,055)
(Unaudited)			
As at January 1, 2021	(2,729)	(77)	(2,806)
(Charged)/credited to profit or loss	(2,584)	73	(2,511)
At June 30, 2021	(5,313)	(4)	(5,317)

29 TRADE AND OTHER PAYABLES

		As at December 31,			As at June 30,
	Note	2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables – due to third parties		103,316	99,528	117,751	152,564
Trade payables – due to related parties	*34*	27,727	–	–	–
Total trade payables		131,043	99,528	117,751	152,564
Refund liabilities		26,826	37,665	34,122	56,434
Payroll and social security		39,163	40,256	46,423	36,050
Payables to third-party e-commerce platforms		22,550	14,419	6,956	25,284
Payable for [**REDACTED**]		–	–	4,330	7,157
Other tax payables		5,524	19,127	11,800	2,387
Interest payables		128	89	292	266
Payable for business combination under common control	*1.3*	–	6,250	–	–
Loans from related parties *(i)*		23,956	–	–	–
Other payables		17,378	18,335	10,331	3,798
		266,568	235,669	232,005	283,940

(i) As at December 31, 2019, the Group's loans from related parties were all denominated in RMB and repayable in one year. The weighted average effective interest rates of the loans from related parties existed during the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022 were as follows:

	Years ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
				(Unaudited)	
Loans from related parties	3.44%	2.41%	1.06%	1.06%	N/A

(ii) As at December 31, 2019, 2020 and 2021 and June 30 2022, the aging analysis of the trade payables based on invoice date were as follows:

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	94,447	91,872	106,269	141,652
Between 3 months and 1 year	2,142	2,130	11,446	10,875
Between 1 year and 2 years	9,034	1,320	11	12
Over 2 years	25,420	4,206	25	25
	131,043	99,528	117,751	152,564

The carrying amounts of trade and other payables approximate their fair values.

30 BORROWINGS

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Bank borrowings – Secured *(i)*	–	–	300	300
Current				
Bank borrowings – Secured *(i)*	47,800	56,000	130,139	152,109
Bank borrowings – Unsecured	31,718	15,000	79,800	72,200
	79,518	71,000	210,239	224,609

(i) As at December 31, 2019, the borrowings of RMB15,000,000 were secured by Mr. Hua Bingru, Mr. Wang Shijian and Ms. Yu Feng. The borrowings of RMB10,500,000 were secured by the pledge of property with maximum financing principal of RMB19,000,000. The property belongs to Mr. Hua Bingru. The borrowings of RMB9,800,000 were guaranteed by Mr. Hua Bingru, Ms. Yu Feng, and Zibuyu International. The borrowings of RMB8,500,000 were guaranteed by Zhejiang Zibuyu, and secured by the pledge of property of maximum financing principal of RMB26,000,000. The property belongs to Mr. Hua Bingru. The borrowings of RMB4,000,000 were guaranteed by Zhejiang Zibuyu.

As at December 31, 2020, the borrowings of RMB19,000,000 were secured by the pledge of property with maximum financing principal of RMB19,000,000. The property belongs to Mr. Hua Bingru. The borrowings of RMB15,000,000 were secured by Mr. Hua Bingru, Mr. Wang Shijian and Ms. Yu Feng. The borrowings of RMB8,800,000 were guaranteed by Mr. Hua Bingru, Ms. Yu Feng and Zibuyu International. The borrowings of RMB10,000,000 were secured by the pledge of property with maximum financing principal of RMB16,640,000. The property belongs to Mr. Wang Weiping and Ms. Chen Xiaodong (the spouse of Mr. Wang Weiping). The borrowings of RMB3,200,000 were secured by the pledge of property with maximum financing principal of RMB3,200,000. The property belongs to a third party individual.

As at December 31, 2021, the borrowings of RMB50,000,000 were guaranteed by Mr. Hua Bingru, Mr. Wang Shijian, Ms. Yu Feng and Hangzhou Zibuyu Supply Chain Management Co., Ltd, a subsidiary of the Group. The borrowings of RMB19,000,000 were secured by the pledge of property with maximum financing principal of RMB19,000,000. The property belongs to Mr. Hua Bingru. The borrowings of USD2,500,000 (equivalent to RMB15,939,000) were guaranteed by Mr. Hua Bingru and the Company. The borrowings of RMB14,010,000 were secured by the pledge of property with maximum financing principal of RMB16,640,000. The property belongs to Mr. Wang Weiping and Ms. Chen Xiaodong. The borrowings of RMB13,030,000 were secured by the pledge of property with maximum financing principal of RMB16,090,000. The property belongs to Mr. Wang Shijian and Ms. Rao Xingxing (the spouse of Mr. Wang Shijian). The borrowings of RMB7,720,000 were secured by the pledge of property with maximum financing principal of RMB10,930,000. The property belongs to Mr. Dong Zhenguo. The borrowings of RMB7,240,000 were secured by the pledge of property with maximum financing principal of RMB11,200,000. The property belongs to Mr. Hua Bingru and Ms. Yu Feng. The borrowings of RMB3,200,000 were secured by the pledge of property with maximum financing principal of RMB3,200,000. The property belongs to a third-party individual. The borrowings of RMB300,000 were secured by the pledge of time deposit of RMB360,000.

As at June 30, 2022, the borrowings of RMB40,000,000 were guaranteed by Mr. Hua Bingru, Mr. Wang Shijian, Ms. Yu Feng and Hangzhou Zibuyu Supply Chain Management Co., Ltd. The borrowings of RMB18,700,000 were secured by the pledge of property with maximum financing principal of RMB19,000,000. The property belongs to Mr. Hua Bingru. The borrowings of USD2,500,000 (equivalent to RMB16,779,000) were guaranteed by Mr. Hua Bingru and the Company. The borrowings of RMB30,000,000 were guaranteed by Zibuyu International Limited. The borrowings of RMB3,640,000 were secured by the pledge of property with maximum financing principal of RMB16,640,000. The property belongs to Mr. Wang Weiping and Ms. Chen Xiaodong. The borrowings of RMB13,030,000 were secured by the pledge of property with maximum financing principal of RMB16,090,000. The property belongs to Mr. Wang Shijian and Ms. Rao Xingxing (the spouse of Mr. Wang Shijian). The borrowings of RMB9,000,000 were guaranteed by Mr. Hua Bingru, Ms. Yu Feng and Zibuyu International Limited. The borrowings of RMB10,520,000 were secured by the pledge of property with maximum financing principal of RMB10,930,000. The property belongs to Mr. Dong Zhenguo. The borrowings of RMB7,240,000 were secured by the pledge of property with maximum financing principal of RMB11,200,000. The property belongs to Mr. Hua Bingru and Ms. Yu Feng. The borrowings of RMB3,200,000 were secured by the pledge of property with maximum financing principal of RMB3,200,000. The property belongs to a third-party individual. The borrowings of RMB300,000 were secured by the pledge of time deposit of RMB360,000.

All guarantees from and properties pledged by the shareholders of the Company and third party as securities for the Group's borrowings are expected to be released upon the [**REDACTED**] of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

The weighted average effective interest rates during the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022 were as follows:

	Years ended December 31,			**Six months ended June 30,**	
	2019	**2020**	**2021**	**2021**	**2022**
				(Unaudited)	
Bank borrowings	6.22%	5.44%	5.05%	4.91%	5.01%

The fair values of the borrowings of the Group are approximate to their carrying amounts, since either the interest rates of those borrowings are close to current market rates or the borrowings are of a short-term nature.

