Application Proof of

Belle Fashion Group
百麗時尚集團

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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Belle Fashion Group
百麗時尚集團

(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]	**:**	**[REDACTED] per [REDACTED] in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.000001 per Share**
[REDACTED]	**:**	**[●]**

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

BofA SECURITIES　　Morgan Stanley

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[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

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OVERVIEW

We are a leading soft fashion(1) company and the largest fashion footwear company in China based on 2022 retail sales value, according to Frost & Sullivan. We operate a diversified portfolio of 19 core self-owned brands and partner brands, with product categories encompassing footwear, apparel and accessories for women, men and kids. According to Frost & Sullivan, based on 2022 retail sales value, we ranked No. 1 with a 12.3% market share in China's fashion footwear market, compared to the second place company with a 9.1% market share. During each of the Singles' Day and "June 18" shopping festivals during the Track Record Period, our brands consistently made up at least five out of the top ten best-selling women's fashion footwear brands on Tmall based on sales value. Over the decades, we have operated and refined each stage of the full value chain of our footwear business, including fashion trend research, product planning, design and development, merchandise management, production, direct-to-consumer ("**DTC**") retail(2), and building customer insights, and built an industry-leading vertically integrated business model according to Frost & Sullivan. We have also expanded into the apparel business, which consists of partner brands and our own brands. We are committed to building the most vibrant brand growth platform for fashion brands across different product categories and catering to the broadest base of consumers in China.

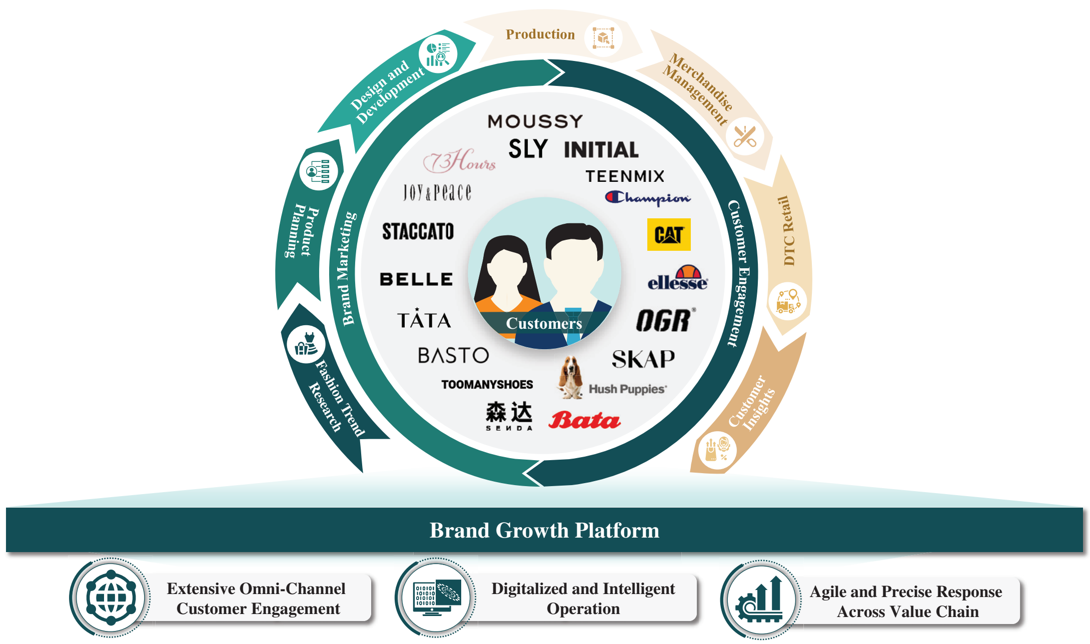
Business Model

We have established a consumer-centric, vertically-integrated business model across the full value chain. This business model allows us to deliver fashion products based on consumer insights that we generate from our continuous, direct and personal interactions with our customers. We detect, predict and adapt to consumers' rapidly changing preferences and emerging trends to better meet their demands. Through our omni-channel retail network, we deliver a consistent brand image and seamless customer experience, regardless of customers' preferred shopping venue. We have adopted digital business processes, which results in increased speed of response and efficiency of operations.

(1) "Soft fashion" refers to non-sports footwear, apparel and bags & luggage that are mainly made of soft materials such as fabric, textiles and leather and designed for consumers aged over 14.

(2) "Direct-to-consumer retail" refers to a retail model where brand companies sell their products directly to consumers through self-operated online and offline channels.

The following diagram illustrates our business model.



Brands

Founded in 1981 in Hong Kong as a footwear trading business, we expanded our fashion footwear business to mainland China in 1992. Today, we operate a portfolio of 19 core brands, comprising 12 of our own and seven partner brands (including licensed brands and distributed brands). These brands collectively cover a wide range of price points and styles, target different consumer groups, and cater to a variety of occasions and functions to meet the diverse fashion needs of consumers. Each of our brands has its clear and differentiated positioning and design concepts, together elevating the brand influence at our group level. The diagram below illustrates our brands' categorization by style and positioning.

BELLE was our top-selling brand and accounted for approximately 28% of our total revenue in each of our financial years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023. Our top five brands by revenue for each reporting period during the Track Record Period were all our own footwear brands, and they collectively accounted for approximately 63% of our total revenue in each of the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023.

The table below provides a breakdown of revenue by segment during the periods indicated.

	Year ended February 28,				**Nine months ended November 30,**			
	2022		**2023**		**2022**		**2023**	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*
					(Unaudited)			
Segment:								
Footwear	20,224.1	86.0	16,530.1	86.0	12,319.2	86.2	14,021.2	87.0
Apparel	3,285.6	14.0	2,680.2	14.0	1,967.5	13.8	2,090.8	13.0
Total	23,509.7	100.0	19,210.3	100.0	14,286.7	100.0	16,112.0	100.0

Brand Marketing

We have established a Brand development and Image Creative ("**BIC**") team to coordinate resources such as KOLs, celebrities and co-branding partnerships, research and apply novel marketing strategies and assess the outcome of marketing efforts, in order to empower our brand-specific marketing activities. Our marketing efforts combine content created in-house and user-generated content to further solidify our brand story and brand image. We also have group-level marketing strategies, such as hosting fashion shows to showcase our new collections, which amplify our brand influence at our group level.

Product Planning, Design and Development

As of November 30, 2023, our creative teams had over 800 members, including designers, product developers, and other product research and development ("**R&D**") personnel. Our creative team leaders on average have over 19 years of industry experience and have extensive expertise in footwear and apparel designs, market trends and consumer preferences. Our product planning, design and development processes utilize our consumer insights and our research of the latest market trends to formulate holistic product launch plans for each new season. In particular, for some brands and products, we have front-loaded design iteration at the product development stage based on feedback from product testing with celebrities, KOLs and consumers prior to the product launch, to maximize the popularity of our products when launched. Aside from brands for which we have a pure distribution arrangement with the brand partner, each of our brands has a dedicated creative team that is responsible for designing products and maintaining brand identity.

Agile Supply Chain System

We operate an agile supply chain, which allows us to minimize the time-to-market for our products, made possible by the vertical integration and digitalization of our product design and development, manufacturing and logistics operations. An agile supply chain refers to the methodology of operating a supply chain that can react quickly and cost efficiently to unexpected changes in demand or supply. At the core of our agile supply chain is our "order, replenish and redesign" merchandise model, which allows us to dynamically adjust our product offering based on real-time in-season consumer demand and fashion trends. This helps us maximize the overall popularity of our products and minimize the risk of obsolete inventory.

Omni-Channel Retail Network

We adhere to a direct-to-consumer retail model with our nationwide directly-operated retail network as our core sales and customer-engagement channel. As of November 30, 2023, our offline retail network consisted of 8,361 directly-operated stores across China and was the largest directly-operated fashion footwear and apparel retail network in China, according to Frost & Sullivan. We typically enter into annual concessionaire agreements or lease agreements with a term not exceeding three years for our offline stores. The rental expenses of our leased stores vary greatly based on locations and sizes of the stores, types and locations of the retail channels and tiers of cities. See "Business—Our Omni-channel Retail Network—Our Nationwide Directly-operated Store Network" and "Business—Management of Our Retail Operations—Concessionaire and Lease Agreements" for more information. Each of our store personnel is a valuable point of contact to our customers, delivering our carefully curated brand image, generating product sales, and collecting consumer feedback. In recent years, we have also devoted significant resources to online channels and online-to-offline integration, which has become an important complement to our offline network and a key growth driver. Revenue contribution from our online sales increased significantly from less than 7% for the year ended February 28, 2017 to approximately 28% for the nine months ended November 30, 2023. According to Frost & Sullivan, we ranked No. 1 among all companies in China in terms of aggregate online fashion footwear retail sales value in 2022.

Customer Engagement

Our direct-to-consumer channels and our multi-brand portfolio provide us with opportunities for frequent customer interactions and engagement. In order to maximize the value of such interactions and to enhance our brand recognition and customer loyalty, each of our brands has established its own membership program with operational and system support from our centralized customer relationship management ("**CRM**") system. Once authorized by a member, our CRM system is able to analyze the member's shopping behavior among our brands and across our different channels. In recent years, we have focused on de-centralized customer engagement, relying on our frontline store personnel to interact with customers both inside and outside of our stores. Empowered by centrally produced creative content and equipped with digital tools, our frontline store personnel are able to provide customers with high-quality engagement and personalized services.

Digitalization Initiatives

Currently, we have adopted digital business processes with a focus on product planning, design and development, manufacturing, and retail operations:

Empowering product planning, design and development: We analyze publicly available data on the internet, including social media platforms, product ratings and consumer reviews. As a unified internal management platform for all of our brands' membership programs, our CRM system also provides us with valuable profiling information on our members in addition to transaction data. In addition, our proprietary footwear development platform contains databases of shoe lasts, styles, materials, processes and categories, which allow our designers to go from idea to design in the shortest possible time.

Enhancing manufacturing efficiency: Our intelligent production management systems can automatically convert our product orders across different SKUs and priorities into requirements for raw materials and production capacity. Our manufacturing execution system ("**MES**") provides real-time information on material components in our manufacturing process and creates a data-driven and traceable production environment. We have also integrated a number of types of automation equipment into our manufacturing process and are exploring the automation of certain parts of our production processes.

Digitalizing merchandise management: We have developed proprietary merchandise management systems that cover the full merchandise lifecycle, including procurement, merchandise allocation, inventory replenishment and merchandise adjustment. We also operate a centralized order fulfillment system to process orders from all of our sales channels. Orders for our 19 brands across all of our online and offline sales channels can be fulfilled through inventories stored either at any of the 74 warehouses of Li Xun (as of November 30, 2023) or our offline stores, whichever is closest to the consumer or otherwise most efficient based on our system-generated optimal delivery routes.

Empowering retail operations: We have developed a convenient digital tool to empower our frontline store personnel and regional managers, supporting them in in-store merchandise management, sales target management, store personnel management, store performance management, and customer feedback collection.

Production Facilities

With the exception of products under certain distributed brands that we purchase directly from our brand partners in the form of finished goods, we are generally responsible for manufacturing the footwear and accessories sold in our stores and online channels. We utilize a combination of our own manufacturing facilities and those of our manufacturing partners, which allow us to meet our production requirements without excessive fixed asset investments. Among products produced by ourselves or our manufacturing partners (i.e., other than those purchased from the brand partners), based on production value, we produced at our manufacturing facilities approximately one third of our footwear products and generally over three fourths of our bags and other accessory products for each reporting period during the Track Record Period. All of our apparel products are purchased from the brand partners or produced through our manufacturing partners. As of November 30, 2023, we had an aggregate designed annual production capacity of 15.8 million pairs of shoes and 2.2 million bags.

Customers and Suppliers

Our customers are substantially all consumers, and to a much lesser extent, authorized third-party retailers and certain other wholesale customers. In each of the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our aggregate sales to our five largest customers, which comprised our authorized third-party retailers and certain other wholesale customers of our footwear products, accounted for no more than 0.6% of our total revenue. In these respective periods, our sales to our largest customer accounted for approximately 0.2% of our total revenue.

Our suppliers include brand partners for our distributed and licensed brands, manufacturing partners, and suppliers of raw materials, machinery, logistics services and various other services. Our five largest suppliers accounted for approximately 25.7%, 27.0% and 30.5% of our total purchases for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively, while our largest supplier accounted for 8.1%, 10.9% and 14.4% of our total purchases for these respective periods.

Land and Properties

As of November 30, 2023, we had land use rights to six parcels of land and owned 102 properties. In addition, as of November 30, 2023, we leased 2,091 properties in the PRC, the vast majority of which were for operating our stores under lease agreements and the remainder were used for offices and manufacturing facilities.

Our three leased manufacturing facilities are located in Shenzhen, Dongguan and Guangzhou, Guangdong Province. Our leased stores and office premises are located in all of our nine sales regions. See "—Our Omni-channel Retail Network—Our Nationwide Directly-operated Store Network" for more information on the locations of our directly-operated stores.

The table below sets forth our number of leased properties and corresponding outstanding lease liabilities as of the dates indicated. We did not recognize any lease liabilities for short-term leases or leases without minimum rental payment obligations.

	As of February 28,				**As of November 30,**	
	2022		**2023**		**2023**	
	Number of leased properties	**Outstanding lease liabilities** *(RMB million)*	**Number of leased properties**	**Outstanding lease liabilities** *(RMB million)*	**Number of leased properties**	**Outstanding lease liabilities** *(RMB million)*
Due within 1 year	699	182.5	606	145.5	620	189.1
Due within 2 years	733	494.8	673	470.0	661	499.3
Due after 2 years but within 5 years	620	646.0	408	457.4	292	442.3
Due after 5 years	18	36.9	5	12.8	2	5.0
Total	2,070	1,360.2	1,692	1,085.7	1,575	1,135.7

Note:

The outstanding lease liabilities shown in the table above correspond to leased properties categorized by the lease term expiry dates, which is different from the presentation of current and non-current lease liabilities in our balance sheets, according to IAS 1 "Presentation of financial statements" as of the relevant dates.

COMPETITIVE STRENGTHS

We believe that the following strengths have been key contributors to our success and will continue to support our business growth:

- Leading soft fashion company and the largest fashion footwear company in China
- Diversified portfolio with differentiated fashion brands enabled by our brand growth platform, catering to a broad base of consumers
- Powerful consumer-centric and vertically-integrated business model, able to predict and swiftly respond to consumer preferences
- Extensive nationwide store network and omni-channel capabilities, improving consumer experience and capturing fashion insights
- Our digital and technology capabilities
- Experienced and dedicated management team

BUSINESS STRATEGIES

We plan to pursue the following strategies:

- Expand our brand portfolio and product categories, and strengthen our brand growth platform to solidify our leading position

- Expand and upgrade our omni-channel network and increase our overseas penetration

- Continue to enhance our industry-leading vertically-integrated value chain and our capabilities to predict and swiftly respond to consumer preferences

- Strengthen investment in technology to promote digital transformation

COMPETITION

The fashion footwear and apparel market in China remains fragmented, with different players targeting different segments of the market. Given the diversified nature of our brand portfolio, our brands face competition from different players, both international and domestic. We believe that our multi-brand strategy, agile and precise response across our vertically integrated value chain, extensive omni-channel customer engagement, and digitalized and intelligent operation provide us with significant competitive advantages. Leveraging these strengths, we are able to better control and coordinate our product planning, design and development, production, marketing and retail sales to timely produce a broad range of high quality products that are in line with the latest fashion trends and consumer preferences at competitive prices. For more information about the competitive landscape in China's footwear and apparel retail markets, see "Industry Overview—Entry Barriers and Competitive Landscape of China's Fashion Market—Competitive Landscape."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, which were prepared in accordance with the IFRS Accounting Standards.

Summary Consolidated Statements of Profit or Loss

	Year ended February 28, 2022		2023		Nine months ended November 30, 2022		2023	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*
					(Unaudited)			
Revenue	23,509.7	100.0	19,210.3	100.0	14,286.7	100.0	16,112.0	100.0
Cost of sales	(8,216.4)	(34.9)	(7,058.5)	(36.7)	(5,060.8)	(35.4)	(5,578.0)	(34.6)
Gross profit	15,293.3	65.1	12,151.8	63.3	9,225.9	64.6	10,534.0	65.4
Selling and marketing expenses	(9,718.9)	(41.3)	(8,613.0)	(44.8)	(6,480.0)	(45.4)	(6,485.2)	(40.3)
General and administrative expenses	(2,556.0)	(10.9)	(2,249.7)	(11.7)	(1,584.2)	(11.1)	(1,522.8)	(9.5)
Other income and other gains, net	591.0	2.5	439.4	2.3	332.4	2.3	209.6	1.3
(Provision for)/reversal of impairment of trade receivables	(0.6)	(0.0)	5.8	(0.0)	(2.1)	(0.0)	(0.6)	(0.0)
Operating profit	3,608.8	15.4	1,734.3	9.0	1,492.0	10.4	2,735.0	17.0
Finance income	83.8	0.4	58.1	0.3	41.9	0.3	48.3	0.3
Finance costs	(113.2)	(0.5)	(166.7)	(0.9)	(115.0)	(0.8)	(164.6)	(1.0)
Finance costs, net	(29.4)	(0.1)	(108.6)	(0.6)	(73.1)	(0.5)	(116.3)	(0.7)
Share of results of associates	28.3	0.1	24.8	0.1	18.4	0.1	20.3	0.1
Profit before income tax	3,607.7	15.3	1,650.5	8.6	1,437.3	10.1	2,639.0	16.4
Income tax expense	(872.9)	(3.7)	(393.1)	(2.0)	(369.3)	(2.6)	(581.1)	(3.6)
Profit for the year/period	2,734.8	11.6	1,257.4	6.5	1,068.0	7.5	2,057.9	12.8
Attributable to								
Equity holders of the Company	2,775.7	11.8	1,340.3	7.0	1,133.8	7.9	2,029.6	12.6
Non-controlling interests	(40.9)	(0.2)	(82.9)	(0.4)	(65.8)	(0.5)	28.3	0.2
	2,734.8	**11.6**	**1,257.4**	**6.5**	**1,068.0**	**7.5**	**2,057.9**	**12.8**
Earnings per share for profit attributable to equity holders of the Company								
Basic and diluted earnings per share *(RMB per Share)*	0.53		0.25		0.22		0.39	

Summary Consolidated Balance Sheets

	As of February 28,		As of November 30,
	2022	**2023**	**2023**
	RMB million	*RMB million*	*RMB million*
			(Unaudited)
Assets			
Property, plant and equipment	1,800.1	1,609.4	1,360.1
Right-of-use assets	1,391.9	975.9	1,033.3
Total non-current assets	5,392.1	3,842.5	3,701.3
Inventories	4,067.4	3,599.9	4,370.0
Trade receivables	1,439.2	1,405.0	1,755.3
Total current assets	7,959.8	9,447.2	9,591.2
Total assets	13,351.9	13,289.7	13,292.5
Lease liabilities	678.0	449.4	442.4
Put option liabilities on non-controlling interests	405.9	458.0	38.5
Total non-current liabilities	1,247.5	2,841.5	1,559.5
Trade payables	1,631.2	1,133.6	2,111.1
Other payables, accruals and other liabilities	1,760.3	1,764.1	1,484.6
Amounts due to related companies	1,036.9	1,812.6	1,506.1
Total current liabilities	9,094.0	8,406.8	9,588.3
Total liabilities	10,341.5	11,248.3	11,147.8
Net current (liabilities)/assets	(1,134.2)	1,040.4	2.9
Net assets	3,010.4	2,041.4	2,144.7
Equity attributable to equity holders of our Company	2,841.7	1,931.1	1,953.4
Non-controlling interests	168.7	110.3	191.3
Total equity	3,010.4	2,041.4	2,144.7

We recorded net current liabilities of RMB1,134.2 million as of February 28, 2022, compared to net current assets of RMB1,040.4 million as of February 28, 2023. This change in our liquidity position was primarily due to (i) the reclassification of our long-term pledged term deposits of RMB1,000.0 million as of February 28, 2022 into current assets as of February 28, 2023 and our placement of an additional short-term pledged deposit of RMB525.5 million, (ii) an RMB521.4 million decrease in current income tax liabilities, and (iii) an RMB401.8 million decrease in short-term borrowings as we paid down part of these borrowings based on our working capital needs. These factors were offset in part by an RMB775.7 million increase in our amounts due to related companies, which was related to dividends payable to Belle Brands. We had settled these dividends by May 2023.

Our net current assets decreased from RMB1,040.4 million as of February 28, 2023 to RMB2.9 million as of November 30, 2023, primarily attributable to (i) an RMB462.2 million increase in short-term borrowings to pay down our long-term borrowings, (ii) our use of part of the proceeds from maturity of pledged term deposits to pay down our long-term borrowings, and (iii) our reclassification of RMB250.6 million in put option liabilities on non-controlling interests from non-current liabilities to current liabilities, because the put option in relation to the 73Hours brand would become exercisable in the 12 months from November 30, 2023.

Our net assets decreased from RMB3,010.4 million as of February 28, 2022 to RMB2,041.4 million as of February 28, 2023, primarily due to our dividends distribution of RMB2,000.0 million, offset in part by our total comprehensive income for the year of RMB1,043.9 million.

Our net assets increased from RMB2,041.4 million as of February 28, 2023 to RMB2,144.7 million as of November 30, 2023, primarily due to our dividends distribution of RMB2,000.0 million, offset in part by our total comprehensive income for the nine months ended November 30, 2023 of RMB1,992.2 million.

Summary Consolidated Statements of Cash Flows

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million*	*RMB million*
			(Unaudited)	
Net cash generated from operating activities	4,519.6	2,553.1	1,484.4	2,883.6
Net cash (used in)/generated from investing activities	(662.1)	(1,064.7)	(509.7)	775.1
Net cash used in financing activities	(5,337.7)	(1,138.5)	(623.1)	(3,586.1)
Net (decrease)/increase in cash and cash equivalents	(1,480.2)	349.9	351.6	72.6
Cash and cash equivalents at beginning of the year/period	3,138.1	1,664.2	1,664.2	2,038.1
Exchange gains/(losses) on cash and cash equivalents	6.3	24.0	56.7	10.6
Cash and cash equivalents at end of the year/period	1,664.2	2,038.1	2,072.5	2,121.3

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated. See "Financial Information—Key Financial Ratios" for more information.

	As of and for the year ended February 28,		For the nine months ended November 30,	As of and for the nine months ended November 30,
	2022	2023	2022	2023
			(Unaudited)	
Profitability ratios				
Operating profit margin	15.4%	9.0%	10.4%	17.0%
Net profit margin	11.6%	6.5%	7.5%	12.8%
Return on assets	18.6%	9.4%	N/A	20.6%
Liquidity ratio				
Current ratio	0.9	1.1	N/A	1.0

RISK FACTORS

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

- Our success depends on our ability to identify, understand and respond to changes in fashion trends, consumer preferences and spending patterns in a timely manner.

- Our success depends on the value and reputation of our brands. Any damage to our brands or reputation may materially and adversely affect our business and results of operations.

- We may not be able to continue to successfully expand our brand portfolio and product categories, and we cannot guarantee that we will continue to successfully extend our operations into other business segments.

- We face intense competition in China's footwear and apparel industry, including competition from other international and Chinese brands, and increased competition may limit our growth and reduce our profitability.

- We may lose business opportunities if we are unable to optimize and expand our offline retail network and maintain good relationships with major online sales channels.

- We may not be able to renew, in a timely manner or at all, current concessionaire or lease agreements for our directly-operated stores on the same or more favorable terms or locate desirable alternatives for them.

- If we fail to maintain good relationships with our suppliers, including brand partners, raw material suppliers, manufacturing partners or other business partners, our business and financial performance could be materially and adversely affected.

PRIVATIZATION OF BELLE INTERNATIONAL

Prior Listing and Subsequent Privatization of Belle International

On May 23, 2007, Belle International was listed on the Stock Exchange. On July 27, 2017, the listing of the shares of Belle International on the Stock Exchange was withdrawn. During the approximately 10-year period when its shares were listed on the Main Board of the Stock Exchange, Belle International's principal businesses included our business and the sportswear retail business. From 2014 until the Privatization, our Group's footwear business, the main source of Belle International's operating profit, experienced a material deterioration in performance. The weakened performance of our Group's footwear business resulted in a continuous decline in Belle International's overall financial performance.

Faced with such a challenging operating environment, Belle International planned to proceed with a fundamental transformation of its entire business, including that of our Group. This fundamental transformation required Belle International, in particular our Group's footwear business, to pursue a number of transformative and innovative initiatives. It was concluded that it would be difficult to effectively implement this transformation and there could be additional risks if Belle International continued to be a publicly listed company, which by its nature, could be subject to short-term distraction and pressure from the volatile public equities market.

Funding of the Privatization

The cash requirement of the Privatization of approximately HK$45.3 billion was financed through an equity investment by, among others, SCBL and Hillhouse HHBH, and debt financing, which has been fully repaid.

Business Improvement Initiatives Subsequent to the Privatization

After the Privatization, we formulated and subsequently launched and implemented a series of initiatives tailored to our footwear business to optimize our operations and enhance productivity, primarily including: (i) shifting from a retail-focused to a brand-focused organizational structure, which we believe leads to product innovation and more sustainable growth of our business in the longer term. For example, we simplified the reporting hierarchy of our sales team from five levels to a three-level structure and largely transferred decision-making authority on retail pricing from our sales regions to our centralized brand management teams; (ii) optimizing our brand portfolio by repositioning certain brands in order to achieve maximum differentiation among our brands, which in turn allows us to capture diverse demands from a broader customer base. For instance, we successfully repositioned TATA and BASTO, two brands with similar market positioning previously, which led to these two brands improving from 13th and 32nd best-selling women's fashion footwear brands during the Singles' Day shopping festival in 2017 to 5th and 7th, respectively, in 2023, on Tmall based on sales value; (iii) devoting significant resources to online penetration, with a focus both on e-commerce platforms such as "Tmall", "JD.com" and "VIP.com", as well as social media platforms such as Douyin, resulting in our revenue contribution from online sales channels increasing significantly from below 7% for the year ended February 28, 2017 to 23.6%, 27.1% and 27.7% for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively; (iv) while maintaining our cooperation with department store partners in key locations, optimizing our offline store network by strategically and significantly reducing low-performing department store locations and increasing our presence in shopping malls, resulting in (a) the number of our total footwear stores decreasing from 13,062 as of February 28, 2017 to 7,444 as of November 30, 2023, and (b) footwear revenue contribution from department stores decreasing from over 70% for the year ended February 28, 2017 to below 40% for the nine months ended November 30, 2023; (v) accelerating digital transformation along our vertically integrated value chain, resulting in our industry-leading "order, replenish and redesign" merchandise model according to Frost & Sullivan and other competitive strengths, which in turn led to an improvement in inventory turnover days for our footwear segment; and (vi) exploring various smart manufacturing and mass customization initiatives. As a result of these business improvement initiatives, our financial performance improved, as evidenced by footwear segment revenue increasing prior to the Track Record Period and recovering quickly after COVID-19 impact for the nine months ended November 30, 2023, as compared to a year-on-year decline in footwear segment revenue of 10% for the year ended February 28, 2017 before the Privatization.

Reasons for Seeking the [REDACTED] on the [REDACTED]

Our Directors consider that we are ready to re-enter the capital markets by seeking a [**REDACTED**] on the [**REDACTED**], which will support our business development strategies and will be beneficial to us and our Shareholders as a whole.

Our key considerations for seeking a [**REDACTED**] on the [**REDACTED**] are as follows:

- as described in the section headed "—Business Improvement Initiatives Subsequent to the Privatization" above, we have achieved the initial goals of our transformation, which has resulted in our business recovering from the decline at the time of the Privatization to growth and we have laid the foundation for continued future growth;

- technology initiatives require continued investment. The [**REDACTED**] will provide us with direct and independent access to the capital markets, when needed. Please refer to the section headed "Future Plans and [**REDACTED**]" in this document for details;

- being a [**REDACTED**] company will further raise our profile, which will enhance our ability to attract more talent (especially high-calibre talent for our various technology initiatives), business partners (including brand companies) and potential strategic [**REDACTED**]; and

- the share price performance of our Company will serve as a benchmark for our Shareholders and the [**REDACTED**] to independently evaluate our performance.

SHAREHOLDER INFORMATION

Immediately after completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), each of WMVL and Hillhouse HHBH will hold approximately [**REDACTED**] and [**REDACTED**], respectively, of the total issued share capital of our Company. Hillhouse HHBH is an indirect subsidiary of Hillhouse LP, which is in turn managed and controlled by Hillhouse Investment. Accordingly, each of WMVL, Hillhouse HHBH, Hillhouse LP and Hillhouse Investment will be a Controlling Shareholder of our Company immediately after the [**REDACTED**].

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain continuing connected transactions with Belle International and its associates, including property leasing and logistics services. For details of these transactions, please refer to the section headed "Connected Transactions" of this document.

DIVIDEND POLICY

For the year ended February 28, 2022, our subsidiaries declared dividends (after elimination of intra-group dividends) of RMB2,000.0 million to their then-shareholder, Belle International, which in turn used substantially all of such dividends received for the purpose of repaying debt incurred in relation to its privatization in 2017. For the year ended February 28, 2023, our Company declared dividends of RMB2,000.0 million to our shareholder Belle Brands, which were settled by May 2023. For the nine months ended November 30, 2023, our Company declared dividends of RMB2,000.0 million to our shareholder Belle Brands, which were partially settled by November 30, 2023 and fully settled by the Latest Practicable Date.

Any future declaration or payment of dividends may or may not reflect our prior practice, and any dividend recommendation will be at the discretion of our Board, subject to the Cayman Companies Act and our Articles of Association. Our Directors may declare dividends after taking into account our results of operations, our financial condition, strategies or needs of future expansions, our capital expenditure needs, dividends paid to us by our subsidiaries, legal and contractual restrictions, and other factors as our Directors may deem relevant at such time. Subject to the above limitations, we expect that we may, from time to time, pay dividends of approximately [75%] of our annual net profit attributable to the equity holders of our Company. We may, however, adjust the dividend amount for one-off or non-cash items impacting our net profit.

[**REDACTED**]

[**REDACTED**]

Assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] stated in this document), we estimate that (i) the gross [**REDACTED**] of the [**REDACTED**] that we will receive will be approximately [**REDACTED**] million, and (ii) the [**REDACTED**] of the [**REDACTED**] that we will receive, after deduction of [**REDACTED**] and [**REDACTED**] and estimated expenses payable by us in connection with the [**REDACTED**], will be approximately [**REDACTED**].

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

- approximately [**REDACTED**] will be used to repay our bank borrowings;
- approximately [**REDACTED**] will be used to invest in technology initiatives to accelerate the digital transformation on multiple fronts of our business; and
- approximately [**REDACTED**] will be used for working capital and other general corporate purpose.

The [**REDACTED**] is expected to be granted by our Company. If the [**REDACTED**] is exercised in full, after deducting the [**REDACTED**] and [**REDACTED**] and other estimated expenses payable by us in connection with the [**REDACTED**], and based on the [**REDACTED**] of [**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] stated in this document), the [**REDACTED**] which we will receive after such exercise of the [**REDACTED**] will be approximately [**REDACTED**].

RECENT DEVELOPMENTS

As of January 31, 2024, we had bank borrowings of approximately RMB4.8 billion, consisting of (i) approximately RMB2.3 billion of long-term offshore bank borrowings, (ii) approximately RMB1.9 billion of short-term onshore bank borrowings, and (iii) approximately HK$650.0 million (equivalent to RMB597.6 million) of short-term offshore bank loans. See "Financial Information—Indebtedness" for more information on these borrowings.

Other than the disclosure under this subsection headed "Recent Developments," our Directors confirm that there has been no material adverse change in our business, or the financial or trading position of our Group since November 30, 2023 and no event had occurred since then that would materially and adversely affect the information in the Accountant's Report included in Appendix I to this document.

IMPACT OF COVID-19 OUTBREAKS ON OUR BUSINESS

The COVID-19 pandemic began globally in early 2020. In particular, during 2022, this pandemic in China resulted in periodic closures of some of our stores, and reduced traffic at our online and offline stores. At the same time, COVID-19 outbreaks disrupted transportation, logistics and other parts of our operations from time to time. China continuously optimized and adjusted its pandemic prevention and control measures with the aim of protecting health, and removed most travel restrictions and quarantine requirements in December 2022. However, there were significant surges of COVID-19 cases in China during this period, which continued to adversely affect the traffic at our stores and hence our financial performance.

Furthermore, despite our efforts to control discretionary marketing and administrative expenses and to renegotiate our rents and concession fees, we continued to incur certain fixed costs and expenses, which negatively affected our profitability. As a result of the above factors, our revenue decreased by 18.3% from RMB23.5 billion for the year ended February 28, 2022 to RMB19.2 billion for the year ended February 28, 2023, our net profit decreased by 54.0% from RMB2.7 billion to RMB1.3 billion and our net profit margin decreased from 11.6% to 6.5% for these corresponding periods.

Since early 2023, sales have been recovering for both our online and offline channels as the pandemic situation has improved. We have also taken additional measures to optimize our expenses and enhance our profitability. Consequently, our revenue increased by 12.8% from RMB14.3 billion for the nine months ended November 30, 2022 to RMB16.1 billion for the same period of 2023, our net profit increased by 92.7% from RMB1.1 billion to RMB2.1 billion and our net profit margin increased from 7.5% to 12.8% for these corresponding periods. Our net profit margin of 12.8% for the nine months ended November 30, 2023 was the highest level during the Track Record Period.

We do not expect the COVID-19 pandemic to have a material adverse impact on our business or financial performance going forward. For further details, please refer to the section headed "Risk Factors—Risks Relating to Our Business and Industry—Our business, financial condition and results of operations may be materially and adversely affected by public health incidents, natural disasters, acts of war or terrorism or any other catastrophes" in this document.

[**REDACTED**]

Our [**REDACTED**] include [**REDACTED**] and [**REDACTED**] and professional fees paid to legal, accounting and other advisors for services rendered in relation to the [**REDACTED**]. Assuming full payment of the [**REDACTED**], the estimated total [**REDACTED**] (based on the mid-point of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately [**REDACTED**] (representing approximately [**REDACTED**] of our gross [**REDACTED**] from the [**REDACTED**]). During the Track Record Period, we incurred [**REDACTED**] of [**REDACTED**], all of which were recognized as expenses. We expect to incur approximately [**REDACTED**] of [**REDACTED**] (including [**REDACTED**] and assuming the discretionary [**REDACTED**] will be paid in full) subsequent to the Track Record Period, of which approximately [**REDACTED**] will be deducted from equity and [**REDACTED**] will be recognized as expenses.

The table below sets forth a breakdown of the above-estimated total [**REDACTED**] (based on the mid-point of the [**REDACTED**]).

	HK$ in millions
[**REDACTED**] (assuming full payment of the [**REDACTED**])	[**REDACTED**]
[**REDACTED**] expenses	
Fees and expenses of legal advisors and accountants	[**REDACTED**]
Other fees and expenses	[**REDACTED**]
Subtotal	[**REDACTED**]
Total [**REDACTED**]	[**REDACTED**]

We do not believe that any of the above fees or expenses are material to our Group, taken as a whole, or are unusually high.

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Accountant's Report"	the accountant's report of our Company, the text of which is set out in Appendix I to this document
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles of Association"	the articles of association of our Company, conditionally adopted on [●], 2024 and which will become effective on the [**REDACTED**] (as amended from time to time), a summary of which is set out in Appendix III to this document
"Audit Committee"	the audit committee of the Board
"Banking Ordinance"	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Belle Brands"	Belle Brands Limited, a company incorporated in the BVI with limited liability on January 25, 2022
"Belle Group"	the Belle International Group excluding our Group
"Belle International"	Belle International Holdings Limited, an exempted company incorporated in the Cayman Islands on May 19, 2004 with limited liability
"Belle International Group"	Belle International and its subsidiaries from time to time
"Belle Style"	Belle Style Limited, a company incorporated in the BVI with limited liability on December 3, 2021 and a wholly-owned subsidiary of our Company
"Bestfull International"	Bestfull International Limited, a company incorporated in Hong Kong with limited liability on July 23, 1999 and a wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the board of Directors of our Company

"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands

[**REDACTED**]

"Capitalization Issue"	the issue of 5,271,038,024 Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed "History, Reorganization and Corporate Structure—The Capitalization Issue" in this document
"Cayman Companies Act"	the Companies Act (As Revised) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"mainland China" or "the PRC"	the People's Republic of China excluding, for the purpose of this document only, the Hong Kong and Macau Special Administrative Regions and the Taiwan region of China
"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"	Belle Fashion Group 百麗時尚集團, an exempted company incorporated in the Cayman Islands with limited liability on December 15, 2021
"Controlling Shareholders"	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to WMVL and the Hillhouse Entities

DEFINITIONS

"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong

[**REDACTED**]

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	an industry report issued by Frost & Sullivan, containing an analysis of China's soft fashion market, as referred in the section headed "Industry Overview" in this document

[**REDACTED**]

"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries from time to time or, where the context so requires in respect of the period before our Company became the holding company of its present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Hillhouse Entities"	Hillhouse HHBH, Hillhouse LP and Hillhouse Investment
"Hillhouse HHBH"	Hillhouse HHBH Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on April 6, 2017 and a Controlling Shareholder
"Hillhouse Investment"	Hillhouse Investment Management, Ltd., a company incorporated in the Cayman Islands with limited liability on April 8, 2005, which manages and controls Hillhouse LP, and a Controlling Shareholder

DEFINITIONS

"Hillhouse LP"	Hillhouse Fund III, L.P., an exempted limited partnership registered in the Cayman Islands on January 11, 2016 and a Controlling Shareholder
"HK$" or "Hong Kong dollar(s)"	Hong Kong dollar(s), the lawful currency of Hong Kong

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China

[**REDACTED**]

"IAS"	International Accounting Standards

"IFRSs" or "IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Board
"Indebtedness Date"	January 31, 2024, being the indebtedness date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules

[**REDACTED**]

[**REDACTED**]

"Joint Sponsors"	Merrill Lynch (Asia Pacific) Limited and Morgan Stanley Asia Limited
"Lai Wah Footwear"	Lai Wah Footwear Trading Limited, a company incorporated in Hong Kong with limited liability on May 15, 1981 and a wholly-owned subsidiary of our Company
"Latest Practicable Date"	February 20, 2024, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document

[**REDACTED**]

"Listing Committee"	the listing committee of the Stock Exchange

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

[**REDACTED**]

DEFINITIONS

"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, conditionally adopted on [●], 2024 and which will become effective on the [**REDACTED**] (as amended from time to time), a summary of which is set out in Appendix III to this document
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Muse B"	Muse Holdings-B Inc., an exempted company incorporated in the Cayman Islands with limited liability which is wholly-owned by Muse M
"Muse Entities"	Muse B, Muse M and Muse Holdings
"Muse Holdings"	Muse Holdings Inc., an exempted company incorporated in the Cayman Islands with limited liability
"Muse M"	Muse Holdings-M Inc., an exempted company incorporated in the Cayman Islands with limited liability which is wholly-owned by Muse Holdings
"Nomination Committee"	the nomination committee of the Board

[**REDACTED**]

"[**REDACTED**]"	the [**REDACTED**] as named in the section headed "Directors and Parties Involved in the [**REDACTED**]"

[**REDACTED**]

"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them

[**REDACTED**]

"Principal Operating Subsidiaries"	our 21 principal subsidiaries which made a material contribution to our results of operations during the Track Record Period as set out in the section headed "II Notes to the Historical Financial Information—2 Reorganization and Basis of Presentation—2.1 Reorganization" in the Accountant's Report in Appendix I to this document

[**REDACTED**]

"Privatization"	the privatization of Belle International by Muse B by way of a scheme of arrangement under Section 86 of the then Companies Law (2016 Revision) of the Cayman Islands and the restoration of the share capital of Belle International to the amount immediately before the cancellation of the shares in Belle International, and the withdrawal of the listing of Belle International's shares from the Stock Exchange, on the terms and conditions set out in the scheme document of Belle International dated June 24, 2017
"provinces"	provinces, municipalities directly under the Central Government, and autonomous regions in China
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Rainbow Partner"	Rainbow Partner Investments Limited, a company incorporated in the BVI with limited liability on August 1, 2012 and a wholly-owned subsidiary of our Company
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board

DEFINITIONS

"Reorganization"	the corporate reorganization undergone by our Group in preparation for the [**REDACTED**] as described in the section headed "History, Reorganization and Corporate Structure—Reorganization" in this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAFE Circular 37"	The Circular of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas 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)
"SCBL"	Superise Colorful Brands Limited, a company incorporated in the BVI with limited liability
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	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)"	shares in the capital of our Company with a par value of HK$0.000001 each
"Shareholder(s)"	holder(s) of the Shares

[**REDACTED**]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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

"Topsports International"	Topsports International Holdings Limited 滔搏國際控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability on September 5, 2018, which is listed on the Main Board of the Stock Exchange (stock code: 6110)
"Track Record Period"	the financial years ended February 28, 2022 and February 28, 2023 and the nine months ended November 30, 2023
"Trial Measures"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) released by the CSRC

[**REDACTED**]

"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"VAT"	value added tax

[**REDACTED**]

"WMVL"	Wisdom Man Ventures Limited 智者创业有限公司, a company incorporated in the BVI with limited liability on April 13, 2017, and a Controlling Shareholder

In this document, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

This glossary contains explanations of certain terms used in this document that relate to our business and the industry in which we operate. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"CAGR"	compound annual growth rate
"CRM"	customer relationship management
"fashion apparel"	non-sports clothing that is made of fabric or textiles and designed for females and males aged over 14, serving the purpose of fashion and adornment
"fashion footwear"	non-sports shoes worn on the feet that are designed for females and males aged over 14, serving the purpose of fashion, adornment, and protection
"Generation Z"	the generational cohort following millennials, born between the late 1990s and early 2010s
"HIBOR"	Hong Kong Interbank Offered Rate
"KOL"	key opinion leader
"MSRP"	manufacturer's suggested retail price
"Same Store Sales Growth"	the percentage difference in sales revenue generated by the same stores between a given period and the prior period. Same stores are stores that have been in continuous operations from the beginning of the prior period until the end of the given period
"SKU"	stock-keeping unit
"soft fashion"	non-sports footwear, apparel and bags & luggage that are mainly made of soft materials such as fabric, textiles and leather and designed for consumers aged over 14

FORWARD LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this document, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "potential", "predict", "project", "seek", "should", "will", "would", "vision", "aspire", "target", "schedules", "goal", "outlook" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain known and unknown risks, uncertainties and assumptions, including but not limited to the risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- our ability to maintain relationships with, and the actions and developments affecting, brand partners;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and future developments, trends and conditions 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 frontline staff;
- the actions of and developments affecting our competitors; and
- all other risks and uncertainties described in the section headed "Risk Factors".