31 REDEEMABLE CONVERTIBLE PREFERRED SHARES – THE GROUP AND THE COMPANY

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Redeemable convertible preference shares	–	–	106,091	108,365

The movement of the redeemable convertible preferred shares are set out as below:

	RMB'000
At January 1 and December 31, 2019 and 2020	–
Issuance of redeemable convertible preference shares	103,832
Changes in fair value	2,259
At December 31, 2021	106,091
Changes in fair value	2,274
At June 30, 2022	108,365

Pursuant to a capital increase agreement dated May 25, 2021, Calor Capital (BVI) Limited subscribed for an increased registered capital of US$440 (44,000 preferred shares, 2.1318% of total shares on an as-converted basis) with a consideration of US$11,000,000. As a result, the issued capital of the Company was increased to US$20,440 on May 25, 2021. As such shares can be converted into ordinary shares of the Company automatically upon occurrence of an [**REDACTED**] of the Company, and they have redeemable rights and liquidation preference, the Company recognized the fair value of expected redemption amount of the redeemable shares of approximately RMB71,385,000 at the date of capital injection as financial liabilities at fair value through profit or loss.

Pursuant to a capital increase agreement dated May 28, 2021, Aloe Tower Limited subscribed for an increased registered capital of US$200 (20,000 preferred shares, 0.9690% of total shares on an as-converted basis) with a consideration of US$5,000,000. As a result, the issued capital of the Company was increased to US$20,640 on May 28, 2021. As such shares can be converted into ordinary shares of the Company automatically upon occurrence of an [**REDACTED**] of the Company, and they have redeemable rights and liquidation preference, the Company recognized the fair value of expected redemption amount of the redeemable shares of approximately RMB32,447,000 at the date of capital injection as financial liabilities at fair value through profit or loss.

Conversion

The preferred shares can be converted into ordinary shares of the Company automatically upon occurrence of an [**REDACTED**] of the Company.

Liquidation Priority

Upon Liquidation Event, whether voluntary or involuntary, before any distribution or payment shall be made to the ordinary shareholders, each holder of preferred shares shall be prior entitled to receive liquidation amount.

The Liquidation Events are defined to include: (i) any liquidation, winding-up, or dissolution of any group company (as defined in the share purchase agreement); (ii) any merger, acquisition, sale of voting control, amalgamation or consolidation of any group company, as a result of which the shareholders of the Company will cease to own a majority of the shares or voting power of the surviving entity. There is no liquidation events triggered throughout the Track Record Period and not expected to occur in the near future.

Redemption features

Subject to the applicable terms of share purchase agreements, if the Company fail to complete the [**REDACTED**] within 12 months, or the Company may purchase its own shares as the directors may determine and agree with the shareholder, the holders of preferred shares shall be entitled to sell their preferred shares to the Company on the same terms and in the same manner on a pro rata basis.

The redemption price shall be equal to the sum of the following two:

(1) 100% of the subscription price of the Company's equity held by each holder of these shares at that time;

(2) the interest income based on annualized simple interest which is 8%.

The Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. As at December 31, 2021 and June 30, 2022, key assumptions are set as below:

	As at December 31, 2021	As at June 30, 2022
Discount rate	15.0%	15.0%
Risk-free interest rate	0.25%	2.43%
DLOM	7.0%	7.0%
Volatility	50.0%	51.2%

Discount rate was estimated by weighted average cost of capital as of each appraisal date. The Group estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to period from the respective appraisal dates to expected liquidation/redemption date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected liquidation/redemption date. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of the redeemable convertible preferred shares.

32 CASH GENERATED FROM/(USED IN) OPERATIONS

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before income tax	93,600	134,423	237,631	136,975	71,348
Adjustments for:					
Depreciation of right-of-use assets	9,124	11,261	15,132	7,730	9,767
Depreciation of property, plant, and equipment	1,902	2,282	3,568	1,560	2,170
Amortization of intangible asset	275	302	325	144	324
Losses/(gains) on disposal of property, plant and equipment	50	(3)	53	45	16
Losses on disposal of right of use assets	–	–	–	–	16
Interests received on financial assets at fair value through profit or loss	(131)	(201)	(33)	(33)	–
Fair value changes of redeemable convertible preferred shares	–	–	2,259	287	2,274
Interest expenses	8,655	6,306	8,547	3,207	6,706
Interest income	(99)	(86)	(67)	(38)	(33)
Net impairment losses/(reversal of impairment) on financial assets	616	697	(15)	293	3,077
Net impairment losses on inventories	22,386	29,952	21,162	6,322	20,313
Net foreign exchange (losses)/gains	(365)	414	123	(19)	(911)
Operating profit before changes in working capital	136,013	185,347	288,685	156,473	115,067
Changes in working capital:					
(Increase)/decrease in restricted cash	(523)	(857)	480	468	(39)
Increase in inventories	(60,120)	(107,648)	(429,645)	(302,532)	(117,072)
(Increase)/decrease in trade receivables	(12,428)	22,476	47,289	(14,369)	(64,584)
(Increase)/decrease in prepayment and other receivables	(14,210)	(55,693)	3,412	(21,658)	49,805
Increase/(decrease) in trade and other payables	29,585	(13,306)	1,837	163,316	52,559
Increase/(decrease) in contract liabilities	15,931	107,835	(102,926)	(74,749)	(18,425)
Cash generated from/(used in) operations	94,248	138,154	(190,868)	(93,051)	17,311

(a) Net debt reconciliation

	Lease liabilities	Bank borrowings and interest payable	Loans from related parties and third parties	Redeemable convertible preferred shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at January 1, 2019	10,924	75,221	21,086	–	107,231
Cash flows	(9,333)	173	(423)	–	(9,583)
New leases	23,045	–	–	–	23,045
Amortization of borrowing costs	1,059	4,223	3,373	–	8,655
Effects of exchange rate changes	5	29	–	–	34
Net debt as at December 31, 2019	25,700	79,646	24,036	–	129,382
Cash flows	(11,933)	(10,728)	(25,408)	–	(48,069)
New leases	5,957	–	–	–	5,957
Amortization of borrowing costs	1,035	3,899	1,372	–	6,306
Effects of exchange rate changes	(12)	(1,728)	–	–	(1,740)
Net debt as at December 31, 2020	20,747	71,089	–	–	91,836
Cash flows	(17,284)	132,838	74	103,832	219,460
New leases	39,547	–	–	–	39,547
Early termination of lease	(5,018)	–	–	–	(5,018)
Amortization of borrowing costs	1,851	6,588	30	–	8,469
Fair value changes	–	–	–	2,259	2,259
Effects of exchange rate changes	(2)	16	(104)	–	(90)
Net debt as at December 31, 2021	39,841	210,531	–	106,091	356,463
Net debt as at January 1, 2022	39,841	210,531	–	106,091	356,463
Cash flows	(11,417)	8,034	–	–	(3,383)
New leases	18,314	–	–	–	18,314
Early termination of lease	(14)	–	–	–	(14)
Amortization of borrowing costs	1,186	5,470	–	–	6,656
Fair value changes	–	–	–	2,274	2,274
Effects of exchange rate changes	3	840	–	–	843
Net debt as at June 30, 2022	47,913	224,875	–	108,365	381,153
(Unaudited)					
Net debt as at January 1, 2021	20,747	71,089	–	–	91,836
Cash flows	(8,702)	47,881	74	103,832	143,085
New leases	36,689	–	–	–	36,689
Early termination of lease	(3,100)	–	–	–	(3,100)
Amortization of borrowing costs	848	2,329	30	–	3,207
Fair value changes	–	–	–	287	287
Effects of exchange rate changes	(3)	–	(104)	–	(107)
Net debt as at June 30, 2021	46,479	121,299	–	104,119	271,897

33 COMMITMENTS

(i) Capital commitments

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the Group had no significant capital commitment.