FORWARD LOOKING STATEMENTS

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of the Directors are made as of the date of this document. Any such information may change in light of future developments.

All forward-looking statements contained in this document are expressly qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information set out in this document before making an [**REDACTED**] *in the Shares, including the risks and uncertainties described below in respect of our business, our industry and the* [**REDACTED**]. *Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such an event, the market price of our Shares could decline, and you may lose all or part of your* [**REDACTED**]. *Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our success depends on our ability to identify, understand and respond to changes in fashion trends, consumer preferences and spending patterns in a timely manner.

Our success depends on our ability to identify and respond to constantly shifting fashion trends, customer preferences and spending patterns, and to develop new and appealing products in a timely manner. We operate in an industry that is sensitive to fashion trends, consumer tastes and spending patterns, which typically change from time to time. In addition, consumers' shopping tastes and spending patterns differ within and across different geographical locations and among different customer groups, which could be affected by a number of factors, including changing and evolving styles, disposable income, national and local economic conditions, interest rates, inflation, taxation, uncertainties about future economic prospects and shifts in discretionary spending toward goods and services. For example, consumers may not be willing to purchase our products if they do not follow the latest fashion trends. Consumers may also be more reluctant to spend money on footwear, apparel and bags if China's retail environment becomes stagnant.

We rely on our vertically integrated business model to predict changes for each season and adjust our product offerings. However, as the fashion trends and Chinese consumers' preferences are constantly changing, there is no guarantee that we will always sufficiently understand and respond to their preferences. Any failure to accurately predict fashion trends and keep pace with prevailing consumer preferences could adversely affect our sales performance and result in obsolete inventory, which could materially and adversely affect our business, results of operations and financial condition.

Our success depends on the value and reputation of our brands. Any damage to our brands or reputation may materially and adversely affect our business and results of operations.

Brand value plays an important role in influencing consumers' decision to purchase our products. The products we sell, including those produced by us or procured from our brand partners or manufacturing partners, may fail to adhere to authenticity, quality and safety standards and we have at times received product quality complaints. Any material quality problems and negative publicity about them could cause us to lose consumers' orders and face product liability claims or be subject to fines, confiscation of illegal gains and other penalties imposed by governmental authorities. Any complaint, claim or negative publicity against us or our products, regardless of the source of the products, even if meritless or immaterial to our operations, could damage our brand and reputation, and divert management's attention and resources from other important business concerns, which may materially and adversely affect our business and results of operations. In addition, we may incur expenses to defend claims against us, irrespective of their merits, and we could be required to pay damages or to discontinue selling certain products if the claims prevail. Our results of operations may be negatively affected if the brands we cooperate with lose their popularity, including as a result of negative publicity, which could lead to a decline in the reputation of these brands. We also rely, to a limited extent, on our brand partners' marketing efforts for our partner brands. Any negatively perceived marketing campaigns may adversely affect our results of operations. In particular, in the case of brands of foreign companies, any national sentiment against the home countries of the brand partners may negatively affect sales of their products, which in turn, may materially and adversely affect our results of operations and financial condition.

The maintenance and promotion of our brand image depends on many other factors that are not fully within our control, including (i) customer satisfaction with our products; (ii) perception of the quality of our products, (iii) our ability to maintain good relationship with e-commerce and social media platforms and other business partners, (iv) our ability to protect our intellectual property, and (v) our ability to detect and take actions against counterfeiting or imitation products. We cannot assure you that we will be able to effectively mitigate against factors that could undermine our brand image.

We may not be able to continue to successfully expand our brand portfolio and product categories, and we cannot guarantee that we will continue to successfully extend our operations into other business segments.

We have developed a comprehensive brand portfolio of 19 core brands, comprising 12 brands of our own and seven partner brands (including licensed brands and distributed brands). We plan to continue to diversify our brand portfolio and expand our product categories to broaden our customer base and increase our revenues. However, executing this strategy will require considerable time and resource commitments, which may negatively affect our overall profitability. We may also terminate operations of some brands from time to time to optimize our brand portfolio in line with our overall development strategy.

We will need to devote significant resources to the research and development for our new brands and products. For example, we may need to recruit more personnel with expertise in designing and managing different brands and product categories and procure software and equipment, hire more people, and buy more third-party services to enhance our operational and financial systems, procedures, controls and information management system. We may also need to engage suitable manufacturing partners to supplement our production capacity. All of these endeavors involve additional expenditures and uncertainties in returns, and require substantial planning and skillful execution.

We also cannot assure you that our new products will be launched on time, or at all, or that they will gain market acceptance. Any failure in developing a new brand or product may materially and adversely affected our business, financial condition and results of operations. Furthermore, we may not be able to successfully integrate new brands or new product categories into our existing brands and product portfolio. As part of our business strategy, we have been expanding our retail network into other business segments of the retail market in China, such as adding and expanding beyond our historic strength in women's footwear to footwear products for men and kids, as well as adding apparel and bags to our product portfolio. As we are relatively new at operating in these business segments, we may not be successful in these segments, and our revenue from these segments might not continue to grow at the rate we anticipate or at all. Furthermore, there may be inherent risks and uncertainties in these segments that we are unaware of.

We face intense competition in China's footwear and apparel industry, including competition from other international and Chinese brands, and increased competition may limit our growth and reduce our profitability.

China's footwear and apparel industry is highly competitive and rapidly evolving, and we expect competition in this industry to further intensify with the emergence of new brands and new developments by existing market players. Some of our competitors may have longer operating histories, stronger brand recognition, greater financial resources, or wider sales networks than us. To compete effectively, we plan to devote significant resources to (i) continuously expanding our brand and product portfolio; (ii) strengthening relationships with the brand partners, as well as our manufacturing partners and other business partners; (iii) enhancing the marketing and promotion of our brands and products; and (iv) optimizing our omni-channel direct-to-consumer retail network. However, there can be no assurance that we will have sufficient resources to make these investments or that these investments will generate the outcomes we expect.

In addition, because some of the authorizations under our licensing agreements with the brand partners are non-exclusive for certain geographies or sales channels, we face competition from retailers in some of the geographic markets in which we currently operate and from retailers in alternative sales channels, such as offline stores operated by the brand partners or their authorized entities or their online stores on e-commerce or social media platforms. We compete with these retailers primarily in respect of product offerings, depth and breadth of retail network, consumer relationships, and operational efficiency. Some of our competitors may have more financial and human resources, better access to attractive store locations, more competitive pricing strategies or closer relationships with the brand partners for our partner brands. Furthermore, existing and new competitors may develop new marketing strategies or channels that prove to be more successful than ours.

Competition may lead to, among other things, difficulty in retaining and attracting customers, less favorable terms in agreements with brand partners, higher costs for retail space, and lower average sales per store or lower sales overall, all of which could have a material adverse effect on our results of operations and financial condition, including declines in profit and gross profit margin. There can be no assurance that we will be able to address these challenges and compete successfully against current and future competitors, and these competitive pressures may have a material adverse effect on our business and growth prospects.

We may lose business opportunities if we are unable to optimize and expand our offline retail network and maintain good relationships with major online sales channels.

We sell our products through a comprehensive and integrated omni-channel platform, consisting of 8,361 directly-operated offline stores as of November 30, 2023, and various online sales channels. For the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our revenue derived from our offline sales channels was RMB17,973.1 million, RMB14,007.0 million and RMB11,651.9 million, respectively, representing 76.4%, 72.9% and 72.3% of our total revenue in these respective periods. For the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our revenue derived from our online sales channels was RMB5,536.6 million, RMB5,203.3 million and RMB4,460.1 million, respectively, representing 23.6%, 27.1% and 27.7% of our total revenue in these respective periods.

To further solidify our market-leading position and increase our market share, we plan to continue to optimize our offline retail network to increase customer recognition and stickiness for our brands. The performance of our retail network depends, to a significant extent, on the locations of our stores. We cannot assure you that we will be able to identify and secure a sufficient number of suitable locations for new stores or to upgrade our existing stores. In addition, we expect that online sales will continue to be an important contributor to our total revenue, and we intend to continue to work with a broad range of third-party e-commerce and social media platforms to provide us with access to a broad online customer base. In pursuing this strategy, our financial performance, including profitability, will be affected by business relationships between us and major online e-commerce and social media platforms, particularly given the limited number of major online platforms. Further, any expansion of our retail network will put pressure on our managerial, financial, operational and other resources, such as offline stores' lease related expenses and online platform advertising expenses and service fees. For the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our lease related expenses in relation to our stores accounted for 13.9%, 14.3% and 12.9% of our total revenue, respectively. Our online platform service fees could increase significantly to support the increases in our online sales. In addition, we may not be able to effectively integrate any new stores or online sales channels into our existing operations. If we are unable to effectively manage and expand our omni-channel platform, our growth potential and profitability could be materially and adversely affected.

We may not be able to renew, in a timely manner or at all, current concessionaire or lease agreements for our directly-operated stores on the same or more favorable terms or locate desirable alternatives for them.

We operate our directly-operated stores under either concessionaire or lease agreements. Our concessionaire agreements typically have a term of one year and are not automatically renewed upon expiration. Under certain of our concessionaire agreements, our concessionaire fees are subject to a guaranteed minimum sales target. Retail channel operators (including department stores, shopping malls and factory outlets) for our concessionaire agreements may require increases in the concessionaire fees they charge to us in response to our request to renew the agreements or may assign us to a less desirable locations when we seek to renew our agreements with them. They may also experience increases in their operating expenses, which they may seek to pass on to us by increasing concessionaire fees. We also lease properties, primarily for our stores located in shopping malls, as well as for our office premises and manufacturing facilities. Increases in the level of rent we pay will increase our operating expenses and may adversely affect our results of operations and profitability.

We cannot guarantee that we will be able to obtain suitable space for our new stores on concessionaire or lease arrangements that are acceptable to us. Additionally, we cannot guarantee that we will be able to renew our existing concessionaire or lease agreements upon expiry or on terms and conditions that are acceptable to us. If our existing concessionaire or lease agreements cannot be renewed, we will have to find alternative premises, and those may not be located in areas that offer similar business environments. In addition, failure to renew our retail space agreements will provide an opportunity for competitors to move into the retail spaces previously occupied by us. Accordingly, failure to secure retail space for our stores and other leased premises on terms that are acceptable to us may adversely affect our revenue and lead to an increase in our operational expenses.

Our business, financial condition and results of operations may be materially and adversely affected by public health incidents, natural disasters, acts of war or terrorism or any other catastrophes.

Areas or regions where we operate may be exposed to the outbreaks of diseases, including COVID-19, swine influenza, avian influenza, middle east respiratory syndrome (MERS-CoV) and severe acute respiratory syndrome (SARS-CoV). Epidemics and pandemics may affect us in various ways, including limiting the availability of resources essential for our business's development. In addition, government authorities may adopt disease control measures to protect public health. Any of these measures may have a material adverse effect on our business operations. In addition, peoples' willingness to spend and demand for our products may be affected during epidemics and by the corresponding containment measures and potential economic slowdowns. For example, the COVID-19 pandemic began globally in early 2020. Our manufacturing facilities are located in China, we produce certain of our products through domestic manufacturing partners, and our raw material suppliers are generally based in China. In particular, during 2022, this pandemic in China resulted in periodic closures of some of our stores, and reduced traffic at our online and offline stores. At the same time, COVID-19 outbreaks disrupted transportation, logistics and other parts of our operations from time to time. China continuously optimized and adjusted its COVID-19 prevention measures with the aim of protecting health, and removed most travel restrictions and quarantine requirements in December 2022. However, there were significant surges of COVID-19 cases in China during this period, which continued to adversely affect the traffic at our stores and hence our financial performance. China further downgraded the management of COVID-19 from Class A to Class B on January 8, 2023. However, COVID-19 has not been eliminated and new variants may continue to develop, which could adversely affect our business and results of operations.

In addition to the impact of COVID-19 outbreaks as described above, our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of other widespread health epidemics, such as swine flu, avian influenza, severe acute respiratory syndrome, Ebola, or Zika, or other events, such as wars, acts of terrorism, environmental accidents, power shortages or communication interruptions. The occurrence of a disaster or prolonged outbreak of an epidemic illness or other adverse public health developments in the areas where we operate in could materially disrupt our business and operations. These events could also significantly affect our industry and cause a temporary closure of the facilities we use for our operations, including our offline stores and production facilities, which would severely disrupt our operations and have a material adverse effect on our business, financial condition, results of operations and prospects. Our operations could be disrupted if any of our employees were suspected of having an epidemic illnesses, since this could require us to quarantine some or all of these employees or disinfect the facilities used for our operations. In addition, our revenues and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the Chinese or global economy. Our operations could also be severely disrupted if our customers, suppliers or other participants were affected by natural disasters, health epidemics or other outbreaks, which could significantly disrupt our operations and negatively impact our business, financial condition, results of operations and prospects.

If we fail to maintain good relationships with our suppliers, including brand partners, raw material suppliers, manufacturing partners or other business partners, our business and financial performance could be materially and adversely affected.

We are dependent on suppliers for raw materials and finished goods and are subject to the prices charged by these suppliers. We also depend on brand partners to supply products for our distributed brands. In addition, other than products we procure from our brand partners, we produce our apparel and some of our footwear, bags and other accessories through our manufacturing partners in China. To maintain our operations, we must obtain from our suppliers raw materials and finished goods of sufficient quality and quantity at acceptable prices and in a timely manner. Unfavorable fluctuations in the price, quality and availability of key raw materials or finished goods could negatively affect our profit margins and our ability to meet consumer demand. If the supply of our key raw materials and finished goods is substantially reduced or if there are significant increases in their prices, we may not be able to pass these increases onto our customers due to competitive pricing pressures. In addition, we may incur additional costs to acquire sufficient quantities of raw materials and finished goods in order to maintain our production and sales schedules, thereby decreasing our profit margin. In such cases, we may have to seek alternative raw material suppliers and manufacturing partners with comparable prices and products or develop similar level of manufacturing capabilities internally, which may result in delays in our ability to meet customer demand and increase our costs. If we are unable to locate suitable alternative raw material suppliers and manufacturing partners or manufacture these products internally, we may have to cease sales of relevant products, which would reduce our revenue. Moreover, any significant increases in prices charged by our manufacturing partners could also negatively affect our profit margin.

Maintaining stable relationships with our suppliers is crucial to our business. Our five largest suppliers, including brand partners for our distributed and licensed brands, manufacturing partners, and our logistics service provider, accounted for 25.7%, 27.0% and 30.5% of our total purchases for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively. We derived a portion of our revenue from the sales of products under our partner brands during the Track Record Period. In addition, as of November 30, 2023, we engaged 549 manufacturing partners in China to manufacture our products. Our business may be materially and adversely affected if our suppliers have disputes or discontinue their relationships with us, or establish more favorable relationships with one or more of our competitors. In addition, if we cannot identify alternative sources of raw materials or finished goods when needed, or obtain sufficient raw materials and finished goods when required, any resulting reduced production volume could adversely affect our ability to deliver products to our customers in a timely manner, which could harm our reputation and financial performance.

In particular, our ability to renew our existing licensing or distribution agreements with the brand partners is important to the growth of our business. Our licensing and distribution agreements are normally renewed based on negotiations between the brand partners and us. Factors that the brand partners may take into consideration in these negotiations include our sales performance during previous contract terms, our compliance with their general policies and procedures, general market conditions and the brand partners' overall development strategies. There is no assurance that we will be able to renew our existing licensing agreements with the brand partners on terms favorable to us or at all.

In addition, under certain license agreements we may be prohibited from designing, developing, manufacturing or selling products of competing brands without prior written consent from brand partners. If we breach the non-compete clause of our brand partner agreements, we could be involved in litigation or other legal disputes related to these provisions. If we fail to effectively defend ourselves, we could incur litigation related expenses and damages. Any such dispute could also negatively affect or result in termination of our relationship with the relevant brand partners. As a result, our reputation, business, financial condition and results of operation could be negatively affected.

Disruptions, delays or other problems in the production of our products by us or our manufacturing partners could reduce our sales and negatively affect our business and financial performance.

As of the Latest Practicable Date, we had seven manufacturing facilities in China, which form the foundation for our vertically integrated business model. With these facilities, we produce in-house a portion of the footwear and bags that we sell under our own brands and our licensed brands. Any material disruption in production or labor shortage at our manufacturing facilities or those of our manufacturing partners could reduce our sales and earnings for the affected period. Natural or man-made disasters, such as adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of epidemics, or other interruptions such as power and water suspension, may cause significant damage to our manufacturing facilities, which could be costly and time-consuming to reinstate and could cause significant disruptions to our operations. We cannot guarantee that we will always have access to sufficient supplies of electricity to accommodate our production requirements and planned growth. Power interruptions, electricity shortages or government intervention, particularly in the form of power rationing, are factors that could affect our daily operations. If there is an insufficient supply of electricity to satisfy our requirements, we may need to limit or delay our production, which could adversely affect our business and results of operations. Any disruption or delay in our production could have an adverse impact on our ability to produce sufficient products, which could in turn impair our ability to meet consumer demand. In such cases, our business, financial condition, results of operations and prospects could be materially and adversely affected. In addition, the operations of our manufacturing partners are also vulnerable to interruptions due to natural disasters or man-made disasters similar to those affecting our manufacturing facilities discussed in the paragraph above. The occurrence of any such incidents could cause material shortages or delays in the supply of products by our manufacturing partners. Further, we may not be able to monitor the production quality of our manufacturing partners directly and effectively. If our manufacturing partners fail to supply products in accordance with our quality standards or product specifications, the delivery of suitable products to our customers may be delayed, which could harm our reputation and relationships with customers.

We may experience increases in labor costs, shortages of labor or deterioration in labor relations.

Labor costs have been increasing and may continue to rise. Labor cost increases may cause our cost of sales and operational expenses to increase, and we may not be able to pass on such increase to our customers. We also cannot assure you that we will not experience any shortage of labor. Any such shortage could hinder our ability to maintain our production schedules and maintain or expand our business operations, which could materially and adversely affect our business, financial condition, results of operations and prospects.

We seek to maintain favorable labor relations with our employees as we believe that our long-term growth depends on the expertise, experience, and development of our employees. Any deterioration of our labor relations could result in disputes, strikes, claims, legal proceedings, reputational damage, and disruptions in our business operations, any one of which could, in turn, materially and adversely affect our business operations and corporate image.

If we do not successfully manage our inventory levels, our business may be materially and adversely impacted.

Maintaining optimal inventory levels is critical to our success. For the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our inventory turnover days were 171.8 days, 198.2 days and 195.7 days, respectively. We are exposed to inventory risks as a result of a variety of factors, many of which are beyond our control, including changing fashion trends and consumer preferences, uncertainty in success of product launches, products returned by customers pursuant to regulations or our policies, weather conditions and seasonality. If we fail to accurately predict fashion trends and consumer preferences, conduct proper test sales and timely iterate our products and appropriately arrange our production and marketing plans, our sales could be adversely affected and our inventory levels could increase. We may be forced to rely on markdowns or promotional activities to dispose of unsold items. As a result, our financial condition and results of operations could be materially and adversely affected.

If we fail to fulfill our obligations in respect of contract liabilities, our cash and liquidity position could be adversely affected.

We recognize contract liabilities in respect of (i) our membership reward points that have not yet been redeemed by end-customers, and (ii) advance payments from our wholesale customers. We recorded contract liabilities of RMB118.3 million, RMB166.8 million and RMB189.1 million as of February 28, 2022 and 2023 and November 30, 2023, respectively. For further details, see "Financial Information—Discussion of Certain Key Balance Sheet Items—Current Assets and Liabilities—Other Payables, Accruals and Other Liabilities." If we fail to perform our obligations with respect to the membership reward points or advance payment from customers according to relevant contract terms, we may be required to provide alternative compensation to the customers of our membership programs or return the corresponding payment to the relevant customers and be subject to liquidated damages, which could adversely affect our cash and liquidity position.

Our ability to meet consumer demand for our products is dependent upon our ability to produce and deliver products to our stores and customers in a timely manner.

Our consumer-centric, vertically integrated business model allows us to quickly produce some of our products in-season in response to the orders of each of our sales regions, based on consumer demand. Our ability to produce and deliver products to our stores in a timely manner depends on the following factors: the availability or timely supply of the required raw materials, our production capacity, and the logistics service providers we engage.

Because we depend on third-party suppliers for our raw materials and logistics and courier services companies (including Li Xun, our affiliate) for the transportation of our merchandise from our manufacturing facilities to our stores and, for online sales, to end-customers, we may experience delays and inefficiencies that are not within our control. If we are unable to produce and deliver merchandise to our stores and customers in a timely manner, our sales and results of operations could be adversely affected.

In addition, we deliver products to our stores through our affiliate Li Xun, a logistics service provider, and to end-customers for online sales through various independent third-party courier services companies that Li Xun engages. Disputes with or any termination of our contractual relationships with one or more of our logistics service providers could result in delayed product deliveries, increased costs or consumer dissatisfaction. There can be no assurance that we will be able to continue or extend relationships with our current logistics service providers on terms acceptable to us, or that we will be able to establish relationships with new logistics service providers to ensure accurate, timely and cost-efficient delivery services. We cannot guarantee that we will not experience disruptions in logistics services, which may materially and adversely affect our business operations. In addition, our logistics service providers may charge us higher fees for their services as a result of external factors that are beyond our control, such as inflation, higher energy costs, increases in labor costs, outbreaks of diseases, natural disasters and industry-wide price adjustments. Any increase in our logistics service expenses could adversely affect our profitability and have an adverse impact on our results of operations. As we do not have any direct control over these transportation service providers, we cannot guarantee their quality of services. If there is any delay in delivery, damage to products or any other issue, we may lose consumers and sales and our brand image may be tarnished. Delays in delivery due to transportation shortages, infrastructure congestion or other factors could adversely impact our suppliers' ability to timely deliver products or manufacturing material to us.

Our directly-operated stores have required and will continue to require investment and commitment of resources, and may not generate the level of returns we expect.

We have made, and we will continue to make, investments in equipment and leasehold improvements, information systems, and personnel for our store network. We also regularly incur capital expenditures to upgrade our stores to optimize our offline retail network. Some of our directly-operated stores have been designed and built to serve as flagship stores to promote brand image and serve as key venues for marketing activities and customer engagement. Because of their unique design elements, locations and sizes, these stores require more investment than our other directly-operated stores. These stores may not be able to achieve the level of returns or offset their initial capital investment in the time frame we expected, or at all. In addition, the closure of any of our stores could result in lease termination costs, write-offs of inventory, and write-offs of equipment and leasehold improvements.

Our investments in technology may not generate the outcome we expect.

We believe that technology will continue to be an important driving force for our business growth. We have invested, and we intend to continue to invest significantly, in technology, automation and business intelligence tools, to optimize our operations and empower our brand. This plan mainly is manifested in various aspects of our business operations. However, technological changes are rapid, and we may not be able to keep abreast of the latest development; as a result, our technology systems may become obsolete. There is no guarantee that our investments in technology initiatives will generate sufficient returns or that they will have the expected effects on our business operations. If our technology investments do not meet our expectations for the above or other reasons, our prospects, cash flow and results of operations may be adversely affected.

Our business relies on the proper operation of our information technology systems, any malfunction of which could materially and adversely affect our business.

Our business relies on the proper functioning of our information technology systems. We host part of our operations related data on our own servers, which are located in data centers in the PRC. We also use cloud services of third-party service providers. We use our information technology systems, including a number of merchandise, production and operational management systems, across many important business functions including product planning, design and development, production and procurement, marketing and sales, merchandise and business operations. As a result, the continuous, reliable operation of our information technology systems is vital to almost every aspect of our business operations. We need to constantly upgrade and improve our information technology systems to keep up with developments in technology and the continuous growth of our business operations. There is no assurance that our information technology systems will function properly at all times, and they may malfunction or become obsolete. Moreover, we cannot guarantee that the information security measures we currently maintain are adequate or that our information technology systems can withstand intrusions from or prevent improper usage by third parties.

In addition, we cannot assure you that we would always be successful in developing, installing, running or implementing new software or advanced information technology 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 had net current liabilities historically, and we cannot assure you that we will not continue to record net current liabilities.

We had net current liabilities of RMB1,134.2 million as of February 28, 2022, primarily due to our dividends declared to Belle International of RMB2,000.0 million. We cannot assure you that we will not record net current liabilities again. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we are unable to generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to resort to external funding. If adequate external funds are not available on commercially reasonable terms, or at all, we may face liquidity difficulties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may continue to incur impairment losses on our right-of-use assets, which could negatively affect our results of operations and financial condition.

We recognize right-of-use assets with respect to lease agreements in which we are the lessee, except for short-term leases and leases of low-value assets. Our impairment losses of right-of-use assets were RMB67.9 million, RMB80.4 million and RMB68.3 million for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively. For details of the relevant accounting treatment, see Notes 5(b) and 16(a) to the Accountant's Report set forth in Appendix I to this document. In particular, the business and financial performance of our stores may fail to meet our management's expectations, which could cause us to recognize these types of impairment losses.

When the carrying amount of our right-of-use assets is considered to exceed the recoverable amount and the relevant assets are therefore determined to be impaired, we would be required to write down the carrying amounts or record a provision of impairment loss for the relevant assets in our consolidated financial statements during the period in which these assets are determined to be impaired. This could materially and adversely affect our results of operations and our financial condition.

We may incur impairment losses on our intangible assets and our deposits, prepayments and other receivables, which could negatively affect our results of operations and financial condition.

Our intangible assets consist of goodwill, acquired distribution and license contracts, acquired trademarks, and computer software. As of November 30, 2023, we had intangible assets of RMB377.6 million, including goodwill of RMB182.7 million, which were primarily in relation to the brands we acquired. We assess the impairment of goodwill and other intangible assets annually, or more frequently if certain events or changes in circumstances indicate that the goodwill or other intangible assets might be impaired, by comparing the recoverable amount of cash-generating units to the carrying amount. We did not record any impairment on our intangible assets during the Track Record Period. However, changes in the business prospects of our investments, in particular in respect of brands that we acquire, may result in impairment on our goodwill and other intangible assets.

As of November 30, 2023, we recorded deposits, prepayments and other receivables of RMB664.6 million. The carrying amounts of our deposits and other receivables approximated their fair values. Their recoverability was assessed with reference to the credit status of the recipients and, as there has been no significant increase in credit risk since initial recognition, the 12-month expected credit loss for these assets was considered minimal. We did not record any impairment on these assets during the Track Record Period. We cannot guarantee that our suppliers will perform their obligations in a timely manner, and we are subject to credit risk in relation to deposits and prepayments. We may be unable to recover the deposits and prepayments as scheduled.

In the future, the carrying amounts of our intangible assets and our deposits, prepayments and other receivables may be considered to exceed their respective recoverable amounts and these assets may therefore be determined to be impaired. As a result, we would be required to write down the carrying amounts or record a provision of impairment loss for the relevant assets in our consolidated financial statements during the period in which these assets are determined to be impaired. This could materially and adversely affect our results of operations and our financial condition.

We are exposed to changes in the fair value of our unlisted investments classified as financial assets at fair value through profit or loss, and valuation uncertainties given the use of unobservable inputs.

We have invested in, and intend to continue to selectively invest in, businesses that complement our existing business. As of November 30, 2023, we recorded unlisted investments classified as financial assets at fair value through profit or loss of RMB78.9 million, which represented our minority investments in brand companies for 7or9, Beaster and BaixiaoT. Any change in the fair value of our unlisted investments classified as financial assets at fair value through profit or loss could negatively affect our results of operations and financial condition. Please refer to the section headed "Financial Information—Significant Accounting Policies, Judgments and Estimates—Fair Value Estimation" in this document for further details on our unlisted investments.

The fair value of financial instruments that are not traded in an active market, such as our unlisted investments, is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where available and rely as little as possible on entity specific estimates. Specific valuation techniques used to value financial instruments include: quoted market prices or dealer quotes for similar instruments; and other techniques, such as discounted cash flow analysis and recent comparable transactions. The fair value of our financial assets designated at fair value through profit or loss is determined based on the recent transaction prices. Given the use of unobservable inputs, our financial assets at fair value are classified as level 3 financial instruments subject to uncertainties in valuation. Factors beyond our control can cause adverse changes to the estimates we use and thus adversely affect the fair value of our unlisted investments. These factors include changes in general economic conditions, market liquidity, asset values, and performance of the companies we invested in. As a result, asset valuations in future periods, reflecting then-prevailing market conditions, may result in negative changes in the fair values of our unlisted investments. Moreover, the value ultimately realized by us on disposal of these investments may be lower than their current fair value. Any of these factors could have an adverse impact on our results of operations and financial condition.

We may not fully recover our deferred income tax assets, which may affect our future financial position.

We recorded deferred income tax assets of RMB284.9 million, RMB286.5 million and RMB341.8 million, respectively, as of February 28, 2022 and 2023 and November 30, 2023. For each reporting period, we evaluate our deferred income tax assets to determine whether it is probable that they will be realized. In determining whether it is probable that our deferred income tax assets will be realized, we assess the likelihood that we will be able to recover deferred income tax assets using historical levels of income and estimates of future income. See Notes 3.2.9(b) and 10(b) to the Accountant's Report in Appendix I to this document for further details on our deferred income tax assets. These determinations require significant judgment from our management on assessments on the probability, timing and adequacy of future taxable profits for the deferred income tax assets to be recovered. If these judgments turn out to be incorrect or imprecise, we may need to adjust our tax provisions accordingly. Furthermore, we cannot predict future movements in our deferred income tax assets or the extent to which they may affect our financial position. Any of these events may have a material adverse effect on our business, financial condition and results of operations.

Our historical results may not be indicative of our future growth or financial results, and we may not be able to manage our growth effectively.

Our revenue increased by 12.8% from RMB14,286.7 million for the nine months ended November 30, 2022 to RMB16,112.0 million for the same period of 2023. However, our historical financial information may not be indicative of our future performance. Our growth rate may decline for reasons beyond our control, including decreasing consumer spending, increasing competition, declining growth in China's retail market, supply chain and logistical bottlenecks, emergence of alternative business models and changes in government policies or general economic conditions.

Our future operating results will depend to a large extent on our ability to manage our expansion and growth successfully. Risks that we face in undertaking this expansion include:

- controlling costs and operating expenses;
- optimizing our offline store network, including by identifying suitable markets and locations for our stores;
- maintaining strong positions on e-commerce and other online channels and increasing our online sales;
- growing our customer base;
- negotiating favorable concession or lease terms for our stores;
- adapting logistics and our other operational and management systems to an expanded network;

- the ability and willingness of suppliers, including our manufacturing partners and brand partners, to supply products to us on a timely basis at competitive prices;
- availability of adequate management and financial resources;
- hiring, motivating and retaining skilled employees;
- implementing and upgrading our operational infrastructure, systems and processes;
- executing our strategies and business initiatives; and
- addressing new market opportunities and potentially unforeseen challenges as they arise.

We cannot guarantee that our growth will result in enhanced profitability, or that we will grow at the same rate in future years. Any failure to manage our growth effectively could materially and adversely affect our business, prospects, results of operations and financial condition.

Any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies, including any data leakage or unauthorized use of data by us or third parties, could damage our reputation, adversely affect our business operations or subject us to governmental regulation and other legal obligations.

We collect, store, transmit and process a large volume of personal data, such as membership registration information and transaction history, and almost all of our consumer-generated-content is stored on servers or cloud storage facilities maintained by third parties. We only collect sensitive personal information in very limited circumstances. For more details of our privacy policy, see "Business—Data Privacy Protection." As a result of these practices, we face risks inherent in handling and transferring a large volume of data and in protecting the security of these data. We may be exposed to risks of security breaches or unauthorized access to or cyber-attacks on our systems or the data we store, software bugs, system errors or other technical deficiencies, mistakes or malfeasance of our employees or contractors, vulnerabilities of our vendors and service providers, or other cybersecurity-related vulnerabilities. We do not transfer any personal data of consumers collected within the PRC to anywhere outside of the PRC. We have established stringent guidelines and deployed corresponding software to protect the security of, and guard against unauthorized access to, our systems, as well as the security of personal data and proprietary information. However, it is possible that our security controls and other security practices may not prevent improper access to or disclosure of personal data or proprietary information. For example, a party who is able to circumvent these security measures could misappropriate proprietary information or cause interruptions in our operations, and our information systems may become unavailable or fail to perform as anticipated for other various reasons, including viruses, loss of power or human error. Any system failure or security breach that results in the release of, or unauthorized access to, personal data, could result in loss or misuse of these data, impairment of our technological infrastructure, interruptions to the services we provide, harm to our reputation, significant legal and financial exposure and potential lawsuits brought by private individuals or enforcement actions by regulators, increased costs and loss of revenue. Consequently, we may be required to spend significant capital and other resources to prevent these security breaches or to alleviate problems caused by these breaches. The perception that we cannot adequately protect our consumers' privacy may also cause us to lose our current consumers or deter potential consumers from purchasing our products.

We are subject to laws and regulations of relevant jurisdictions, primarily the PRC, relating to the collection, use, retention, disclosure and transfer of personal data. The intent of these laws and regulations is to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction. Data protection and cybersecurity laws and regulations and privacy policies in the PRC and other relevant jurisdictions continue to develop and may vary from jurisdiction to jurisdiction, and we need to comply with emerging and changing international requirements. It is uncertain whether new legislation, regulations or interpretations governing our business activities may be promulgated or adopted. Changes in applicable laws and regulations and their interpretations could have an adverse impact on our business operations.

Cybersecurity and data privacy and security issues are subject to increasing legislative and regulatory scrutiny in China. For example, the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which came into effect on June 1, 2017, requires certain authorization or consent from individuals prior to collection, use or disclosure of their personal data as well as protection of the security of the personal data of such users.

The Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》), which took effect on September 1, 2021, requires that data collection must be conducted in a legitimate and proper manner, and in order to safeguard data, data processing activities must be conducted to comply with respective graded protection systems for cybersecurity.

On August 20, 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the "**PIPL**"), which took effect on November 1, 2021. The PIPL further emphasizes personal information processors' obligations and responsibilities for personal information protection and sets out the basic rules for processing personal information.

On December 28, 2021, the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室) (the "**CAC**") and other relevant authorities jointly released the updated Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**"), which became effective on February 15, 2022. The Cybersecurity Review Measures require that network platform operators that are in possession of more than one (1) million users' personal information and seeking a listing in a foreign country must apply for a cybersecurity review with the CAC. While the Cybersecurity Review Measures do not define the term "listing in a foreign country," we believe that it is unlikely to include a listing in Hong Kong. However, we cannot guarantee that we will not be subject to the cybersecurity review in the future if new rules or regulations promulgated impose additional compliance requirements on us.

On November 14, 2021, the CAC issued the Network Data Security Administration Regulations (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 provide that a data processor that affects or may affect national security that is applying for a listing in Hong Kong must, in accordance with the relevant national regulations, apply for a cybersecurity review. However, the Draft Data Security Regulations do not explain what constitutes "affects or may affect national security," and the PRC government authorities may have wide discretion in the interpretation of this term. As of the Latest Practicable Date, the Draft Data Security Regulations were not yet effective and had only been released for public comment. Therefore, we cannot predict the impact of these regulations, if any, and we will closely monitor and assess any development in the rule-making process.

Article 38 of the PIPL provides for three compliance routes for cross-border data transfers, and several regulations have been subsequently released to implement these routes. 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》), effective September 1, 2022. These measures apply to 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. These measures specify that to conduct such an outbound data transfer that falls under any of the four circumstances outlined below, the data processor must apply to the CAC for security assessment through 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 one million 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. In addition, on February 22, 2023, the CAC issued the Measures for Standard Contract for Outbound Data Transfer of Personal Information (《個人信息出境標準合同辦法》), effective June 1, 2023, which provided for circumstances where processors may transfer personal information abroad by entering into a standard contract, and stipulated detailed compliance requirements. We use servers and cloud services in the PRC to store personal information that is collected in the PRC, and are not involved in any outbound transfer of personal information.

These and other similar regulatory developments could lead to legal uncertainty, affect how we operate our business and how we process and transfer data. We may also incur substantial costs to comply with these types of laws and regulations and to establish and maintain internal compliance policies. See "Regulatory Overview—PRC Law and Regulations Relating to the Retail Sector—Personal Information" and "Regulatory Overview—PRC Law and Regulations Relating to the Retail Sector—Information Security" for more details of relevant laws and regulations.

Our success depends on our ability to retain our senior management team and to recruit, train and retain qualified personnel, especially qualified store managers for our directly-operated stores.

We rely on the experience and expertise of our senior management in developing business strategies and managing our business operations. If one or more members of our senior management were unable or unwilling to continue to serve us, we may not be able to replace them with suitable successors on a timely basis or at all. Such loss of services could have a material adverse effect on us.

Our ability to recruit, train and retain suitable staff is vital to our success. As we expand our retail network, we will need to recruit staff who are both familiar with local markets, and experienced in the footwear and apparel retail industries. We are facing increasingly intense competition in our recruitment efforts. Our store personnel also personally interact with consumers on a day-to-day basis and help us acquire first-hand information on evolving consumer preferences and market trends. If we lose a significant number of qualified store personnel, we may not be able to find or develop suitable personnel to fill these vacancies in a timely manner and our operations could be materially and adversely affected. In addition, we may incur additional expenses if we are required to offer more competitive compensation packages in order to attract and retain key personnel. We cannot assure you that we will have sufficient resources to accomplish these objectives.

Unauthorized use of our trademarks and any sales of counterfeit products of our partner brands could materially and adversely harm our sales and reputation.

We believe our intellectual property rights are important to our success and competitive position. We primarily rely on a combination of trademarks, domain names and confidentiality agreements to protect our proprietary rights. For more details of our material intellectual property rights, see the section headed "Statutory and General Information—B. Further Information About Our Business—2. Intellectual Property Rights of Our Group" in Appendix IV to this document. In addition, any unauthorized use of our intellectual property by third parties may adversely affect our current and future revenues and our reputation. During the Track Record Period, we have been subject to counterfeiting and imitation by external parties that manufactured and marketed their products under brand names and trademarks that highly resembled ours. We cannot assure you that these types of counterfeiting or imitation will not occur or, if they do occur, that we will be able to detect or address the problem effectively. Any occurrence of counterfeiting or imitation of our products or other breaches of our intellectual property rights could adversely affect our reputation and brand name, and lead to loss of consumer confidence in our brand. Any litigation to prosecute infringements upon our rights and products will be expensive and will divert the management's attention as well as other resources away from our business. Moreover, if there are any concerns about the quality of the counterfeit products and consumers are not fully able to distinguish the counterfeit products from our products, our reputation and brand value may be impaired.

We also intend, to the best of our ability, to protect and prevent the abuse of intellectual property rights of our partner brands. In addition to our own stores, we also supply products of our partner brands to authorized third-party retailers, which contributed an immaterial percentage of our total revenue during the Track Record period. We cannot guarantee that there will be no unauthorized sales of counterfeit products in the stores of our authorized third-party retailers. Counterfeit products of our partner brands could also be sold in other third party stores. Sales of counterfeit products may result in an erosion of goodwill and a loss of consumer confidence in the image of our partner brands. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

If our trademarks, trade names, copyrights and other intellectual property rights do not adequately protect our product designs or trade secrets, we may lose market share to our competitors.