34 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group during the Track Record Period:

Name of related parties	Relationship with the Company
TONGMINGYUN ONE LIMITED	Shareholder of the Company
Mr. Hua Bingru	Director of the Company
Mr. Wang Shijian	Director of the Company
Mr. Wang Weiping	Director of the Company
Mr. Xu Shijian	Director of the Company
Mr. Dong Zhenguo	Director of the Company (Appointed in June 2021)
Mr. Yang Xinmin(ii)	Director of the Company (Resigned in June 2021)
Mr. Wang Bin(iii)	Senior management of a subsidiary of the Company
Mr. Wang Shichen(iv)	Senior management of a subsidiary of the Company
Mr. Mao Shiqi(v)	Senior management of a subsidiary of the Company
Ms. Chen Xiaodong	Spouse of Mr. Wang Weiping
Ms. Yu Feng	Spouse of Mr. Hua Bingru
Ms. Rao Xingxing	Spouse of Mr. Wang Shijian
Mr. Yu Liudong	Brother of Ms. Yu Feng
Ningbo Ruyu Investment Co., Ltd.	Controlled by Mr. Hua Bingru
Jiahe Group (Hong Kong) Limited	Controlled by Mr. Yu Liudong(i)
Xingzezhi Cayman Limited	Controlled by the same ultimate controlling shareholder

(i) Jiahe Group (Hong Kong) Limited has been transferred to a third party individual from May 2021.

(ii) Mr. Yang Xinmin tendered his resignation as director of the Company in December 2020 and the filing of change was completed on June 7, 2021.

(iii) Mr. Wang Bin has no longer served as senior management of a subsidiary of the Company since March 11, 2022.

(iv) Mr. Wang Shichen has no longer served as senior management of a subsidiary of the Company since June 29, 2022.

(v) Mr. Mao Shiqi has no longer served as senior management of a subsidiary of the Company since June 30, 2022.

(b) Transactions with related parties

Related party transactions of the Group are listed as follows:

(i) Sales to related parties

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Discontinued transactions					
Jiahe Group (Hong Kong) Limited	–	–	14,240	14,240	–

(ii) Service to related parties

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Discontinued transactions					
Jiahe Group (Hong Kong) Limited	–	–	1,487	1,487	–

(iii) Loans from related parties

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Discontinued transactions					
TONGMINGYUN ONE LIMITED	144	10	15,030	15,030	–
Ningbo Ruyu Investment Co., Ltd.	32,270	23,000	7,000	7,000	–
Ms. Chen Xiaodong	3,000	12,000	–	–	–
Ms. Rao Xingxing	16,500	8,000	–	–	–
Mr. Dong Zhenguo	3,780	22	–	–	–
Mr. Wang Shijian	25,206	–	–	–	–
Mr. Wang Weiping	25,206	–	–	–	–
Ms. Yu Feng	7,500	–	–	–	–
Mr. Wang Bin	7,088	–	–	–	–
Mr. Hua Bingru	2,074	–	–	–	–
Mr. Wang Shichen	30	–	–	–	–
Mr. Yang Xinmin	30	–	–	–	–
Mr. Mao Shiqi	30	–	–	–	–
Mr. Xu Shijian	29	–	–	–	–
	122,887	43,032	22,030	22,030	–

(iv) Repayment of loans from related parties

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Discontinued transactions					
TONGMINGYUN ONE LIMITED	198	20,042	14,926	14,926	–
Ningbo Ruyu Investment Co., Ltd.	32,270	23,000	7,000	7,000	–
Ms. Chen Xiaodong	3,000	12,000	–	–	–
Ms. Rao Xingxing	16,500	8,000	–	–	–
Mr. Hua Bingru	–	2,730	–	–	–
Mr. Dong Zhenguo	3,522	397	–	–	–
Mr. Wang Shijian	25,000	273	–	–	–
Mr. Wang Weiping	25,000	273	–	–	–
Mr. Wang Bin	7,000	117	–	–	–
Mr. Xu Shijian	–	39	–	–	–
Mr. Wang Shichen	–	39	–	–	–
Mr. Yang Xinmin	–	39	–	–	–
Mr. Mao Shiqi	–	39	–	–	–
Ms. Yu Feng	7,500	–	–	–	–
	119,990	66,988	21,926	21,926	–

(v) Interest expenses on loans from related parties

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Discontinued transactions					
Ningbo Ruyu Investment Co., Ltd.	851	774	18	18	–
Ms. Chen Xiaodong	73	250	–	–	–
Ms. Rao Xingxing	457	160	–	–	–
Mr. Wang Weiping	858	–	–	–	–
Mr. Wang Shijian	395	–	–	–	–
Ms. Yu Feng	272	–	–	–	–
Mr. Wang Bin	183	–	–	–	–
Mr. Dong Zhenguo	71	–	–	–	–
	3,160	1,184	18	18	–

(vi) Purchase of advertising services

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Discontinued transactions					
Jiahe Group (Hong Kong) Limited	–	54,905	5,774	5,774	–

(c) Balances with related parties

(i) Receivables from related parties

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade				
Other receivables				
– Mr. Dong Zhenguo	50	–	–	–

(ii) Payables to related parties

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade				
Trade payables				
– Mr. Hua Bingru	27,727	–	–	–
Other payables				
– Jiahe Group (Hong Kong) Limited	–	1,503	–	–
– Mr. Dong Zhenguo	115	9	–	–
	27,842	1,512	–	–

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-Trade				
Loans from related parties				
– TONGMINGYUN ONE LIMITED	20,032	–	–	–
– Mr. Hua Bingru	2,730	–	–	–
– Mr. Dong Zhenguo	375	–	–	–
– Mr. Wang Weiping	273	–	–	–
– Mr. Wang Shijian	273	–	–	–
– Mr. Wang Bin	117	–	–	–
– Mr. Xu Shijian	39	–	–	–
– Mr. Yang Xinmin	39	–	–	–
– Mr. Mao Shiqi	39	–	–	–
– Mr. Wang Shichen	39	–	–	–
	23,956	–	–	–
Other payable				
– Xingzezhi Cayman Limited	–	6,250	–	–
	23,956	6,250	–	–

(iii) Amounts due from subsidiaries (the Company)

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-Trade				
– Zibuyu BVI Limited	–	–	95,635	100,335
– Zibuyu International	–	–	333	2,837
	–	–	95,968	103,172

(d) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Wages, salaries and bonuses	3,206	3,300	3,102	1,521	1,800
Contributions to pension plan, housing fund, medical insurance and other social benefits	495	206	507	208	280
	3,701	3,506	3,609	1,729	2,080

35 CONTINGENT LIABILITIES

There are no significant contingent liabilities as at December 31, 2019, 2020 and 2021 and June 30, 2022.

36 SUBSEQUENT EVENTS

There is no significant subsequent event after June 30, 2022.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2022 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2022.