We rely on intellectual property-related laws in the PRC and other jurisdictions we operate in, as well as confidentiality agreements with our employees, manufacturing partners and other business partners, to protect our trademarks, trade names, copyrights, product designs and other intellectual property rights.

The implementation of intellectual property-related laws varies in different jurisdictions. These intellectual property laws may still be evolving and may not afford effective protection to us. Policing unauthorized use of proprietary technology is difficult and costly, and we may need to resort to litigation to enforce or defend intellectual property issued to us or to determine the enforceability, scope and validity of our proprietary rights and those of others. Any such litigation may require significant expenditure of financial and managerial resources and could have a material adverse impact on our business, financial condition and results of operations. An adverse determination in any such litigation will impair our intellectual property rights and harm our business, prospects and reputation. In addition, given that the enforcement of the protection of intellectual property rights may be difficult, we may choose not to litigate or spend significant resources in litigation to enforce our intellectual property rights or to defend our intellectual property against unauthorized use by third parties. In addition, despite the precautions we have taken, we cannot assure you that those procedures will provide effective prevention for unauthorized third-party use of our brand names or the licensed brand names. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Third parties may assert or claim that we have infringed their intellectual property rights.

Intellectual property rights, such as copyrights, trademarks and patents, are important in the consumer products industry as they protect brand images, product designs and other valuable rights. Our competitors or other third parties may have intellectual property rights and interests that could potentially conflict with ours. If any copyright, trademark or patent infringement or other intellectual property claims against us are successful, we may not have a legal right to continue to develop, produce, use or sell products that are adjudicated to have infringed third parties' intellectual property rights. We may be legally required to expend significant resources to redesign our products so that they do not infringe third parties' intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. Intellectual property litigation against us could significantly disrupt our business, divert our management's attention or consume much of our financial resources. Additionally, we may be subject to infringement or misappropriation claims by third parties in other aspects of our day-to-day operations, such as our usage of images, fonts or music in our advertising and promotional activities, as well as computer software. Any intellectual property disputes could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may incur significant marketing expenses, and our marketing and promotion activities may not be effective in attracting and retaining consumers.

We have been continuously investing in advertising and promotion to enhance customer loyalty, brand reputation and market recognition. We rely on different marketing efforts that are aimed at our target consumer groups to increase our sales. For the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our promotion and advertising expenses amounted to RMB1,235.0 million, RMB1,063.4 million and RMB894.2 million, respectively, accounting for 5.3%, 5.5% and 5.6% of our total revenue for the respective periods. Some of our brand partners set minimum marketing and promotional spending requirements for us. To increase our brands' market recognition and grow our brands, we will also need to incur significant marketing and promotional expenses. On the other hand, we cannot guarantee that our marketing efforts will be well-received by consumers and improve our sales performance. In addition, we are required to change and refine our sales and marketing strategies from time to time in order to keep up with industry developments, evolving marketing approaches and changing consumer preferences and serve the market positioning of our different brands. Failure to change and refine our marketing strategies to target customers for our distinct brands could adversely affect our business, financial condition and results of operations. In addition, any inappropriate marketing campaigns or advertising could subject us to liabilities or adversely affect our reputation or brand image.

We may be adversely affected by the results of operations of our associated companies and subject to liquidity risks arising from our investments in these associated companies.

We have made investments in associated companies and may continue to do so in the future. Fluctuations in the performance of these associated companies have affected, and will continue to affect, our results of operations and financial position. For the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our share of profits of associates was RMB28.3 million, RMB24.8 million and RMB20.3 million, respectively. As of February 28, 2022 and 2023 and November 30, 2023, we had interests in associates of RMB162.7 million, RMB180.5 million and RMB200.8 million. See Note 19 to the Accountant's Report in Appendix I to this document for more information on our investments and interests in associates.

We are subject to liquidity risk in connection with these investments if the associates do not declare sufficient dividends. Their declarations of dividends are typically at the absolute discretion of their respective board of directors and will be subject to factors including their earnings, financial position, cash requirements, business strategies, and legal or contractual restrictions on their ability to make payments to us. In addition, our investments in associates are not as liquid as other investment products, because even if our associated companies report profits and declare dividends, we will not receive any cash inflow from these investments until dividends are received. Furthermore, our ability to dispose of our interests in any associated companies at commercially acceptable terms is limited by factors such as general economic conditions, capital market conditions, performance and business prospects of the associates, many of which are beyond our control. As a result, adverse changes in our associated companies' performance could have a negative impact on our results of operations and financial condition.

Our business is subject to seasonality, and our financial results may vary significantly from period to period.

Our business is subject to seasonal fluctuations. We typically record higher sales around holiday seasons and online shopping festivals. If we fail to capture the sales opportunities arising from these holiday seasons and online shopping festivals, our overall performance could be adversely affected. For the same reason, we need to increase our stock to satisfy our increased sales demand around those holiday seasons, which exposes us to risk of higher levels of inventories. In addition, our autumn and winter products typically have higher costs than our spring and summer products, as the materials for producing our autumn and winter products are comparatively more costly.

Our business is also susceptible to extreme or unexpected changes in weather conditions. For example, extended periods of unusually warm temperatures during the winter season can render a portion of our inventory obsolete, particularly seasonal products. These extreme or unusual weather conditions could have an adverse effect on our inventory surplus, business and results of operations.

As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different years, are not necessarily meaningful and should not be relied upon as an indicator of our performance.

Defects in our leased properties may adversely affect our ability to use these properties.

The lessors of certain of our leased properties have failed to provide us with valid title certificates or other ownership documents or documents authorizing them to lease the properties. Any claim or challenge from third parties in relation to these properties, including lessors' potential unauthorized lease of the properties, could cause these leases to be terminated or unenforceable. As a result, we would need to seek alternative properties for our relevant offline stores and incur relocation costs. Any relocation could also lead to disruptions to our operations and adversely affect our sales performance.

As of November 30, 2023, we leased 2,091 properties in the PRC, the vast majority of which were for operating our stores under lease agreements and the remainder were used for offices and manufacturing facilities. We estimate that the lease agreements for over 90% of our leased properties have not been registered with the relevant authorities. As advised by our PRC Legal Advisor, for our lease agreements that are not registered with the competent authorities, we may be subject to fines ranging from RMB1,000 to RMB10,000 per non-registration. Even assuming that 100% of our leased properties are still not registered after being ordered by the competent authorities to rectify and that we are imposed maximum fines of RMB10,000 for each non-registration by the authorities, we may potentially be subject to an aggregate fine of RMB20.9 million for such non-registrations, which accounts for only approximately 0.1% of our revenue for the year ended February 28, 2023. See "Business—Land and Properties—Leased Properties" for more details.

Our insurance coverage may not be adequate to protect us from all risks we face.

We have purchased all risk property insurance for our business in accordance with common industry practice. We review the adequacy of our insurance policies from time to time; however, there can be no assurance that our insurance policies will be sufficient to cover all losses or liabilities under all circumstances. If our insurance policies are insufficient to cover our losses or liabilities, this could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to credit risks related to our trade receivables from the retail channel operators with which we have entered into concessionaire agreements.

Under our concessionaire agreements, the retail channel operators on concessionaire arrangements, including department stores, shopping malls and factory outlets, collect sales proceeds on our behalf. After deduction of their concessionaire fees and other relevant expenses, the retail channel partners transfer the remaining sales proceeds to us typically on a monthly basis. We record proceeds from the sales of the products we sell as trade receivables until we receive the cash from the retail channel operators and, accordingly, we are subject to credit risk related to the financial health of entities from which we have outstanding receivables. If the retail channel operators are not able to transfer the proceeds from the sales to us in a timely manner, or at all, our business, financial condition, results of operations and cash flows may be materially and adversely affected. We recorded impairment of trade receivables of RMB0.6 million for the year ended February 28, 2022 and the nine months ended November 30, 2023. We may continue to incur impairment losses of trade receivables. These types of impairment losses could increase if retail channel partners on concessionaire agreements experience financial difficulties or otherwise fail to settle our trade receivables.

If we fail to obtain, maintain or renew all required licenses, permits and approvals, our business operations may be adversely affected.

In accordance with the relevant laws and regulations in jurisdictions in which we operate, we are required to maintain various licenses, permits and approvals to operate our retail business. Many of our licenses, permits and approvals are subject to review by relevant regulatory authorities and some are valid only for a fixed period of time subject to renewal and accreditation. The standards of such reviews, renewals and approvals may change from time to time. There is no assurance that the relevant regulatory authorities will approve the application or renewals for these licenses, permits and approvals in the future. Moreover, given the large number of subsidiaries and branches we have, it takes substantial resources for us to continuously monitor the compliance status of our subsidiaries and branches. If we fail to obtain, maintain or renew all required licenses, permits and approvals, our business operations may be adversely affected and we may be subject to fines or other sanctions by the government. As a result, our results of operations and financial condition could be adversely affected.

We may be involved in claims, disputes, lawsuits and other legal proceedings in our ordinary course of business.

We are exposed to legal or other proceedings arising out of our ordinary course of business, including claims initiated by or against us under concessionaire agreements and other contracts we entered into, and other claims against us, such as product liability claims. According to the relevant PRC laws and regulations, consumers may choose to sue the retailer, distributor, manufacturer or brand company for damages caused by a defective product. If we face such claims, we cannot guarantee that we will succeed in defending ourselves. Even if we successfully defend ourselves against a claim, or successfully make compensation claims against others, we may need to spend a substantial amount of money and time in defending such a claim and in seeking compensation, which could result in significant adverse publicity, and could have a material adverse effect on our reputation and the marketability of the products we sell. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to litigation, penalties and other unfavorable results.

In particular, we are exposed to potential product liability claims in the event that there is any damage caused by our products. A successful product liability claim against us could require us to pay substantial damages. We may have to defend, whether or not successfully, any of the product liability claims against us, which will be costly and time-consuming. Also, in the event that our products are proven to be defective or unqualified, we may be required to recall these products, stop production and sales, turn over any illegal gains or pay fines. We generally do not maintain any product liability insurance. We cannot assure you that a product liability claim will not be brought. A product liability claim, with or without merit, could result in significant adverse publicity against us, and could have a material adverse effect on the marketability of our products and our reputation and our business, financial condition and results of operations.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by any of our partner brands, employees, suppliers or other business partners may have a material adverse effect on our business.

We are exposed to fraudulent or illegal activities or other misconduct by any of our partner brands, employees, suppliers or other third parties that could subject us to liabilities, fines and other penalties imposed by government authorities and negative publicity. There can be no assurance that our internal controls and policies with regard to sales activities, interactions with business partners and other third parties will prevent fraud or illegal activities or similar behavior by such persons will not occur. Any non-compliant, illegal, fraudulent, corrupt or collusive activity by any of our brand partners, employees, suppliers or other business partners (including various service providers), including those in violation of anti-corruption or anti-bribery laws or other government regulations, could subject us to negative publicity that could severely damage our brand and reputation and, if conducted by our employees or any service provider engaged by us, could further subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties could materially and adversely affect our business, financial condition, results of operations and prospects.

Any negative publicity regarding us, our Directors, employees, brands or products, or our brand ambassadors, live streamers or marketing content, regardless of its veracity, could adversely affect our business.

As a well-established brand growth platform, our image is sensitive to the public's perception of us as a business entity, which includes not only the quality, safety and competitiveness of our products, but also our corporate management and culture. We cannot guarantee that no one will, intentionally or incidentally, distribute information about us, especially regarding the quality and safety of our products or our internal management matters, that could result in negative perception of us by the public. In addition, negative publicity regarding our brand ambassadors may result in negative perception of us by the public even if the negative publicity does not involve our products. We may not be able to promptly take clarification or rectification measures when we face negative publicity, and we cannot assure you that these measures will always be effective. Any negative publicity about us, our Directors, employees, brands or products, regardless of veracity, could lead to potential loss of consumer confidence or difficulty in retaining or recruiting talent that is essential to our business operations. Any negativity about our brand ambassadors, live streamers or advertising content could also have an adverse effect on market perception of our relevant brands and hence sales of our products. As a result, our business, financial condition, results of operations, reputation and prospects may be materially and adversely affected.

We are subject to various environmental and safety laws and regulations that could impose substantial costs upon us.

We are subject to a variety of environmental, health and safety laws and regulations, including the use, handling, storage and disposal of hazardous materials in the manufacturing process, and the operation of our production facilities. In addition, given China's commitment to become carbon neutral by 2050, the Chinese government may issue new environmental and safety laws and regulations that require additional actions on our part. Moreover, there has been a general trend in heightened environmental, social and governance related regulations and disclosure requirements in China and other jurisdictions. We are unable to predict the likelihood, nature or extent of regulatory changes that may be applicable to us. These changes could also significantly increase our compliance costs. In addition, if our manufacturing plants or any of our other future facilities fail to comply with applicable laws and regulations, we could be subject to substantial liability for clean-up efforts, personal injury or fines or be forced to close or temporarily cease the operations of our plants or other facilities, any of which could have a material adverse effect on our business, prospects, financial condition and results of operation.

We may require additional funding to finance our operations, which may not be available on favorable terms or at all and could result in dilution of your shareholding or place restrictions on our operations.

We have historically funded our cash requirements principally with cash generated from our operating activities. To finance our ongoing operations, existing and future capital expenditure requirements, investment plans and other funding requirements, we may need to obtain adequate financing from external sources to supplement our internal sources of liquidity. Our ability to obtain external financing is subject to a variety of uncertainties, including:

- regulatory approvals to obtain financing in the domestic or international markets;
- our financial condition, results of operations, cash flows and credit history;
- the condition of the global and domestic financial markets; and
- changes in the PRC monetary policy with respect to bank interest rates and lending practices and conditions.

In order to raise capital and expand our business, we may consider raising equity capital, which may result in the dilution of shareholding by our existing Shareholders. Moreover, if additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, including limiting our ability or discretion to pay dividends, limiting our ability to seek additional borrowings, imposing financial covenants on us, increasing our risks in adverse economic conditions, adversely affecting our cash flows, and limiting our flexibility in business development and strategic plans, including making mergers or acquisitions or changing our principal business. We cannot assure you that we will be able to remain in compliance with the financial and other covenants under the terms of our debt financings. In addition, we cannot assure you that we will be able to obtain bank loans or renew existing credit facilities on favorable terms, or at all, or that any fluctuation in interest rates will not affect our ability to fund our operations and planned developments. If adequate funding is not available to us on favorable terms, or at all, we may not be able to fund our existing operations and develop or expand our business, and therefore our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in China's or global political, social and economic policies may materially and adversely affect our business, financial condition, results of operations and prospects.

Substantially all of our operations are conducted in China, and substantially all of our revenues have historically been sourced from China. Accordingly, changes in China's political, social and economic policies could materially affect our results of operation and business prospects. In recent years, China's economic growth has slowed down, and the PRC government has implemented measures to encourage healthy economic growth. Some of these measures may benefit China's overall economy, but might adversely affect us.

In addition, the global political, social and economic conditions are evolving rapidly and could adversely affect China's economic growth. The global economy may continue to be adversely affected by higher inflation, tightening monetary policies of central banks, high interest rate levels, rising geopolitical tensions, particularly the Russia-Ukraine war and the Israel-Hamas war, energy crisis in Europe and other market disturbances. Any financial or economic crisis in any major markets of the world and any geopolitical tensions could slow down or even hinder China's economic growth. As a result, our business, results of operations and financial condition could be materially and adversely affected.

The approval and/or other requirements of the CSRC or other PRC governmental authorities may be required in connection with the [REDACTED] under PRC rules, regulations or policies.

PRC laws and regulations in relation to overseas issuance and listing of shares are evolving. Under current regulations, we are required to file with or report to the CSRC and may in the future be required to file with or report to other PRC governmental authorities for our capital raising activities. Any failure or perceived failure to do so or comply with these evolving applicable laws and regulations could adversely affect our capital raising activities and result in negative publicity and legal proceedings or regulatory actions against us.

The General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with Law (《關於依法從嚴打擊證券違法活動的意見》) on July 6, 2021, which provide that the administration and supervision of overseas-listed China-based companies will be strengthened.

On February 17, 2023, the CSRC released the Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic Chinese companies that seek to offer and list securities overseas, directly or indirectly, are required to fulfill the filing procedures and report relevant information to the CSRC. For more details on these filing and reporting requirements, see "Regulatory Overview—PRC Regulations on Overseas Listing." As advised by our PRC Legal Advisor, we are required to file with the CSRC in accordance with the Trial Measures after our [**REDACTED**] for the [**REDACTED**] is submitted. We will file with the CSRC within the time limit required by the Trial Measures and its relevant supporting guidelines and seek guidance from the relevant regulator and/or legal advisors to ensure our compliance in all respects. However, we cannot assure you that we will complete the required filing procedures in a timely manner or at all, or that the CSRC will accept our filing in connection with our [**REDACTED**]. Any failure to obtain or delay in obtaining the approval or completing such procedures, or a rescission of any approval we may obtain, could restrict our ability to complete the [**REDACTED**] and subject us to rectification required or penalties imposed by the relevant PRC governmental authorities. In addition, according to the Trial Measures, any future issuance or [**REDACTED**] after our [**REDACTED**] will also be subject to filing procedure of CSRC, and we are required to report certain material matters to CSRC after our [**REDACTED**]. Any failure to perform such filing or reporting procedure could subject us to administrative penalties by CSRC, which could harm our reputation and adversely affect our results of financial condition.

On February 24, 2023, the CSRC, the Ministry of Finance ("**MOF**"), the National Administration of State Secrets Protection, and the National Archives Administration of China released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality Provisions**"), which came into effect on March 31, 2023. Any domestic company that plans to, either directly or through its overseas listed entity, publicly disclose or provide to relevant individuals or entities including securities companies, securities service providers and overseas regulators, any documents and materials that contain state secrets or working secrets of government agencies, is required to (i) first obtain approval from competent authorities according to the relevant laws and regulations, and (ii) file with the secrecy administrative department at the same level. For more details on the confidentiality requirements and archives administration, see "Regulatory Overview—PRC Regulations on Overseas Listing." Any failure to comply with these requirements could subject us to sanctions or other regulatory actions by the CSRC or other relevant authorities.

Failure to respond to changes and developments in PRC laws and regulations could have a material adverse impact on our business and results of operations and the value of your [REDACTED] in us.

Substantially all of our operating subsidiaries and operations are located in China and are subject to the laws and regulations of China. The Chinese legal system is based on written statutes and, unlike common law systems, adjudicated cases may be cited for reference but have limited value as precedents in Chinese courts.

Over the years, China has significantly increased legislation that affords protections to various forms of foreign or private-sector investments in China. However, new laws and regulations, including those related to us, may be promulgated and come into effect from time to time, and the interpretation and enforcement of relevant laws and regulations may be subject to change as the Chinese legal system continues to rapidly evolve.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights, which may be costly and divert our resources and management attention. Furthermore, our understanding of evolving laws, regulations and policies may differ from that of relevant authorities. As a result, we may not be aware of our violation of these laws, regulations and policies until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our results of operations and financial condition and even impede our ability to continue our business operations, and may further affect the legal remedies and protections available to [**REDACTED**], which may, in turn, adversely affect the value of your [**REDACTED**].

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

According to the Announcement of the SAT on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or SAT Circular 7, promulgated by the SAT in February 2015 and further revised in October and December 2017, if a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly through the transfer of the equity interests of an offshore holding company without a reasonable commercial purpose, the PRC tax authorities have the power to reassess the nature of the transaction and treat the indirect equity transfer as a direct transfer. As a result, the gain derived from such transfer, i.e., the transfer price minus the cost of equity, will be subject to PRC withholding tax at a rate of up to 10%. Under the terms of SAT Circular 7, a transfer that meets all of the following circumstances shall be directly deemed as having no reasonable commercial purposes: (i) over 75% of the value of the equity interests of the offshore holding company is directly or indirectly derived from PRC taxable properties; (ii) at any time during the year before the indirect transfer, over 90% of the total properties of the offshore holding company are investments within PRC territory, or in the year before the indirect transfer, over

90% of the offshore holding company's revenue is directly or indirectly derived from the PRC's territory; (iii) the function performed and risks assumed by the offshore holding company are insufficient to substantiate its corporate existence; and (iv) the foreign income tax imposed on the indirect transfer is lower than the PRC tax imposed on the direct transfer of the PRC taxable properties.

On October 17, 2017, the SAT issued the Circular on the Source of Deduction of Income Tax for Non-resident Enterprises (關於非居民企業所得稅源泉扣繳有關問題的公告) ("**Circular 37**"), which became effective on December 1, 2017 and abolished certain provisions in Circular 7. Circular 37 further clarifies the practice and procedure of withholding non-resident enterprise income tax. Pursuant to Circular 37, where the party responsible for withholding such income tax did not or was unable to make such a withholding, the non-resident enterprise receiving such income must declare and pay the taxes that should have been withheld to the relevant tax authority. The taxable gain is calculated as balance of the total income from such transfer net deducting the net book value of equity interest.