The information set out in this Appendix [II] does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this document, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this document and the Accountant's Report set out in Appendix [I] to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2022 as if the [**REDACTED**] had taken place on June 30, 2022.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the [**REDACTED**] been completed as of June 30, 2022 or any future date. It is prepared based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2022 as derived from the Accountant's Report, set out in Appendix [I] to this Document and adjusted as described below.

	Audited Consolidated Net Tangible Assets of the Group Attributable to Owners of the Company as at June 30, 2022 (Note 1)	Estimated Impact to the Consolidated Net Tangible Assets upon the Conversion of the Redeemable Convertible Preferred Shares (Note 2)	Estimated [REDACTED] from the [REDACTED] (Note 3)	Unaudited Pro Forma Adjusted Net Tangible Assets Attributable to Owners of the Company as at June 30, 2022	Unaudited Pro Forma Adjusted Net Tangible Assets per Share (Note 4)	(Note 5)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	430,818	108,365	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	430,818	108,365	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The audited consolidated net tangible assets attributable to owners of the Company as at June 30, 2022 is extracted from the historical financial information contained in the Accountant's Report set forth in Appendix I to this Document, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at June 30, 2022 of approximately RMB434,290,000 with an adjustment for the intangible assets attributable to owners of the Company as at June 30, 2022 of approximately RMB3,472,000.

2. The Company's redeemable convertible preferred shares are all converted into the ordinary shares of the Company upon [**REDACTED**]. The adjustment represents the impact of the conversion of the redeemable convertible preferred shares into the ordinary shares of the Company, issued up to the date of this Document, on the net tangible assets of the Group attributable to owners of the Company. The estimated impact is RMB108,365,000, being the carrying amount of the Company's redeemable convertible preferred shares as of June 30, 2022.

3. The estimated [**REDACTED**] from the [**REDACTED**] are based on the [**REDACTED**] of HK$[**REDACTED**] per Share and HK$[**REDACTED**] per Share, respectively after deduction of the [**REDACTED**] fees and other related expenses paid/payable by the Company, excluding [**REDACTED**] of approximately RMB37,531,000 which has been accounted for in the consolidated statements of comprehensive income up to June 30, 2022. It does not take account of any Shares which may be issued upon the exercise of the [**REDACTED**] or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this Document.

4. The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the conversion of the redeemable convertible preferred shares, the share subdivision, the Capitalization Issue and the [**REDACTED**] had been completed on June 30, 2022 without taking into account of any Shares which may be issued upon the exercise of the [**REDACTED**] or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this Document.

5. For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8841 to HK$1.00, as set out in "Information about this Document and the [**REDACTED**]" to this Document. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

6. No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2022.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 August 2018 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] and will become effective on the [**REDACTED**]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate general meeting, provided that the necessary quorum shall be two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy at least one-third of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of a larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Companies Act and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien, or if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed in accordance with the terms equivalent to the relevant section of the Hong Kong Companies Ordinance at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting or the Articles. Any Director so appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. Every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The Company shall include the particulars of such proposed person for election as a Director in its announcement or supplementary circular, and shall give the shareholders at least seven days to consider the relevant information disclosed in such announcement or supplementary circular prior to the date of the meeting of the election.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the members of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resigns;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) he is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) is removed from office by no less than three-fourths in number of the Directors pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, doing so is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the [**REDACTED**] or sub-[**REDACTED**] of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Cayman Islands laws and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of members

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member, including the right to speak and vote individually on a show of hands or on a poll.

All Shareholders of the Company (including a Shareholder which is a Clearing House (or its nominee(s))) shall have the right to (a) speak at a general meeting and (b) vote at a general meeting except where a Shareholder is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, in which case any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting in each financial year. Such meeting must be held within six months after the end of the Company's financial year.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A corporation which is a member may execute a form of proxy under the hand of a duly authorised officer. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) Members' requisition for meetings

One or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Act (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members shall appoint auditor(s) to hold office by an ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in general meeting by an ordinary resolution of the members or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the terms equivalent to the relevant section of the Hong Kong Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on 6 August 2018 subject to the Cayman Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Cayman Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and

(b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

 (i) on or in respect of the shares, debentures or other obligations of the Company; or

 (ii) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The undertaking for the Company is for a period of 30 years from June 29, 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of directors and officers

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by (i) 75 per cent in value of the members or class of members or (ii) a majority in number representing 75 per cent in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated, the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the paragraph headed "Documents on Display" in Appendix V. Any person wishing to have a detailed summary of the Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on August 6, 2018. Our Company has established a place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. Ms. Yu Anne (余安妮) has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Act and its constitution comprises the Memorandum and Articles of Association. A summary of the Memorandum and Articles of Association and relevant aspects of the Cayman Companies Act is set forth in Appendix III to this document.

2. Changes in the share capital of our Company

On August 6, 2018, our Company was incorporated with an authorized share capital of US$50,000 divided into 5,000,000 Shares of US$0.01 par value each.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this document:

(a) On March 24, 2021, TMY ONE transferred 212,964, 102,088, 115,128, 110,000, 76,630 and 46,030 Shares to Xringirl, Alitti, Also Jun, Hyufeng, Rocubabe and Virtual Particle, respectively.

(b) On March 24, 2021, TMY TWO transferred 16,000 and 17,742 Shares to Greenxin and Gpxxxx, respectively.

(c) On May 24, 2021, Xringirl, Also Jun and Alitti transferred 18,000, 16,000 and 16,000 Shares to Calor Capital, respectively.

(d) On May 28, 2021, our Company issued 44,000 preferred Shares to Calor Capital.

(e) On May 28, 2021, our Company issued 20,000 preferred Shares to Aloe Tower.

(f) On September 16, 2022, our Company resolved to conduct the share subdivision pursuant to which each Share was subdivided into 200 Shares of par value of US$0.00005 each, following which the authorized share capital of our Company became US$50,000, divided into 1,000,000,000 Shares of par value of US$0.00005 each.

(g) On September 16, 2022, the authorized share capital of our Company was further increased to US$100,000 which was divided into 2,000,000,000 Shares with par value of US$0.00005 each.

Save for the aforesaid and as mentioned in "– 3. Resolutions in writing of our Shareholders passed on [●]" below, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Resolutions in writing of our Shareholders passed on [●]

Pursuant to the written resolutions passed by our Shareholders on [●], it was resolved, among others:

(a) our Company approved and adopted the Memorandum and Articles of Association, which will come into effect upon the [**REDACTED**] of our Shares on the Stock Exchange;

(b) conditional on (i) the [**REDACTED**] of the Stock Exchange granting the approval for the [**REDACTED**] of, and permission to deal in, the Shares in issue and Shares to be issued, (ii) the [**REDACTED**] being determined, and (iii) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and the [**REDACTED**] not being terminated in accordance with their terms or otherwise:

(i) the [**REDACTED**] and the [**REDACTED**] were approved and our Directors were authorized to effect the same and to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**] and the [**REDACTED**];

(ii) the grant of the [**REDACTED**] by our Company to the [**REDACTED**], exercisable by the [**REDACTED**] and the [**REDACTED**], pursuant to which the [**REDACTED**] and the [**REDACTED**] (on behalf of the [**REDACTED**]) may require our Company to allot and issue up to an aggregate of additional [**REDACTED**] Shares to cover, among others, the over-allocation in the [**REDACTED**] was approved; and

(iii) the proposed [**REDACTED**] was approved and our Directors were authorized to implement the [**REDACTED**].

(c) subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of [**REDACTED**] pursuant to the [**REDACTED**], the Directors were authorized to allot and issue a total of [**REDACTED**] Shares credited as fully paid at par value to the holders of Shares whose names appear on the register of members of the Company at the close of business on the business day immediately preceding the [**REDACTED**] (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalization of the sum of US$[**REDACTED**] standing to the credit of the share premium account of the Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares;

(d) a general unconditional mandate was granted to our Directors to, *inter alia*, allot, issue and deal with Shares, securities convertible into Shares (the "**Convertible Securities**") or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the "**Options and Warrants**") and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares or the underlying Shares relating to the Convertible Securities or the Options and Warrants so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and of the [**REDACTED**].

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest;

(e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the [**REDACTED**].

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will remain in effect until:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest; and

(f) the general unconditional mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalization Issue and the [**REDACTED**].

4. Corporate reorganization

The companies comprising our Group underwent the Reorganization in preparation for the [**REDACTED**]. For further details, see the section headed "History, Reorganization and Corporate Structure – Reorganization."

5. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Appendix I to this document.

Save as disclosed below, there has been no alteration in the share capital or the registered capital of any of our subsidiaries within the two years immediately preceding the date of this document:

Huzhou Zibuyu

On December 10, 2020, Huzhou Zibuyu was established in the PRC with a registered capital of RMB3,000,000.

On August 2, 2021, the registered capital of Huzhou Zibuyu was increased from RMB3,000,000 to RMB5,000,000.

Dongguan Zibuyu

On April 27, 2021, Dongguan Zibuyu was established in the PRC with a registered capital of RMB3,000,000.

Guangzhou Xingzezhi

On July 28, 2021, Guangzhou Xingzezhi was established in the PRC with a registered capital of RMB1,000,000.

Shenzhen Zibuyu

On December 22, 2021, Shenzhen Zibuyu was established in the PRC with a registered capital of RMB1,000,000.

Hangzhou Xingzezhi E-Commerce

On March 16, 2022, Hangzhou Xingzezhi E-Commerce was established in the PRC with a registered capital of RMB5,000,000.

Xiamen Zibuyu

On May 17, 2022, Xiamen Zibuyu was established in the PRC with a registered capital of RMB1,000,000.

6. Repurchase of Shares by our Company

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions in writing of all our Shareholders passed on [●], a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following the completion of the Capitalization Issue and the [**REDACTED**], at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Memorandum and Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate nominal value of the company's shares in issue on the date the repurchase mandate is granted. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to affect a repurchase of securities disclose to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(iv) Status of repurchased securities

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances.

(v) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year reviewed, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vi) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective close associates and a core connected person is prohibited from knowingly selling his securities to the company, on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will be in the interest of our Company and our Shareholders. Such repurchases may, depending on market conditions, funding arrangements and other circumstances at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association and the applicable laws of the Cayman Islands.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorized by the Memorandum and Articles of Association and subject to the Companies Act of the Cayman Islands, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Memorandum and Articles of Association and subject to the Companies Act of the Cayman Islands, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or its gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this document in the event that the Repurchase Mandate is exercised in full.

(d) Share capital

Exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in issue immediately after the [**REDACTED**] of the Shares, could accordingly result in up to [**REDACTED**] Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Memorandum and Articles of Association to be held; or

(iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Code**"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of the increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Code if the Repurchase Mandate is exercised. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances. No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of our business) have been entered into by us within the two years preceding the date of this document and are or may be material:

(a) a share transfer agreement dated May 24, 2021 entered into by and among Xringirl Limited, Also Jun Limited, Alitti Limited and Calor Capital (BVI) Limited, pursuant to which Xringirl Limited, Also Jun Limited, Alitti Limited agreed to transfer 18,000, 16,000 and 16,000 Shares to Calor Capital (BVI) Limited at an consideration of US$3,600,000, US$3,200,000 and US$3,200,000, respectively;

(b) an investment agreement dated May 25, 2021 entered into by and among Calor Capital (BVI) Limited, the Company, Hua Bingru (華丙如), Yu Feng (余風), Wang Shijian (王詩劍), Rao Xingxing (饒興星), Wang Weiping (汪衛平), Dong Zhenguo (董振國), Wang Bin (汪賓), Hua Hui (華慧), TONGMINGYUN ONE LIMITED, Hyufeng Limited, Xringirl Limited, Also Jun Limited, Alitti Limited, Rocubabe Limited, Virtual Particle Limited, Gpxxxx Limited, Greenxin Limited, TONGMINGYUN TWO LIMITED, TONGMINGYUN THREE LIMITED and ZHONGYAO LIMITED, pursuant to which Calor Capital (BVI) Limited agreed to subscribe for 44,000 preferred Shares at a consideration of US$11,000,000;

(c) an investment agreement dated May 28, 2021 entered into by and among Aloe Tower Limited, Calor Capital (BVI) Limited, the Company, Hua Bingru (華丙如), Yu Feng (余風), Wang Shijian (王詩劍), Rao Xingxing (饒興星), Wang Weiping (汪衛平), Dong Zhenguo (董振國), Wang Bin (汪賓), Hua Hui (華慧), TONGMINGYUN ONE LIMITED, Hyufeng Limited, Xringirl Limited, Also Jun Limited, Alitti Limited, Rocubabe Limited, Virtual Particle Limited, Gpxxxx Limited, Greenxin Limited, TONGMINGYUN TWO LIMITED, TONGMINGYUN THREE LIMITED and ZHONGYAO LIMITED, pursuant to which Aloe Tower Limited agreed to subscribe for 20,000 preferred Shares at a consideration of US$5,000,000; and

(d) the [**REDACTED**].

2. Intellectual property rights of our Group

Trademarks

(a) Trademarks for which registration has been granted

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Registration number	Registered owner	Class	Registration date	Expiry date
1.	Karlywindow	PRC	27270918	Zhejiang Zibuyu	25	October 28, 2018	October 27, 2028
2.	Karlywindow	PRC	27270544	Zhejiang Zibuyu	35	October 28, 2018	October 27, 2028
3.		PRC	26692511	Zhejiang Zibuyu	3	October 21, 2018	October 20, 2028
4.		PRC	26692500	Zhejiang Zibuyu	42	October 21, 2018	October 20, 2028
5.		PRC	26690774	Zhejiang Zibuyu	39	October 21, 2018	October 20, 2028
6.		PRC	26687683	Zhejiang Zibuyu	41	October 21, 2018	October 20, 2028
7.		PRC	26687636	Zhejiang Zibuyu	9	October 21, 2018	October 20, 2028
8.		PRC	26681923	Zhejiang Zibuyu	14	October 21, 2018	October 20, 2028
9.		PRC	26673902	Zhejiang Zibuyu	35	December 7, 2018	December 6, 2028
10.		PRC	26670170	Zhejiang Zibuyu	18	October 21, 2018	October 20, 2028
11.	西贝尔 SIEBEL	PRC	4903939	Zhejiang Zibuyu	25	June 28, 2019	June 27, 2029
12.	曼妙秀语	PRC	9436478	Zhejiang Zibuyu	25	November 28, 2012	November 27, 2022
13.	哒唛喵	PRC	26690596	Hangzhou Junbuqi	41	October 14, 2018	October 13, 2028
14.	ZIBUYU	HK	305588777	Zhejiang Zibuyu	35, 42	April 9, 2021	April 8, 2031