We have conducted and may conduct acquisitions involving changes in corporate structures. We cannot assure you that the PRC tax authorities will not, in their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your [**REDACTED**] in us.

We may be deemed as a PRC-resident enterprise under the Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income.

Under the Enterprise Income Tax Law (the "**EIT Law**") and its detailed implementation rules, an enterprise established under the laws of jurisdiction other than China may be considered as a PRC-resident enterprise provided that its "de facto management body" is located within the PRC. The implementation rules of the EIT Law interprets "de facto management body" as a body that exercises substantial management or control over the business, personnel, finance and properties of an enterprise. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009, which was most recently amended on December 29, 2017. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in the PRC. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises.

We believe that none of our entities outside of the PRC is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." As certain of our management is currently based in the PRC and they may remain in the PRC, we and our non-PRC subsidiaries may be treated as PRC-resident enterprises and a number of unfavorable tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income and to PRC-enterprise income tax reporting obligations. While the EIT Law provides that dividend income between "qualified resident enterprises" is exempt from PRC enterprise income tax, it is not clear whether our Company and our non-PRC subsidiaries would be eligible for such exemption were we considered to be PRC-resident enterprises. In addition, if we are treated as PRC-resident enterprises under Chinese laws, capital gains realized from sales of our Shares and dividends we pay to non-PRC resident Shareholders may be treated as income sourced within the PRC. Accordingly, dividends we pay to non-PRC resident Shareholders and transfers of Shares by these Shareholders may be subject to PRC income tax. If we are required to withhold PRC income tax on dividends payable to you, or if you are required to pay PRC income tax on the transfer of our Shares, the value of your [**REDACTED**] in our Shares may be materially and adversely affected.

A change in our preferential tax treatment or government incentives could reduce our profitability.

We enjoy a number of government incentives in China, primarily including subsidies provided by various PRC local governmental authorities in recognition of our contribution to the development of local economies. For the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, total government incentives we recognized were RMB423.1 million, RMB402.4 million and RMB194.2 million, respectively. In addition, during the Track Record Period, certain of our subsidiaries were subject to preferential tax rates ranging from 2.5% to 15.0% and other preferential tax treatments. For the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, preferential tax treatment enacted by local tax authorities reduced our tax expenses by RMB217.0 million, RMB156.1 million, and RMB196.1 million, respectively. See Note 10 to the Accountant's Report to Appendix I to this document for more details on the effect of our preferential tax treatment. We cannot assure you that we will continue to be eligible to receive such government subsidies and preferential tax treatment or that the amount of these subsidies and tax treatment will not be reduced. Our ability to continue to enjoy government subsidies and preferential tax treatment is subject to changes in national or local policies that affect the validity of our agreements with the relevant local governmental authorities and the availability of similar preferential arrangements, and may be affected by the termination of, or amendments to, such agreements for any number of reasons, including those beyond our control. Any decrease in or termination of these government grants and preferential tax treatment may have a material and adverse effect on our financial condition, results of operations and prospects.

Dividends paid by our PRC subsidiaries to us are subject to PRC withholding taxes.

Under the EIT Law and its implementation rules, a 10% withholding tax is applicable to the profit of a foreign-invested enterprise distributed to its immediate holding company outside the PRC to the extent the distributed profit is sourced from the PRC, (i) if the immediate holding company is neither a PRC resident enterprise nor has any establishment or place of business in the PRC, or (ii) if the immediate holding company has an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business. Pursuant to a special arrangement between Hong Kong and the PRC, this rate will be lowered to 5% if a Hong Kong resident enterprise directly owns over 25% of the Chinese company. In addition, on October 14, 2019, the SAT promulgated the Announcement on Promulgating the Administrative Measures for Convention Treatment for Non-resident Taxpayers (國家稅務總局關於發佈《非居民納稅人享受協定待遇管理辦法》的公告). According to this announcement, any qualifying non-resident taxpayer meeting specified conditions may be entitled to the convention treatment when filing a tax return or making a withholding declaration through a withholding agent. According to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, Chinese tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. We have subsidiaries in Hong Kong that are holding companies of our PRC subsidiaries. However, we cannot assure you that Chinese tax authorities will determine that the 5% tax rate applies to dividends received by our subsidiaries in Hong Kong from our PRC subsidiaries or that Chinese tax authorities will not levy a higher withholding tax rate generally on the dividends paid by our PRC subsidiaries to our offshore entities.

Our payment of dividends is subject to restrictions under PRC law.

We are a holding company incorporated in the Cayman Islands and operate our core business through our subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders and to service our offshore indebtedness depends largely upon dividends received from these subsidiaries. Any indebtedness or loss incurred by our PRC subsidiaries may impair their ability to distribute dividends to us. Furthermore, the laws, rules and regulations applicable to our PRC subsidiaries and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

Under PRC laws, rules and regulations, each of our subsidiaries incorporated in the PRC is required to set aside at least 10% of its net income each year to fund certain statutory reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. In addition, registered capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each PRC subsidiary. As a result of these requirements, our subsidiaries incorporated in the PRC are restricted in their ability to transfer a portion of their respective net assets to our Company as dividends, loans or advances.

Failure by our Shareholders or beneficial owners who are PRC residents to make required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents could expose us and our Shareholders who are PRC residents to liability under Chinese laws.

The Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas 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》) ("**SAFE Circular No. 37**"), which was promulgated by the State Administration of Foreign Exchange (the "**SAFE**") and became effective on July 14, 2014, requires an individual PRC resident to register with SAFE before he or she contributes assets or equity interests in an overseas special purpose vehicle ("**Offshore SPV**") that is directly established or controlled by the individual PRC resident for the purpose of conducting investment or financing. Following the initial registration, the individual PRC resident is also required to register with SAFE for any major change in respect of the Offshore SPV, including, among other things, any major change of an individual PRC resident Shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV's registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV's PRC subsidiary to distribute dividends to its overseas parent.

In February 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy 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》) ("**SAFE Notice 13**"), effective June 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

As the regulations concerning offshore or cross-border transactions are subject to further interpretation, amendments and implementation by the relevant governmental authorities, we cannot predict how these regulations will affect our business operations or future strategies. We have requested PRC residents and entities holding direct or indirect interests in our Company to our knowledge to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. However, we may not always be fully aware or informed of the identities of our beneficiaries who are PRC residents, and may not be able to compel them to comply with all requirements under SAFE Circular No. 37 or other related rules. Any failure by our individual PRC resident Shareholders or beneficial owners to make the registrations or updates with SAFE may subject the relevant individual PRC-resident Shareholders or beneficial owners to penalties, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions, or affect our ownership structure and capital inflow from our offshore subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As such, our business, financial condition, results of operation and liquidity as well as our ability to pay dividends or make other distributions to our Shareholders may be materially and adversely affected.

Current Chinese regulations on loans provided by, and foreign direct investment by, an offshore holding company to Chinese companies may delay or prevent us from using the [REDACTED] from the [REDACTED] to fund our business operations in the PRC.

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 governmental authorities in the PRC. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions to our PRC subsidiaries are subject to requirements of necessary filings in the enterprise registration system and the National Enterprise Credit Information Publicity System operated by the State Administration for Market Regulation, and registration with other governmental authorities in the PRC. In addition, (i) any offshore loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches, and (ii) none of our PRC subsidiaries can procure offshore loans exceeding statutory limits. Any medium or long term loan to be provided by us to our operating entities must be recorded and registered by the National Development and Reform Committee and SAFE or its local branches. In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we may not be able to complete such filings or registrations on a timely basis, if at all, with respect to future capital contributions or offshore loans by us directly to our PRC subsidiaries. If we fail to complete such filing or registration, our ability to use the [**REDACTED**] of this [**REDACTED**] and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Government regulation of currency conversion and fluctuation in the exchange rates of Renminbi may adversely affect our business and results of operations and our ability to remit dividends.

The convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of foreign currency out of the PRC are subject to a number of restrictions under applicable PRC regulations. Substantially all of our revenue and operating costs are denominated in Renminbi. Under existing Chinese foreign exchange regulations, payments of current account items, such as trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from or registration with SAFE or its local branches, or approval from the banks designated by SAFE, is required for foreign currency conversions for payment under capital account items such as equity investments. The Chinese government may also, at its discretion, restrict our access to foreign currencies for current account transactions. Under our current corporate structure, we depend largely on dividend payments from our PRC subsidiaries. Shortage in foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange regulation system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may be unable to pay dividends in foreign currencies to our Shareholders. In addition, since a significant amount of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies. Furthermore, the [**REDACTED**] from the [**REDACTED**] are expected to be deposited overseas in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these [**REDACTED**] into onshore Renminbi. If the [**REDACTED**] cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these [**REDACTED**] efficiently may be affected, which may adversely affect our business, financial condition and results of operations.

The exchange rates of Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in China's political and economic conditions. With the development of the foreign exchange market and progress toward interest rate liberalization and Renminbi internationalization, the PRC government may announce further changes to the exchange rate system, and we cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar, the U.S. dollar or other foreign currencies. Any fluctuations in exchange rates of Renminbi against the Hong Kong dollar, the U.S. dollar, or other foreign currencies may affect our operations. In addition, to the extent that we need to convert Hong Kong dollars that we will receive from the [**REDACTED**] into Renminbi for our operations, appreciation of Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount that we will receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for business purposes, appreciation of the Hong Kong dollar against Renminbi would reduce the Hong Kong dollar amount available to us.

Our business may be adversely affected by relations between the U.S. and China and other global trade and economic conditions.

As tensions have increased between the United States and China in recent years, there are concerns among PRC enterprises transacting with U.S. companies and their subsidiaries that a trade war or other conflicts between the two countries could affect their business. In particular, the U.S. government has taken a number of actions that have increased trade and political tensions with China, such as enacting legislation and regulations that restrict U.S. companies' dealings with China designating Chinese companies on sanctions lists and the U.S. export control-related lists. Furthermore, we may need to incur additional costs to ensure compliance with the increasingly complicated trade and other regulations and policies. A breakdown in trade relations between the United States and China could also depress global economic growth, threaten ongoing economic expansion and discourage cross-border transactions. Given that a portion of the products we sell, though mostly produced in China, are sourced from U.S. brand companies, we cannot assure you that we will not be negatively influenced by the increasing trade or other tensions between the United States and China, as well as by adverse changes in laws and regulations in respect of relations with other countries. As a result, our business, financial condition, results of operations and prospects could be adversely affected.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China, based on United States or other foreign laws, against us, our Directors or our senior management.

We conduct our operations mainly in the PRC, and our assets are mainly located in the PRC. In addition, some of our Directors and senior management members reside within the PRC. As a result, it may be challenging for you to effect service of process within the United States or elsewhere outside the PRC upon us or our relevant Directors and senior management members, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Even if you obtain a judgment against us, our Directors and senior management in a U.S. court or other court outside the PRC, you may not be able to enforce such judgment against us or them in the PRC. This is mainly because China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult or impossible. In addition, you may have difficulty bringing original actions in China based on the U.S. or other foreign laws against us, our Directors and senior management. As a result, shareholder claims that are common in the U.S., including class actions based on securities law and fraud claims, are difficult or impossible to pursue as a matter of law and practicality in China. Even if any [**REDACTED**] is successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render this [**REDACTED**] unable to enforce a judgment against our assets or the assets of our Directors and senior management.

RISKS RELATING TO THE [REDACTED]

As there has been no prior [REDACTED] for our Shares, an active trading market in our Shares may not develop, and the [REDACTED] may not be indicative of prices that will prevail in the trading market.

Prior to the [**REDACTED**], there was no [**REDACTED**] for our Shares. The [**REDACTED**] of our Shares is the result of negotiations between us and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) may not be indicative of prices that will prevail in the trading market. The [**REDACTED**] may differ significantly from the [**REDACTED**] for our Shares following the [**REDACTED**]. There is no guarantee that an active trading market and liquid public trading marketing for our Shares will develop, or, if it does develop, that it will sustain or that the market price of our Shares will not decline after the [**REDACTED**].

The [REDACTED] and trading volume of our Shares may be volatile, which may result in substantial losses for [REDACTED] in our Shares.

The [**REDACTED**] of our Shares may fluctuate significantly and rapidly as a results of a variety of factors, many of which are beyond our control, including:

- actual and anticipated variations in our results of operation;

- changes in securities analysts' estimates or market perception of our financial performance;

- development affecting the brand partners;

- recruitment or loss of key personnel by us or our competitors;

- market developments affecting us or the footwear and apparel industry;

- regulatory or legal developments, including litigation;

- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;

- fluctuations in trading volumes or sales of additional Shares by us; and

- general economic, political and stock market conditions in Hong Kong, the PRC, the United States and elsewhere in the world.

Moreover, in recent years, stock markets in general have experienced significant price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performance of the listed companies. These broad market and industry fluctuations may adversely affect the [**REDACTED**] of our Shares.

Our Controlling Shareholders may exert substantial influence over our operations and may not act in the best interests of our independent Shareholders.

Upon the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), approximately [**REDACTED**] of our Shares will be held by our Controlling Shareholders. After the completion of the [**REDACTED**], our Controlling Shareholders will continue to have significant influence on us on various important corporate actions requiring the approval of Shareholders, such as mergers, disposal of assets, election of Directors, and timing and amount of dividends and other distributions. There may be a conflict between our Controlling Shareholders' interests and your interests. Control by our Controlling Shareholders of a substantial percentage of our Shares may have the effect of delaying, discouraging or preventing a change in control of us, which may deprive you of opportunities to receive premiums for your Shares and may reduce the [**REDACTED**] of the Shares. If our Controlling Shareholders cause us to pursue strategic objectives that would conflict with your interests, you may also be left in a disadvantaged position.

Substantial future sales or the expectation of substantial sales of our Shares in the [REDACTED] could cause the [REDACTED] of our Shares to decline.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods expiring six months after the date on which [**REDACTED**] in our Shares commences on the Stock Exchange, details of which are set out in the section headed "[**REDACTED**]" in this document. Subject to these lock-up arrangements, our Controlling Shareholders may dispose of Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the [**REDACTED**], or the perception that these sales may occur, could materially and adversely affect the prevailing [**REDACTED**] of our Shares.

You will experience immediate and substantial dilution in the book value of your [REDACTED] as a result of the [REDACTED].

The [**REDACTED**] of our Shares is higher than our net tangible book value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of our Shares will experience an immediate dilution in pro forma net tangible book value per [**REDACTED**]. Our existing Shareholders will, however, receive an increase in pro forma net tangible book value per [**REDACTED**] with respect to their Shares.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the [REDACTED] for our Shares and trading volume could decline.

The trading market for our Shares may be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our Shares, the [**REDACTED**] for our Shares would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the [**REDACTED**] or trading volume of our Shares to decline.

There is no assurance as to whether and when we will pay dividends.

We cannot guarantee when, if or in what form and amount dividends will be paid on our Shares following the [**REDACTED**]. Distribution of dividends must be proposed by our Board and is subject to a number of factors, including our results of operation, our financial condition, strategies and needs of future expansions, our capital expenditure needs, dividends paid to us by our subsidiaries, legal and contractual restrictions, and other factors that our Directors may deem relevant. Dividends may be declared and paid at the discretion of our Directors, subject to the Cayman Companies Act and our Articles of Association. As a result, our historical dividend distributions are not indicative of dividends that we may pay in the future. See "Financial Information—Dividend Policy" for more details of restrictions on our dividend payments.

Since we are incorporated under the Cayman Islands law, you may face difficulties in protecting your interests, and your ability to protect your rights through Hong Kong courts may be limited.

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Memorandum of Association and Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The rights of our Shareholders to take action against the Directors, actions by minority Shareholders and the fiduciary duties of our Directors to us under the Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedents in the Cayman Islands as well as from the common law of England and Wales, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary duties of our Directors under the Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions. In particular, the Cayman Islands has a less developed body of securities laws than Hong Kong. Hong Kong has more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, the Cayman Islands companies may not have standing to initiate a shareholder derivative action in Hong Kong courts.

Shareholders of Cayman Islands exempted companies like us have no general rights under the Cayman Islands law to inspect corporate records (other than the memorandum and articles of association and any special resolutions passed by such companies, and the registers of mortgages and charges of such companies) or to obtain copies of the registers of members of these companies. Under the Cayman Islands law, the names of our current Directors can be obtained from a search conducted at the Registrar of Companies. Our Directors will have discretion under the Memorandum of Association and Articles of Association we expect to adopt, to determine whether or not, and under what conditions, our corporate records may be inspected by our Shareholders, but are not obliged to make them available to our Shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a Shareholder resolution or to solicit proxies from other Shareholders in connection with a proxy contest.

As a result of all of the above, our [**REDACTED**] Shareholders of Shares may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board of Directors or Controlling Shareholders than they would as [**REDACTED**] shareholders of a company incorporated in Hong Kong. For a summary of certain Cayman Islands laws, see "Appendix III—Summary of the Constitution of Our Company and Cayman Islands Company Law" to this document.

Certain facts, forecasts and other statistics in this document are derived from various official sources and are not independently verified.

Certain statistics contained in this document relating to China, the PRC economy and the industry in which we operate have been derived from various official government sources. We have taken reasonable care in the reproduction or extraction of such information for the purpose of disclosure in this document. However we cannot guarantee the quality or reliability of such information derived from official government sources. They have not been prepared or independently verified by us, the [**REDACTED**] or any of their respective affiliates or advisers. Therefore, we make no representation as to the accuracy of such information from official government sources, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between information from official government source and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced from other sources. In all cases, [**REDACTED**] should give consideration as to how much weight or importance they should attach to or place on such information from official government sources.

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

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

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have 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 one of our two executive Directors has and will continue to participate in the day-to-day management of our Company in the PRC, we do not and, in 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 to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Kwok Yiu Tung and Ms. Yung Josephine Yuen Ching;

(b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters;

(c) all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice;

(d) our Company will retain a Hong Kong legal advisor to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after [**REDACTED**];

(e) Anglo Chinese Corporate Finance, Limited, our compliance advisor, will act as an additional channel of communication with the Stock Exchange; and

(f) each Director will provide his or her mobile phone number, office phone number, e-mail address and fax number, where available, to the Stock Exchange.

CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules following the completion of the [**REDACTED**]. We have applied to the Stock Exchange for, and the Stock Exchange [has granted], waivers from strict compliance with (where applicable) the announcement, circular and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such continuing connected transactions. Further details of such continuing connected transactions are set out in the section headed "Connected Transactions" in this document.

[**REDACTED**]

RULE 9.09(b) OF THE LISTING RULES

According to Rule 9.09(b) of the Listing Rules, there must be no [**REDACTED**] in the securities for which [**REDACTED**] is sought by any core connected person of the [**REDACTED**] (save as permitted by Rule 7.11 of the Listing Rules), in the case of a new applicant, from four clear business days before the expected hearing date until the [**REDACTED**] is granted.

As of the Latest Practicable Date, Muse Holdings indirectly holds the entire issued share capital of our Company. Immediately after the [**REDACTED**] becomes unconditional, to simplify our Company's shareholding structure, Muse Holdings will distribute all of the Shares that it indirectly holds (the "**Distribution Shares**") to WMVL, Hillhouse HHBH and SCBL in proportion to their respective shareholding interest (the "**Distribution**"). As a result, immediately upon completion of the [**REDACTED**] (excluding the [**REDACTED**]), WMVL, Hillhouse HHBH and SCBL will each hold [**REDACTED**] Shares, [**REDACTED**] Shares and [**REDACTED**] Shares, respectively. For further details on the Distribution, please see the section headed "History, Reorganization and Corporate Structure—Distribution of Shares" in this document.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of Rule 9.09(b) of the Listing Rules on the following grounds:

(a) the purpose of the Distribution is to enable each of WMVL, Hillhouse HHBH and SCBL to become a direct Shareholder of our Company upon [**REDACTED**], and will not result in the Controlling Shareholders reducing their respective interests in our Company or our Group or a change in the ultimate beneficial owners of our Company;

(b) our Controlling Shareholders will continue to be subject to the relevant lock-up undertakings pursuant to Rule [**REDACTED**] of the Listing Rules;

(c) particulars of this waiver are set out in this document; and

(d) the Directors of our Company and their close associates will not [**REDACTED**] in the Shares from four clear business days before the expected hearing date until the [**REDACTED**] is granted.