Patents

(a) Patents for which registration has been applied for

As of the Latest Practicable Date, we have applied for the registration of the following patents which we consider to be or may be material to our business:

No.	Patent	Applicant	Class of Patent	Patent Number	Application Date
1.	A FBA headway management and freight calculation system	Zhejiang Zibuyu	Invention patent	2019106565855	July 19, 2019
2.	An inventory pre-occupancy and management system	Zhejiang Zibuyu	Invention patent	2019106484699	July 18, 2019
3.	A publication collection system	Zhejiang Zibuyu	Invention patent	2019106484701	July 18, 2019
4.	A sales-based procurement management system	Zhejiang Zibuyu	Invention patent	201910648481X	July 18, 2019
5.	A 1688 mobile application collection system	Zhejiang Zibuyu	Invention patent	2019106484824	July 18, 2019
6.	A mobile application reporting system	Zhejiang Zibuyu	Invention patent	2019106486213	July 18, 2019
7.	An automatic order dispatching system based on logistics model	Zhejiang Zibuyu	Invention patent	2019106486228	July 18, 2019
8.	A GMS commodity management system	Zhejiang Zibuyu	Invention patent	2019106486232	July 18, 2019
9.	Product batch management system	Zhejiang Zibuyu	Invention patent	2020116453346	December 31, 2020
10.	Multi-platform based order interaction management system	Zhejiang Zibuyu	Invention patent	2020116293741	December 31, 2020
11.	Performance management system	Zhejiang Zibuyu	Invention patent	202011629378X	December 31, 2020
12.	Standard price management system	Zhejiang Zibuyu	Invention patent	2020116293794	December 31, 2020
13.	Logistics pre-registration information management system	Zhejiang Zibuyu	Invention patent	2020116292679	December 31, 2020
14.	Traffic monitoring system	Zhejiang Zibuyu	Invention patent	202011629346X	December 31, 2020

No.	Patent	Applicant	Class of Patent	Patent Number	Application Date
15.	Multi-platform based inventory scrapping business system	Zhejiang Zibuyu	Invention patent	2020116300482	December 31, 2020
16.	Wish platform product management system	Zhejiang Zibuyu	Invention patent	2020116233492	December 31, 2020
17.	A trading platform click farming detection system	Zhejiang Zibuyu	Invention patent	2020116293192	December 31, 2020

Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Registration number	Registered owner	Place of registration	Registration date
1.	Zibuyu business intelligence reporting software V2.0	2020SR1040341	Zhejiang Zibuyu	PRC	September 3, 2020
2.	Logistics cost model-based logistics method recommendation and cost calculation and logistics tracking system V1.0	2020SR0676771	Zhejiang Zibuyu	PRC	June 24, 2020
3.	Multi-platform based commodity management system V1.0	2020SR0676791	Zhejiang Zibuyu	PRC	June 24, 2020
4.	Sales-based procurement system based on inventory management V1.0	2020SR0676758	Zhejiang Zibuyu	PRC	June 24, 2020
5.	Inventory pre-occupancy and management system V1.0	2020SR0676778	Zhejiang Zibuyu	PRC	June 24, 2020
6.	Automatic order dispatching system based on logistics model V1.0	2020SR0676764	Zhejiang Zibuyu	PRC	June 24, 2020
7.	Sales order reshipping management system V1.0	2020SR0676785	Zhejiang Zibuyu	PRC	June 24, 2020
8.	Wish product listing system V1.0	2020SR0586177	Zhejiang Zibuyu	PRC	June 8, 2020
9.	1688 product collection software based on web crawler technology V1.0	2020SR0586185	Zhejiang Zibuyu	PRC	June 8, 2020

No.	Copyright	Registration number	Registered owner	Place of registration	Registration date
10.	Blacklist management system for anti-phishing addresses V1.0	2020SR0586193	Zhejiang Zibuyu	PRC	June 8, 2020
11.	Mobile application for warehouse operation system V1.0	2019SR0679638	Zhejiang Zibuyu	PRC	July 2, 2019
12.	In-transit inventory management system V1.0	2019SR0671927	Zhejiang Zibuyu	PRC	July 1, 2019
13.	Sampling management system for apparel industry V1.0	2019SR0671820	Zhejiang Zibuyu	PRC	July 1, 2019
14.	Multi-platform international product return management system V1.0	2019SR0670971	Zhejiang Zibuyu	PRC	July 1, 2019
15.	Quality control management system V1.0	2019SR0672325	Zhejiang Zibuyu	PRC	July 1, 2019
16.	Enterprise bookkeeping system V1.0.41	2019SR0671803	Zhejiang Zibuyu	PRC	July 1, 2019
17.	SCM supply chain management system V1.0	2019SR0674720	Zhejiang Zibuyu	PRC	July 1, 2019
18.	FBA inventory management system based on multi-platform integration V1.0.41	2019SR0671812	Zhejiang Zibuyu	PRC	July 1, 2019
19.	Warehouse management system based on mobile application technology V1.0	2019SR0674501	Zhejiang Zibuyu	PRC	July 1, 2019
20.	Product department reporting system V1.0.41	2019SR0671822	Zhejiang Zibuyu	PRC	July 1, 2019
21.	Inventory management system V1.0	2018SR283656	Zhejiang Zibuyu	PRC	April 26, 2018
22.	Intelligent logistics management system based on configurable strategy V1.0	2018SR285743	Zhejiang Zibuyu	PRC	April 26, 2018
23.	Logistics cost management system V1.0	2018SR285516	Zhejiang Zibuyu	PRC	April 26, 2018
24.	Wish order interaction system V1.0	2018SR283669	Zhejiang Zibuyu	PRC	April 26, 2018
25.	Sales order management system V1.0	2018SR285638	Zhejiang Zibuyu	PRC	April 26, 2018
26.	Wish data analysis system V1.0	2018SR285775	Zhejiang Zibuyu	PRC	April 26, 2018

No.	Copyright	Registration number	Registered owner	Place of registration	Registration date
27.	Procurement management system V1.0	2018SR285577	Zhejiang Zibuyu	PRC	April 26, 2018
28.	Master data management system V1.0	2018SR285739	Zhejiang Zibuyu	PRC	April 26, 2018
29.	Product data management system V1.0	2018SR285511	Zhejiang Zibuyu	PRC	April 26, 2018
30.	Amazon order interaction system V1.0	2018SR285586	Zhejiang Zibuyu	PRC	April 26, 2018
31.	Management tool suite software V1.0	2018SR283625	Zhejiang Zibuyu	PRC	April 26, 2018
32.	Apparel production management system V1.0	2018SR284102	Zhejiang Zibuyu	PRC	April 26, 2018
33.	Warehouse management system V1.0	2018SR283663	Zhejiang Zibuyu	PRC	April 26, 2018
34.	Content management system V1.0	2018SR284071	Zhejiang Zibuyu	PRC	April 26, 2018
35.	Procurement and sourcing management system V1.0	2018SR285793	Zhejiang Zibuyu	PRC	April 26, 2018
36.	GMS goods management system V1.0	2020SR1795208	Hangzhou Xingzezhi	PRC	December 11, 2020
37.	Automatic advertisement placement system V1.0	2020SR1776767	Hangzhou Xingzezhi	PRC	December 9, 2020
38.	Artificial intelligence assisted product marketing software V1.0	2020SR1776766	Hangzhou Xingzezhi	PRC	December 9, 2020
39.	Stores and products data analysis system V1.0	2020SR1776752	Hangzhou Xingzezhi	PRC	December 9, 2020
40.	Performance management system V1.0	2020SR1776753	Hangzhou Xingzezhi	PRC	December 9, 2020
41.	Research and development software for coupon and marketing systems V1.0	2020SR0377438	Hangzhou Xingzezhi	PRC	April 26, 2020
42.	Research and development software for membership credit system V1.0	2020SR0377037	Hangzhou Xingzezhi	PRC	April 26, 2020
43.	E-commerce system AB Test framework development software V1.0	2020SR0377432	Hangzhou Xingzezhi	PRC	April 26, 2020
44.	Research and development software for cross-border e-commerce community platform V1.0	2020SR0377388	Hangzhou Xingzezhi	PRC	April 26, 2020

No.	Copyright	Registration number	Registered owner	Place of registration	Registration date
45.	Greatmola multi-shop cross-border e-commerce backend management system V1.0	2019SR1418830	Hangzhou Xingzezhi	PRC	December 24, 2019
46.	Jolimall e-commerce platform H5 application V1.0	2019SR1417180	Hangzhou Xingzezhi	PRC	December 24, 2019
47.	Jolimall e-commerce platform Android application V1.0	2019SR1418818	Hangzhou Xingzezhi	PRC	December 24, 2019
48.	Jolimall e-commerce platform iOS application V1.0	2019SR1418515	Hangzhou Xingzezhi	PRC	December 24, 2019
49.	Chellysun cross-border e-commerce mall iOS platform V1.0	2019SR0422537	Hangzhou Xingzezhi	PRC	May 5, 2019
50.	Chellysun cross-border e-commerce mall H5 platform V1.0	2019SR0422545	Hangzhou Xingzezhi	PRC	May 5, 2019
51.	Chellysun cross-border e-commerce mall Android platform V1.0	2019SR0421023	Hangzhou Xingzezhi	PRC	May 5, 2019
52.	Financial Statement Statistics System	2021SR1911083	Hangzhou Xingzezhi	PRC	November 26, 2021
53.	Intelligent Mail System	2021SR1911098	Hangzhou Xingzezhi	PRC	November 26, 2021
54.	E-commerce source code traceability system	2021SR1911084	Hangzhou Xingzezhi	PRC	November 26, 2021
55.	Station group commodity operation platform	2021SR1908911	Hangzhou Xingzezhi	PRC	November 26, 2021
56.	Budgetmall Brand Mall System	2021SR1909089	Hangzhou Xingzezhi	PRC	November 26, 2021
57.	Tax order management system	2022SR0183454	Zhejiang Zibuyu	PRC	January 28, 2022
58.	EHR Personnel Management System	2022SR0183458	Zhejiang Zibuyu	PRC	January 28, 2022
59.	Supplier Performance Management System	2022SR0188696	Zhejiang Zibuyu	PRC	January 28, 2022
60.	Overseas transit management system based on FBA inventory allocation	2022SR0374577	Zhejiang Zibuyu	PRC	March 22, 2022

Domain Names

As of the Latest Practicable Date, we had registered the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registrant	Date of registration	Expiry date
1.	hzzibuyu.com	Zhejiang Zibuyu	May 6, 2016	May 6, 2023
2.	zbycorp.com	Zhejiang Zibuyu	August 19, 2016	August 19, 2023
3.	ezibuyu.com	Zhejiang Zibuyu	April 10, 2017	April 10, 2023
4.	xzzcorp.com	Hangzhou Xingzezhi	May 27, 2019	May 27, 2023

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interest

(a) Disclosure of interest – interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the Capitalization Issue and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the interest or short position of our Directors or chief executives of our Company in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once the Shares are [**REDACTED**], will be as follows:

Name of Director/ Chief executive	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Hua(1)(2)	Interest in controlled corporations/Interest of spouse/Founder of a discretionary trust	[REDACTED]	[REDACTED]

Name of Director/ Chief executive	Nature of interest	Number of Shares	Approximate percentage of shareholding
Mr. Wang[(3)]	Interest in controlled corporations/Interest of spouse/Founder of a discretionary trust	[REDACTED]	[REDACTED]%
Mr. Wang Weiping[(4)]	Interest in controlled corporations	[REDACTED]	[REDACTED]%
Mr. Dong Zhenguo[(5)]	Interest in controlled corporations	[REDACTED]	[REDACTED]%
Ms. Hua Hui[(6)]	Interest in controlled corporations	[REDACTED]	[REDACTED]%
Mr. Xu Shijian[(7)]	Interest in controlled corporations	[REDACTED]	[REDACTED]%

Notes:

(1) Mr. Hua is the settlor and appointer of Hone Ru Trust, which is interested in all the issued shares of Hone Ru. TMY ONE is wholly-owned by Gfxtmyun, a wholly owned subsidiary of Hone Ru, which is in turn wholly-owned by Hone Ru Trust. Therefore, Mr. Hua, Hone Ru and Gfxtmyun are deemed to be interested in the Shares directly held by TMY ONE.

(2) Mr. Hua is the spouse of Ms. Yu and therefore, Mr. Hua and Ms. Yu are deemed to be interested in the Shares interested by each other by virtue of the SFO.

(3) Mr. Wang Shijian and his spouse, Ms. Rao Xingxing, are the settlors of and appointers of Chichiboy Trust, which is interested in all the issued shares of Chichiboy Holdings Limited. Xringirl is wholly-owned by Chichiboy Holdings Limited, which is in turn wholly-owned by Chichiboy Trust. Therefore, Mr. Wang Shijian, Ms. Rao Xingxing and Chichiboy Holdings Limited are deemed to be interested in the Shares directly held by Xringirl.

(4) Mr. Wang Weiping is the settlor and appointor of WJunzhe Trust, which is interested in all the issued shares of WJunzhe Limited. Also Jun is wholly owned by WJunzhe Limited, which is in turn wholly owned by WJunzhe Trust. As such, Mr. Wang Weiping is deemed to be interested in the Shares directly held by Also Jun.

(5) Mr. Dong Zhenguo is the settlor and appointor of Dotti Trust, which is interested in all the issued shares of Dotti Enterprise Limited. Alitti is wholly owned by Dotti Enterprise Limited, which is in turn wholly owned by Dotti Trust. As such, Mr. Dong Zhenguo is deemed to be interested in the Shares directly held by Alitti.

(6) Virtual Particle is wholly owned by Ms. Hua Hui. As such, Ms. Hua Hui is deemed to be interested in the Shares directly held by Virtual Particle.

(7) Greenxin is wholly owned by Mr. Xu Shijian. As such, Mr. Xu Shijian is deemed to be interested in the Shares directly held by Greenxin.

(b) Disclosure of interest – interests and short positions discloseable under Divisions 2 and 3 of the Part XV of the SFO

Save as disclosed in the section headed "Substantial Shareholders" of this document, our Directors are not aware of any other person who will, immediately following the completion of the Capitalization Issue and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have an interest or short position in the Shares or underlying Shares of our Company which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

Save as disclosed in this document, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Capitalization Issue and the [**REDACTED**], in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company) or had option in respect of such capital.