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. SHENG Fang (盛放)	Suite No. 4008 Convention Plaza Apartments 1 Harbour Road Wanchai Hong Kong	Chinese
Mr. KWOK Yiu Tung (郭耀東)	Flat A, 11/F, Block 1 Vantage Park 22 Conduit Road Mid-Levels Hong Kong	Chinese
Non-executive Directors		
Mr. YU Wu (于武)	Suite No. 2208 Convention Plaza Apartments 1 Harbour Road Wanchai Hong Kong	Chinese
Ms. YUNG Josephine Yuen Ching (翁婉菁)	Flat 2C Fook Moon Building 56-72 Third Street Sai Ying Pun Hong Kong	Chinese
Ms. HU Xiaoling (胡曉玲)	Flat 2B No. 6 Lacosta Discovery Bay Hong Kong	Chinese

Independent Non-executive Directors

Mr. IP Koon Wing Ernest (葉冠榮)	Flat C, 26/F, Block 5 The Legend 23 Tai Hang Drive Hong Kong	Chinese
Ms. ZEE Helen (徐閔)	7C, Arezzo 33 Seymour Road Mid-Levels Hong Kong	Chinese
Ms. CHUA Sui Yee (蔡瑞怡)	Flat D, 26/F 31 Taikoo Shing Road Quarry Bay Hong Kong	Chinese

Please see the section headed "Directors and Senior Management" in this document for further details.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**Merrill Lynch (Asia Pacific) Limited** 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

[**REDACTED**]

Legal advisors to our Company	*As to Hong Kong and U.S. laws:* **Cleary Gottlieb Steen & Hamilton (Hong Kong)** 37/F, Hysan Place 500 Hennessy Road Causeway Bay Hong Kong *As to PRC law:* **JunHe LLP** Suite 2803-04 28/F Tower Three Kerry Plaza No. 1-1, Zhongxinsi Road Futian District, Shenzhen 518048 PRC *As to Cayman Islands law:* **Maples and Calder (Hong Kong) LLP** 26th Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
Legal advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws:* **Freshfields Bruckhaus Deringer** 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong *As to PRC law:* **Haiwen & Partners** 20/F, Fortune Financial Center 5 Dong San Huan Central Road Chaoyang District, Beijing 100020 PRC
Reporting accountant and independent auditor	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong

Industry consultant	**Frost & Sullivan (Beijing) Inc.,** **Shanghai Branch Co.** Suite 2504 Wheelock Square 1717 Nanjing West Road Shanghai 200040 PRC
Compliance advisor	**Anglo Chinese Corporate Finance, Limited** 40/F, Two Exchange Square 8 Connaught Place Central Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

Registered office in Cayman Islands	P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Principal place of business in the PRC	19/F, Belle Tower No. 8 LanXiang 1st Street Yuehai Sub-district, Nanshan District Shenzhen, PRC
Principal place of business in Hong Kong	6/F, The Edge 30-34 Kwai Wing Road Kwai Chung New Territories Hong Kong
Company's website	**www.bellefashion.com.cn** *(The information on our Company's website does not form part of this document)*
Company secretary	Mr. KWOK Yiu Tung *(FCPA, CFA)* Flat A, 11/F, Block 1 Vantage Park 22 Conduit Road Mid-Levels Hong Kong
Authorized representatives	Mr. KWOK Yiu Tung *(FCPA, CFA)* Flat A, 11/F, Block 1 Vantage Park 22 Conduit Road Mid-Levels Hong Kong Ms. YUNG Josephine Yuen Ching Flat 2C Fook Moon Building 56-72 Third Street Sai Ying Pun Hong Kong

Audit Committee	Mr. IP Koon Wing Ernest *(Chairperson)* Ms. ZEE Helen Ms. HU Xiaoling
Remuneration Committee	Ms. ZEE Helen *(Chairperson)* Mr. SHENG Fang Ms. CHUA Sui Yee
Nomination Committee	Mr. IP Koon Wing Ernest *(Chairperson)* Mr. SHENG Fang Ms. CHUA Sui Yee

[**REDACTED**]

Principal banks	**Bank of Communications Co., Ltd.,** **Shanghai Xuhui Branch** No. 18 Hengshan Road Xuhui District Shanghai, PRC **China Merchants Bank Co., Ltd.,** **Shanghai Damuqiao Branch** No. 333 Zhaojiabang Road Xuhui District Shanghai, PRC **Hang Seng Bank Ltd.** 83 Des Voeux Road Central Central, Hong Kong

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost and Sullivan, which was commissioned by us, and from various official government publications, and other publicly available publications. We engaged Frost and Sullivan to prepare the Frost and Sullivan report, an independent industry report, in connection with the* [REDACTED]. *The information from official government sources has not been independently verified by us, the Joint Sponsors,* [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], *any of their respective directors and advisors, or any other persons or parties involved in this* [REDACTED], *and no representation is given as to its accuracy.

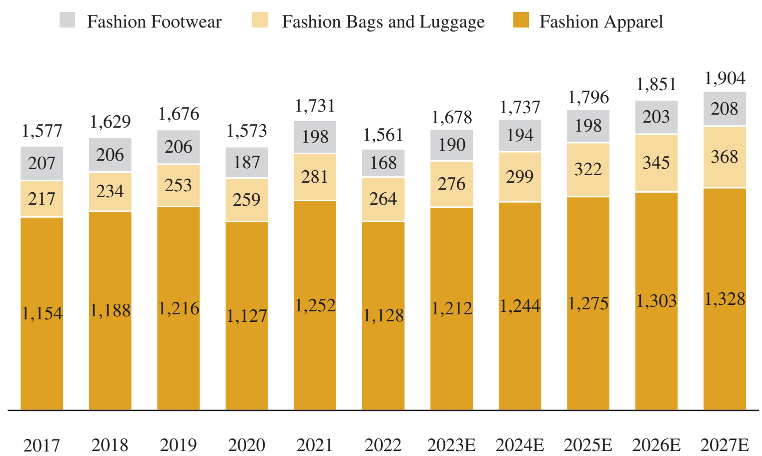
OVERVIEW OF CHINA'S SOFT FASHION MARKET

China's soft fashion market comprises footwear, apparel and bags and luggage (excluding sports footwear, apparel, bags and luggage, and products for kids under 14). In this "Industry Overview" section, China refers to mainland China. According to Frost & Sullivan, total retail sales value for China's soft fashion market decreased slightly from RMB1,577.3 billion in 2017 to RMB1,561.2 billion in 2022 mainly due to the impact of COVID-19 outbreaks, and it is expected to reach RMB1,903.6 billion by 2027, growing at a CAGR of 4.0% from 2022 to 2027. According to Frost & Sullivan, the footwear, apparel and bags and luggage markets are projected to grow at a CAGR of 4.3%, 3.3% and 6.8%, respectively, from 2022 to 2027. Footwear and apparel accounted for 10.8% and 72.3%, respectively, of China's soft fashion market's total retail sales value in 2022.

Against the backdrop of the continuous premiumization trend in China, Chinese consumers are developing stronger awareness of fashion and brands, and have become more focused on personalized and differentiated products. With the changes of consumers' purchasing habits, consumption channels in China have transformed. The rising popularity of shopping malls and growing penetration of e-commerce and social media platforms enhanced the customer reach of soft fashion brands. Benefitting from their deep insights into Chinese consumers' preferences and their continuously enhanced operational capabilities, China-based soft fashion companies are growing fast and gaining popularity among consumers.

China's Soft Fashion Market: By Category

RMB billion, 2017-2027E



CAGR	2017-2019	2017-2022	2022-2027E
Fashion footwear	(0.2%)	(4.0%)	4.3%
Fashion apparel	2.7%	(0.4%)	3.3%
Fashion bags and luggage	8.1%	4.0%	6.8%
Total	3.1%	(0.2%)	4.0%

Source: National Bureau of Statistics of China, Frost & Sullivan Analysis and Estimates, and Expert Interviews

OVERVIEW OF CHINA'S FASHION FOOTWEAR MARKET

China's fashion footwear market consists of men's and women's fashion footwear (excluding sports footwear and footwear for kids under 14). According to Frost & Sullivan, China's fashion footwear market ranked the second globally in terms of total retail sales value in 2022. While total retail sales value of China's fashion footwear market declined from RMB206.9 billion in 2017 to RMB168.5 billion in 2022 due to the impact of COVID-19 outbreaks, it is expected to rebound after the pandemic and reach RMB207.6 billion by 2027, growing at a CAGR of 4.3% from 2022 to 2027. Women's fashion footwear accounted for 74.9% of the total retail sales value of China's fashion footwear market in 2022, and this segment is expected to maintain its growth momentum and account for 78.1% of the market's total retail sales value in 2027. The robust growth of women's fashion footwear market is a key contributor to the overall expansion of China's fashion footwear market. Compared to women's fashion footwear market, men's fashion footwear market is expected to remain relatively stable mainly attributable to men's consumption habits.

The following diagram sets forth the market size of China's fashion footwear by gender.

China's Fashion Footwear Market: By Gender

RMB billion, 2017-2027E

CAGR	**2017-2019**	**2017-2022**	**2022-2027E**
Women's fashion footwear	3.7%	(1.4%)	5.1%
Men's fashion footwear	(8.0%)	(10.0%)	1.5%
Total	(0.2%)	(4.0%)	4.3%

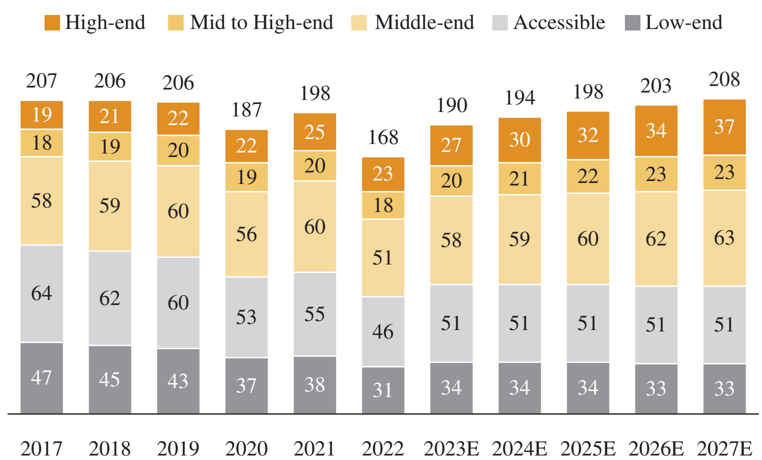
Source: National Bureau of Statistics of China, Frost & Sullivan Analysis and Estimates, and Expert Interviews

China's fashion footwear market can be divided into five categories in terms of price range: low-end, accessible, mid-end, mid- to high-end, and high-end.

According to Frost & Sullivan, the low-end, accessible, mid-end, mid- to high-end and high-end footwear categories accounted for 18.3%, 27.1%, 30.3%, 10.6% and 13.7%, respectively, of China's fashion footwear market's total retail sales value in 2022. Mid- to high-end and high-end are the two fastest growing categories, and are expected to grow at CAGRs of 5.6% and 9.6%, respectively, from 2022 to 2027, primarily attributable to Chinese consumers' improved purchasing power as a result of their rising per capita disposable income, as well as the market's premiumization trend.

The following diagram sets forth the market size of China's fashion footwear by price range.

China's Fashion Footwear Market: By Price Range
RMB billion, 2017-2027E



Note: The price ranges for China's fashion footwear's low-end, accessible, mid-end, mid- to high-end, and high-end categories are lower than RMB200, RMB200-400, RMB400-800, RMB800-1,200, and more than RMB1,200, respectively.

CAGR	**2017-2019**	**2017-2022**	**2022-2027E**
Low-end	(5.0%)	(8.2%)	1.5%
Accessible	(3.1%)	(6.7%)	2.3%
Mid-end	1.9%	(2.6%)	4.4%
Mid- to high-end	4.3%	(0.5%)	5.6%
High-end	9.9%	4.4%	9.6%
Total	(0.2%)	(4.0%)	4.3%

Source: National Bureau of Statistics of China, Frost & Sullivan Analysis and Estimates, and Expert Interviews

OVERVIEW OF CHINA'S FASHION APPAREL MARKET

China's fashion apparel market consists of men's and women's fashion apparel (excluding sportswear and apparel for kids under 14). According to Frost & Sullivan, total retail sales value of China's fashion apparel market decreased from RMB1,153.5 billion in 2017 to RMB1,128.4 billion in 2022 due to the impact of COVID-19 outbreaks. The market is expected to reach RMB1,328.3 billion by 2027, growing at a CAGR of 3.3% from 2022 to 2027, during which women's fashion apparel and men's fashion apparel markets are expected to grow at CAGRs of 3.6% and 2.8%, respectively. Women's fashion apparel, which constitutes the majority of China's overall fashion apparel market, accounted for 65.5% of the market's total retail sales value in 2022 and is expected to account for 66.4% of the expected total retail sales value in 2027.

China's fashion apparel market can be divided into five categories in terms of price range: low-end, accessible, mid-end, mid- to high-end and high-end. The price ranges for these categories are lower than RMB150, RMB150-350, RMB350-600, RMB600-1,000, and more than RMB1,000, respectively.

According to the Frost & Sullivan Report, low-end, accessible, mid-end, mid- to high-end and high-end apparel accounted for 15.9%, 24.2%, 33.2%, 14.8% and 11.9%, respectively, of total retail sales value of China's soft fashion market in 2022. Under the market's premiumization trend, the mid- to high-end and high-end apparel categories are expected to grow at CAGRs of 4.7% and 9.6%, respectively, from 2022 to 2027.

OVERVIEW OF CHINA'S FASHION BAG AND LUGGAGE MARKET

China's fashion bag and luggage market consists of bags, luggage and other products (excluding sports bags). The fashion bags segment includes handbags, backpacks and wallets, while the luggage segment includes suitcases and travel bags. According to Frost & Sullivan, total retail sales value of China's fashion bags and luggage market increased from RMB216.9 billion in 2017 to RMB264.3 billion in 2022 and is expected to increase to RMB367.8 billion in 2027, growing at a CAGR of 6.8% from 2022 to 2027. The fashion bag segment dominates this market and accounted for 88.0% of the total retail sales value in 2022. Driven by young Chinese consumers' increasing demand for personalized and differentiated fashion products, this segment is expected to grow from RMB232.5 billion in 2022 to RMB320.7 billion in 2027.

OVERVIEW OF CHINA'S CHILDRENSWEAR MARKET

China's childrenswear market includes apparel and footwear for consumers under 14. According to Frost & Sullivan, total retail sales value of China's childrenswear market increased from RMB211.8 billion in 2017 to RMB257.5 billion in 2022 and is expected to increase to RMB359.2 billion in 2027, growing at a CAGR of 6.9% from 2022 to 2027. Children's apparel and footwear markets accounted for 72.6% and 27.4%, respectively, of total retail sales value of this market in 2022. According to Frost & Sullivan, children's apparel and footwear markets will continue to grow at CAGRs of 6.3% and 8.4%, respectively, from 2022 to 2027.

KEY GROWTH DRIVERS AND TRENDS IN CHINA'S SOFT FASHION MARKET

The rapid development of China's soft fashion industry in recent years has been driven by multiple factors as described below. These factors are expected to continuously support the robust growth of China's soft fashion market.

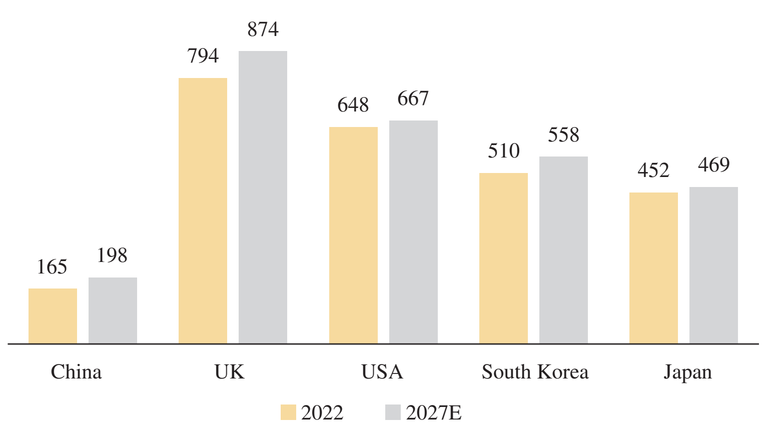
Macroeconomic growth has stimulated consumption expenditure

Over the past 30 years, thanks to the rapid growth of China's economy, per capita disposable income and per capita consumption expenditure increased significantly. According to Frost & Sullivan, per capita annual disposable income of China's urban residents increased from RMB36,396 in 2017 to RMB49,282 in 2022, and per capita annual consumption expenditure of China's urban residents during the same period grew from RMB24,400 to RMB30,400. In 2027, per capita annual disposal income and per capita annual consumption expenditure of China's urban residents are expected to reach RMB58,870 and RMB35,900, growing at CAGRs of 3.6% and 3.4%, respectively, from 2022 to 2027. China's per capita annual consumption expenditure of soft fashion goods is still materially lower than that in the major developed markets, which indicates significant market opportunities and growth potential in the long term. In 2022, per capita soft fashion annual consumption expenditures in the United Kingdom, the United States, South Korea, and Japan were 4.8 times, 3.9 times, 3.1 times and 2.7 times of that in China. Therefore, we believe that China's soft fashion market has ample headroom for future growth.

The following diagram sets forth the per capita annual consumption expenditure of soft fashion products in China and certain developed markets.

Per capita annual consumption expenditure of soft fashion products

USD, 2022 and 2027E



Source: National Bureau of Statistics of China, General Administration of Customs P. R. China, U.S. Bureau of Economic Analysis, Ministry of Economy, Trade and Industry of Japan, Frost & Sullivan Analysis and Estimates, and Expert Interviews

China's enhanced manufacturing capabilities and supply chains continue to empower the development of soft fashion industry

The traditional value chain of the soft fashion market is lengthy and complex, with steps spanning from procurement of raw materials, product design, manufacturing, logistics to the sales of finished products. Over the past few decades, China has leveraged its efficient manufacturing ecosystem and competitive production costs to establish a comprehensive supply chain system. In 2022, China's footwear and apparel export accounted for approximately 38.7% of the global market size. In recent years, with continuous advancements in manufacturing technology and upgrade of the supply chain systems, China's manufacturing capabilities and efficiency further improved, providing a robust foundation for the development of soft fashion industry both domestically and abroad.

Continuous advancement of domestic design and R&D capabilities in China's soft fashion industry

In recent years, Chinese designs have gained widespread popularity among consumers in the domestic market. Chinese soft fashion companies are now capable of continuously creating high-quality products for local consumers, earning consumers' trust and promoting the development of Chinese design and Chinese brands. These developments are supported by Chinese soft fashion companies' profound insights into the changing demands of Chinese consumers, together with their strong capabilities in design innovation and R&D. The rise of the "China chic (國潮)" concept, which integrates traditional Chinese culture and fashion elements, has enhanced consumers' preference towards Chinese brands and helped Chinese soft fashion designs become more mainstream, further driving the growth of China's soft fashion industry.

ANALYSIS OF THE FUTURE DEVELOPMENT TRENDS IN CHINA'S FASHION MARKET

Consumers' pursuit of product quality promotes the market premiumization trend

In recent years, the purchasing power of Chinese consumers, especially the middle class, has increased. The proportion of middle-class households to total urban households in China increased from 44.2% in 2017 to 55.5% in 2022. Meanwhile, Chinese consumers are increasingly willing to pay a premium for well-designed and high-quality soft fashion products. For example, the proportion of mid- to high-end and high-end products in the total fashion footwear market increased from 8.8% and 9.0% in 2017 to 10.6% and 13.7% in 2022, respectively, in terms of retail sales value.

Millennials and Generation Z are leading new consumption trends

China's millennials and Generation Z, with an aggregate population of approximately 570 million in 2022, typically have more progressive consumption preferences and stronger awareness of soft fashion trends. They have demonstrated preferences for trendy and lifestyle footwear and apparel products. Furthermore, their choices of style also increasingly influence how consumers of other generations make purchases, driving the overall growth trajectory of China's soft fashion market. In light of these trends, continuous innovation in product development and design, robust brand marketing and customer engagement, as well as proactive adaption to changing consumer preferences have become important strategies for soft fashion companies to remain competitive.

With stronger fashion awareness, consumers' needs are changing rapidly and are continuously shifting towards personalization and differentiation

Soft fashion products have become means of consumers' self-expression. In the past, fashion choices were homogenous, while consumers may not have strong brand awareness or demand for novel designs. However, in recent years, a growing number of consumers have begun to pursue fashion trends, and they are increasingly willing to pay a premium for brands that offer high-quality products and innovative designs. Meanwhile, consumer demands shift towards personalization and differentiation, where consumers search for products specifically catering to certain personal, social and business occasions. To meet this demand, soft fashion products suited for specific consumption occasions and with unique designs are being continuously introduced to the market. Under China's increasingly consumer-driven market, soft fashion companies with deep customer insights, outstanding R&D capabilities, and comprehensive product offerings are best positioned to capture the enormous market opportunities.

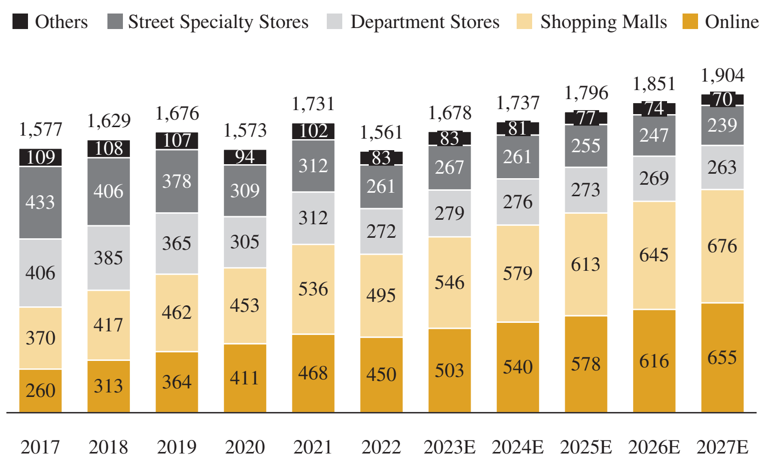
China's offline channels will continue to upgrade, while the development of online channels will accelerate

With China's urbanization and the rapid development of commercial properties, shopping malls have been able to attract more customer traffic, as they can accommodate consumers' various needs by integrating functions such as dining, leisure, entertainment and social in one place. The proportion of retail sales value via shopping malls among total retail sales value in the soft fashion market in China increased from 23.4% in 2017 to 31.7% in 2022. During the same period, traditional department stores have also gone through upgrades, thanks to more diverse uses of the store space, improved customer service, and enhanced operational efficiency. Meanwhile, China's online shopping channels have been upgrading rapidly. In addition to large established e-commerce platforms such as Taobao and Tmall, social media platforms such as Douyin, Kuaishou and Xiaohongshu are also seeing tremendous growth and reaching more consumers. Product display on e-commerce platforms evolved from still images to multi-media livestreaming and short videos, enabling more effective engagement with consumers and enhancing the shopping experience. The percentage of retail sales value from online channels among China's total retail sales value in the soft fashion market is expected to increase from 28.8% in 2022 to 34.4% in 2027.

The following diagram sets forth the size of China's soft fashion market by channel.

Soft Fashion Market in China: By Channel

RMB billion, 2017-2027E



CAGR	**2017-2019**	**2017-2022**	**2022-2027E**
Online	18.2%	11.6%	7.8%
Shopping malls	11.8%	6.0%	6.4%
Department stores	(5.3%)	(7.8%)	(0.6%)
Street specialty stores	(6.5%)	(9.6%)	(1.8%)
Others	(0.8%)	(5.2%)	(3.4%)
Total	3.1%	(0.2%)	4.0%

Source: National Bureau of Statistics of China, Frost & Sullivan Analysis and Estimates, and Expert Interviews

The operating model for product development and sales is changing from product-oriented to consumer-centric

Under the industry's traditional operating model, product design, R&D, and production mainly focus on the delivery of finished products and are not driven by customer sales and insights at the front-end. Within this traditional model, the process of product design and development is passive and reactionary. In contrast, under a consumer-centric operating model, brands and companies are supported by their profound insights into market trends and consumer preferences and thus can proactively and accurately optimize their product designs to ensure their attractiveness to target consumer groups. Based on data obtained from online testing and trial sales, brands and companies can formulate their production plans, optimize product structure, and reduce inventory risks. In general, successful execution of a consumer-centric operating model requires deep consumer insights, digitization of supply chain, as well as continuous enhancements of product fulfillment speed and accuracy.

Technology development promotes omni-channel integration and comprehensively empowers customer engagements

Leading soft fashion companies are actively leveraging technology to strengthen customer engagement, better understand their customer behaviors, and form deeper market insights based on information obtained through their omni-channel platforms. Technology also enables them to enhance consumer interaction by improving their service quality and better managing consumer lifecycles. With the integration of online and offline channels, soft fashion companies can acquire new customers more rapidly via effective content marketing and search engine optimization, thereby improving the efficacy of their customer acquisition and conversion process. Via live-streaming and photo-rich content marketing, companies can enhance their product presentation and boost customer conversion rates. Targeted marketing based on accurate consumer labeling can also improve consumer retention rates and stickiness. Lastly, the continuous optimization of back-end services and fulfillment capabilities contributes to better shopping experience and stronger consumer loyalty, which in turn boosts product sales.

ENTRY BARRIERS AND COMPETITIVE LANDSCAPE OF CHINA'S FASHION MARKET

Entry Barriers

Strong R&D capabilities with an agile supply chain

In order to meet diversified and ever-changing consumer preferences while maintaining competitive cost and high operational efficiency, soft fashion companies must continuously enhance their supply chain, R&D and manufacturing capabilities. The soft fashion industry is characterized by a large SKU base, seasonality and rapid changes of fashion trends. Agile and reliable supply chains, targeted and data-empowered product design and advanced manufacturing capabilities are the core competencies for successful soft fashion companies in this industry.

Brand loyalty enhanced by a diversified multi-brand portfolio and comprehensive product offerings

After years of operation, China's leading soft fashion companies have well-established brand images with strong consumer loyalty. They have maintained more diversified brand and product portfolio and thus can better adapt to market trends of product differentiation and personalization. Soft fashion companies with diversified product portfolios can display compatible products of multiple categories, including footwear, apparel and bags at the same store in order to improve average ticket sizes and enhance single-store performance. Leveraging their multi-brand strategies, they are also able to share operating resources among their various brands and departments in connection with supply chain, R&D, product manufacturing, inventory management, as well as sales and distribution channels, to enhance their operational efficiency and profitability.

Omni-channel distribution network and retail operational expertise

China's leading soft fashion companies have established extensive omni-channel retail networks that include offline stores at premium locations and stores on major e-commerce and social media platforms, which enable them to enjoy enhanced customer traffic, while at the same time ensuring their single-store profitability. Given the challenges for emerging brands and companies to achieve efficient store operations within a short period of time, they are largely dependent on online channels. This lack of offline consumer experience makes it challenging for emerging brands to compete against established soft fashion companies, whose extensive offline store network act as the frontline touchpoints with a large consumer base.

Consumer insight and management capabilities

Faced with rapidly changing consumer demands, soft fashion companies need to predict consumer preferences to maintain their competitiveness. Companies with large amounts of consumption data are able to generate customer insight by analyzing such data and therefore enhance their ability to predict emerging fashion trends and consumer preferences, which in turn empowers them to release products with greater popularity and remain competitive in the market.

Competitive Landscape

China's soft fashion industry, including the fashion footwear market, is highly competitive, including global players with large presence in the Chinese market such as LVMH, Fast-Retailing and Kering, as well as domestic players including HLA, Bosideng, Peacebird, Semir, Dusto, Daziran, Aokang and Red Dragonfly.

We discuss below our rankings among (i) the top five soft fashion companies in China, (ii) the top five China-based soft fashion companies in China, (iii) the top five women's fashion footwear companies in China and (iv) the top five men's fashion footwear companies in China, each in terms of retail sales value in 2022.

China's Soft Fashion Industry

According to Frost & Sullivan, we ranked fourth among all companies in China's soft fashion industry (including fashion footwear, fashion apparel, and fashion bags and luggage, excluding products for sports and products for kids under 14) and first among China-based companies in 2022 in terms of retail sales value. Our retail sales value was RMB24.2 billion in 2022. The table below sets forth the top five soft fashion companies in China in terms of retail sales value in 2022.

Top Five Soft Fashion Companies in China

Ranking	Company[1]	Retail sales value[2] *(RMB billion)*	Market share
1	Company A	78.3	5.0%
2	Company B	36.0	2.3%
3	Company C	26.8	1.7%
4	The Company	24.2	1.5%
5	Company D	23.0	1.5%

Notes:

(1) Company A is a global luxury company founded through a merger in 1987, headquartered in France and listed on the Paris Stock Exchange, that mainly provides a wide variety of products including leather goods, apparel and footwear products, cosmetics, watches and jewelries.

Company B is a global luxury company founded in 1963, headquartered in France and listed on the Paris Stock Exchange, that mainly provides a wide variety of products including leather goods, apparel and footwear products, garments, watches and jewelries.

Company C is a global fast-fashion company founded in 1949, headquartered in Japan and listed on the Tokyo Stock Exchange and the Hong Kong Stock Exchange, that provides casual apparel and accessories.

Company D is a China-based soft fashion company founded in 1988 in Jiangyin, Jiangsu, listed on the Shanghai Stock Exchange, that mainly provides men's apparel, footwear and accessories.

(2) Retail sales value refers to the aggregate retail sales value of fashion footwear, fashion apparel and fashion bags and luggage.

The table below sets forth the top five China-based soft fashion companies in China in terms of retail sales value in 2022.

Top Five China-based Soft Fashion Companies in China

Ranking	Company[1]	Retail sales value[2] *(RMB billion)*	Market share
1	The Company	24.2	1.5%
2	Company D	23.0	1.5%
3	Company E	21.7	1.4%
4	Company F	8.1	0.5%
5	Company G	8.0	0.5%

Notes:

(1) Company E is a China-based soft fashion company founded in 1976 in Changshu, Jiangsu, listed on the Hong Kong Stock Exchange, that primarily provides down jackets and other apparel products.

Company F is a China-based soft fashion company founded in 1996 in Ningbo, Zhejiang, listed on the Shanghai Stock Exchange, that provides fashion apparel, footwear and accessories.

Company G is a China-based soft fashion company founded in 1996 in Wenzhou, Zhejiang, listed on the Shenzhen Stock Exchange, that provides fashion apparel, footwear and accessories.

(2) Retail sales value refers to the aggregate retail sales value of fashion footwear, fashion apparel and fashion bags and luggage.

China's Fashion Footwear Market

According to Frost & Sullivan, we ranked first among women's fashion footwear companies in China in 2022. Our retail sales value of women's fashion footwear was RMB15.6 billion in 2022, which was significantly higher than that of the second-ranking company. The table below sets forth the top five women's fashion footwear companies in China in terms of retail sales value in 2022.

Top Five Women's Fashion Footwear Companies in China

Ranking	**Company**[(1)]	**Retail sales value**[(2)] *(RMB billion)*	**Market share**
1	The Company	15.6	12.4%
2	Company A	9.7	7.6%
3	Company B	5.0	4.0%
4	Company H	3.8	3.0%
5	Company I	3.4	2.7%

Notes:

(1) Company H is a private China-based soft fashion company founded in 1995 in Ruian, Zhejiang, that mainly provides footwear products.

Company I is a private China-based soft fashion company founded in 1997 in Wenzhou, Zhejiang, that mainly provides multi-brand women's footwear products.

(2) Retail sales value refers to the retail sales value of women's fashion footwear.

We ranked the second among men's fashion footwear companies in China in 2022. Our retail sales value of men's fashion footwear was RMB5.0 billion in 2022. The table below sets forth the top five men's fashion footwear companies in China in terms of retail sales value.

Top Five Men's Fashion Footwear Companies in China

Ranking	**Company**[(1)]	**Retail sales value**[(2)] *(RMB billion)*	**Market share**
1	Company A	5.6	13.3%
2	The Company	5.0	11.9%
3	Company J	3.6	8.5%
4	Company B	2.9	6.9%
5	Company K	2.8	6.7%

Notes:

(1) Company J is a Danish shoe and leather accessories manufacturer founded in 1963, that mainly provides footwear, with a focus on men's footwear.

Company K is a China-based soft fashion company founded in 1988 in Zhejiang, listed on the Shanghai Stock Exchange, that mainly provides footwear, with a focus on men's footwear.

(2) The retail sales value refers to retail sales value of men's fashion footwear.

According to Frost & Sullivan, in the year ended December 31, 2022, three of our brands, including STACCATO, Hush Puppies and Joy & Peace, were ranked first, second and third, respectively, among mid- to high-end fashion footwear brands in China in terms of retail sales value; four of our brands, including BELLE, TATA, Teenmix and BATA, were ranked first, second, third and fifth, respectively, among mid-end fashion footwear brands in China in terms of retail sales value; and our BASTO and SENDA brands were ranked fourth and fifth among accessible fashion footwear brands in China in terms of retail sales value.

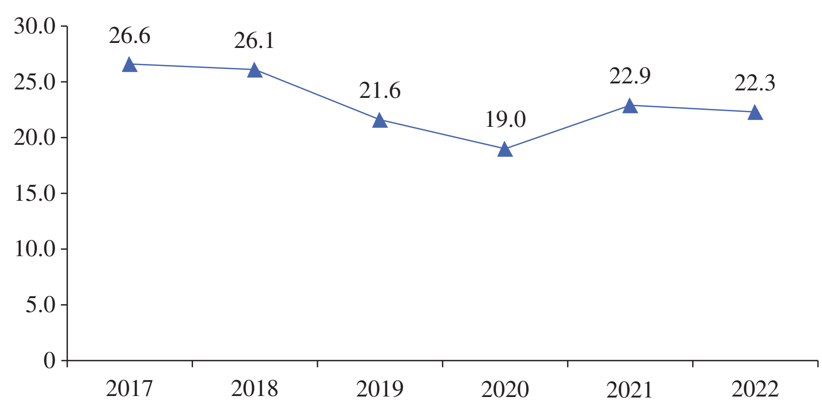
RAW MATERIALS

The primary raw materials of fashion footwear include leather (including primarily cowhide leather) and synthetic leather, while the primary raw material of fashion apparel is textile fabric.

According to Frost & Sullivan, the average import price of cowhide and horsehide leather declined from RMB26.6 thousand per ton in 2017 to RMB22.3 thousand per ton in 2022, mainly driven by its sufficient supply and decreased market demand due to the impact of COVID-19 outbreaks.

Average Import Price of Cow Leather and Horse Leather

RMB thousand/ton: 2017-2022



Source: China Leather Industry Association, Frost & Sullivan Analysis and Estimates, and Expert Interviews

SOURCE OF INDUSTRY INFORMATION

We have engaged Frost & Sullivan, an independent market research consultant, to analyze China's soft fashion industry and prepare a report for use in this document, for which we have agreed to pay a cumulative engagement fee of RMB1.55 million. Frost & Sullivan has prepared this report based on data published by government agencies and non-governmental organizations and its research. The forecasts and assumptions contained in the Frost & Sullivan report are inherently uncertain and may differ materially from actual results due to events or combinations of events that cannot be reasonably foreseen, including the actions of governments, individuals, third parties and competitors. Specific factors resulting in such differences may include risks inherent in the fashion industry in China, financial risks, labor risks, supply risks, regulatory risks and environmental issues. Unless otherwise stated, all data and forecasts contained in this section have been derived from the Frost & Sullivan report and were based on desktop research, expert interviews, and analysis and estimates by Frost & Sullivan. The Directors confirm that, having exercised reasonable care, there have been no adverse changes in market information, taken as a whole since the date of the Frost & Sullivan report, that would materially limit, contradict or adversely affect these data.

This section sets out summaries of certain aspects of the PRC laws and regulations which are relevant to the operation and business of the Company.

PRC LAW AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Companies incorporated in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the "**PRC Company Law**"), which was promulgated by the Standing Committee of the National People's Congress (the "**NPCSC**") on December 29, 1993, came into effect on July 1, 1994, and last amended on December 29, 2023 with effect from July 1, 2024. The PRC Company Law provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested companies in PRC. Where laws on foreign investment provide otherwise, such stipulations shall prevail.

Foreign investment in the territory of the PRC is governed by the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which was promulgated by the National People's Congress on March 15, 2019, and became effective on January 1, 2020. The Foreign Investment Law replaced the major laws and regulations governing foreign investment in the PRC. Pursuant to the Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council. According to the Foreign Investment Law, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the Negative List.

On December 26, 2019, the State Council promulgated the Implementation Rules to the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which became effective on January 1, 2020. The implementation rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

The Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》) were jointly promulgated by the Ministry of Commerce of the PRC (the "**MOFCOM**") and the State Administration for Market Regulation (the "**SAMR**") on December 30, 2019 and became effective on January 1, 2020. Pursuant to these measures, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department through the Enterprise Registration System and the National Enterprise Credit Information Publicity System.

Guidance on foreign investment in different industries in the PRC can be found in the Catalog of Industries for Encouraging Foreign Investment (the "**Encouraging Catalog**") and the Special Management Measures (Negative List) for the Access of Foreign Investment (the "**Negative List**") which were promulgated and are amended from time to time by the MOFCOM and the National Development and Reform Commission (the "**NDRC**"). The Encouraging Catalog and the Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: "encouraged", "restricted" and "prohibited". Industries not listed in the Catalog are generally deemed as falling into a fourth category "permitted" unless specifically restricted by other PRC laws.

On October 26, 2022, the NDRC and the MOFCOM released the Catalogue of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》), which took effect on January 1, 2023. On December 27, 2021, MOFCOM and the NDRC released Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**2021 Negative List**"), which became effective on January 1, 2022, to replace the previous Negative List. Pursuant to the 2021 Negative List, trading of shoes and apparel does not fall under the scope of special management measures provided in the 2021 Negative List.

PRC LAW AND REGULATIONS RELATING TO THE RETAIL SECTOR

Product Quality

The principal legal provisions governing product liability are set out in the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) (the "**PRC Product Quality Law**"), which was promulgated by the NPCSC on February 22, 1993 and amended respectively on July 8, 2000, August 27, 2009 and December 29, 2018. Pursuant to the PRC Product Quality Law, business operators shall have the following obligations:

- a check-for-acceptance system for stock replenishment shall be adopted to examine the quality certificates and other labels of the replenished stock;
- measures shall be adopted to maintain the good quality of products for sale;
- expired or deteriorated products, and the products which have been explicitly eliminated by the State and whose sale has been publicly ordered to be creased, are not to be sold;
- products must be sold with labels that comply with the relevant provisions;
- sellers must not forge the origin of the products, or forge or fraudulently use the name or address of others;

- sellers must not forge or fraudulently use product quality marks such as certification marks; and

- sellers must not mix impurities or imitations into products, or substitute a fake product for a genuine one, a defective product for a high-quality one, or pass a substandard product off as an up-to-standard one.

Pursuant to the PRC Product Quality Law, producers shall have the following obligations:

- producers shall be responsible for the quality of products it produces;

- producers must not produce products which has been explicitly eliminated by the State;

- producers must not forge the origin of a product, or forge or fraudulently use the name or address of another producer;

- producers must not forge or fraudulently use product quality marks such as the authentication marks of another producer;

- producers must not mix impurities or imitations into products, or substitute a fake product for a genuine one, or a defective product for a high-quality one, or pass a substandard product off as an up-to-standard one;

- producers shall ensure that the marks on products or the packaging of products are genuine; and

- producers shall ensure that the packages of dangerous products, such as fragile, inflammable, explosive, poisonous, corrosive and radioactive products, products that should be kept upright during storage and transportation and other products with special requirements meet the necessary requirements in respect of their quality and carry warning marks or statements in Chinese containing directions for storage and transportation, as required by relevant State regulations.

Violations of the PRC Product Quality Law may result in the confiscation of illicit products and the imposition of fines. In addition, the relevant seller or producer will be ordered to suspend its operations, and in serious cases, its business license will be revoked. Criminal liability may be incurred if it constitutes a crime.

According to the PRC Product Quality Law, consumers or victims who suffer injuries or property losses due to product defects may demand compensation from either the producer or the seller. Where the liability lies with the producer, the seller shall, after settling the claim, have the right to recover such claim from the producer, and vice versa.

The Provisions of the Supreme People's Court on Several Issues Concerning the Application of Laws in the Trial of Cases Involving Disputes over Online Consumption (I) (《最高人民法院關於審理網絡消費糾紛案件適用法律若干問題的規定(一)》) (the "**Provisions (I)**") were promulgated by the Supreme People's Court on March 1, 2022 and became effective on March 15, 2022. The Provisions (I) stipulate, among others, the invalidation of certain standard terms provided by E-commerce operators, the legal responsibilities of livestream room operators and the operators of online livestream marketing platforms, and the legal responsibilities of E-commerce operators in promotion activities. Pursuant to the Provisions (I), standard terms provided by an E-commerce operator containing any of the following content are invalid: (i) if a consignee signs for receipt of goods, the consignee will be deemed to have acknowledged that the quality of goods complies with the agreement; (ii