2. Particulars of Directors' service contracts and letters of appointment

Each of Mr. Hua, Mr. Wang, Mr. Wang Weiping, Mr. Dong Zhenguo and Mr. Xu Shijian, being our executive Directors, has entered into a service contract with our Company, under which they agreed to act as executive Directors for an initial term of three years commencing from the [**REDACTED**]. The service contracts may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

Ms. Hua Hui, being our non-executive Directors, has entered into a letter of appointment with our Company, under which she agreed to act as non-executive Director for an initial term of three years commencing from the [**REDACTED**]. The letters of appointment may be renewed in accordance with our Memorandum and Articles of Association and the applicable laws, rules and regulations.

Each of Mr. Yu Kefei, Mr. Shen Tianfeng and Dr. Lau Kin Shing Charles, being our independent non-executive Directors has entered into a letter of appointment with our Company, under which they agreed to act as independent non-executive Director for an initial term of three years from the date of appointment or until the third annual general meeting of the Company since the [**REDACTED**], whichever ends earlier. The letters of appointment may be renewed in accordance with our Memorandum and Articles of Association and applicable laws, rules and regulations.

3. Directors' remuneration

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were RMB2.6 million, RMB2.2 million, RMB2.5 million and RMB1.4 million, respectively.

None of our Directors has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this document.

Save as disclosed above, no other payments have been made or are payable for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 by any member of our Group to any of our Directors.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group.

It is estimated that remuneration equivalent to approximately RMB4.0 million in aggregate will be paid to the Directors (inclusive of benefits in kind but exclusive of any discretionary bonuses) by our Company for the year ending December 31, 2022, based on the arrangements currently in force.

4. Personal guarantees

Save as disclosed in this document, our Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted or to be granted to any member of our Group.

5. Agency fees or commissions received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this document in connection with the issue or sale of any capital of any member of our Group.

6. Disclaimers

Save as disclosed herein:

(a) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are [**REDACTED**];

(b) none of our Directors or any of the experts referred to under "D. Other Information – 8. Qualification of Experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) taking no account of any Shares which may be taken up under the [**REDACTED**], so far as is known to our Directors or chief executive of our Company, no person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Capitalization Issue and the [**REDACTED**], have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Indemnities

Mr. Hua and Ms. Yu have entered into a deed of indemnity in favor of our Company (for themselves and as trustee for each of our subsidiaries) to give indemnities in connection with, among other matters, any claims, costs, penalties, fines, damages, losses, fees, expenses and liabilities which may be incurred or suffered by our Group relating to (i) the contributions to various employee benefit plans as described in the section headed "Risk Factors – Risks Relating to Our Business and Industry – Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties," and (ii) taxation matters as described in the section headed "Business – Taxation and Related Arrangements."

3. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this document and so far as our Directors are aware, no litigation or claim of material importance (to our Group's financial condition or results of operation) is pending or threatened against any member of our Group.

4. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the [**REDACTED**] of the Stock Exchange for the [**REDACTED**] of, and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this document.

The Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The sponsor fee payable to Huatai Financial Holdings (Hong Kong) Limited and ABCI Capital Limited by our Company is US$500,000 and US$350,000, respectively.

5. Preliminary expenses

The preliminary incurred by our Company amounts to approximately RMB328,994.5.

6. Promoter

We do not have any promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the [**REDACTED**] and the related transactions described in this document.

7. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.13% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the [**REDACTED**] will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
Huatai Financial Holdings (Hong Kong) Limited	Licensed under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
ABCI Capital Limited	Licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified public accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Jingtian & Gongcheng	PRC legal advisors to our Company
Harney Westwood & Riegels	Cayman Islands legal advisors to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Peter Chen Law Office	Hong Kong legal advisors to our Company
Nixon Peabody LLP	U.S. legal advisors to our Company
Luther Rechtsanwaltsgesellschaft mbH	German legal advisors to our Company
FIDAL	French legal advisors to our Company
Anderson Mōri & Tomotsune	Japanese legal advisors to our Company
Hogan Lovells	Legal advisors to our Company as to International Sanctions law

9. Consents of experts

Each of Huatai Financial Holdings (Hong Kong) Limited, ABCI Capital Limited, PricewaterhouseCoopers, Jingtian & Gongcheng, Harney Westwood & Riegels, Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., Peter Chen Law Office, Nixon Peabody LLP, Luther Rechtsanwaltsgesellschaft mbH, FIDAL, Anderson Mōri & Tomotsune and Hogan Lovells has given and has not withdrawn its consent to the issue of this document with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

10. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

(a) save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any member of our Group had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any member of our Group;

(iii) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any member of our Group;

(b) save as disclosed in this document, no share or loan capital of our Company or any member of our Group had been under option or agreed conditionally or unconditionally to be put under option;

(c) save as disclosed in this document, there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any member of our Group;

(d) our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since June 30, 2022 (being the date to which the latest audited combined financial statements of our Group were made up);

(e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(f) our principal register of members will be maintained by our principal registrar, [**REDACTED**], in the Cayman Islands and our Hong Kong register of members will be maintained by our [**REDACTED**], [**REDACTED**], in Hong Kong. All transfer and other documents of title of the Shares must be lodged for registration with and registered by our share register in Hong Kong;

(g) all necessary arrangements have been made to enable the Shares to be admitted to [**REDACTED**];

(h) no company within our Group is [**REDACTED**] on any stock exchange or traded on any trading system at present, and our Group is not seeking or proposing to seek any [**REDACTED**] of, or permission to deal in, the share or loan capital of our Company on any other stock exchange; and

(i) there is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the [**REDACTED**];

(b) a copy of each of the material contracts referred to in the section headed "Appendix IV – Statutory and General Information – B. Further Information about Our Business – 1. Summary of material contracts;" and

(c) the written consents referred to in the section headed "Appendix IV – Statutory and General Information – D. Other Information – 9. Consents of experts."

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.zbycorp.com** up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and Articles of Association;

(b) the Accountant's Report of our Group for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, received from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

(c) the report from PricewaterhouseCoopers relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Group for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022;

(e) the legal opinions issued by Jingtian & Gongcheng, our PRC legal advisors, dated the date of this document in respect of certain aspects of our Group;

(f) the letter of advice prepared by Harney Westwood & Riegels, our legal advisor as to Cayman Islands laws, summarizing certain aspects of Cayman Companies Act referred to in Appendix III to this document;

(g) the legal opinions dated the date of this document issued by Peter Chen Law Office, our legal advisors as to Hong Kong laws;

(h) the legal opinions dated the date of this document issued by Nixon Peabody LLP, our legal advisors as to U.S. laws;

(i) the legal opinions dated the date of this document issued by Luther Rechtsanwaltsgesellschaft mbH, our legal advisors as to German laws;

(j) the legal opinions dated the date of this document issued by FIDAL, our legal advisors as to French laws;

(k) the legal opinions dated the date of this document issued by Anderson Mōri & Tomotsune, our legal advisors as to Japanese laws;

(l) the sanctions memorandum dated the date of this document issued by Hogan Lovells, our legal advisors as to International Sanctions law;

(m) the material contracts referred to in the section headed "Appendix IV – Statutory and General Information – B. Further Information about Our Business – 1. Summary of material contracts;"

(n) the written consents referred to in the section headed "Appendix IV – Statutory and General Information – D. Other Information – 9. Consents of experts;"

(o) the service contracts and the letters of appointment referred to in the section headed "Appendix IV – Statutory and General Information – C. Further Information about Our Directors and Substantial Shareholders – 2. Particulars of Directors' service contracts and letters of appointment;"

(p) the Cayman Companies Act; and

(q) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant.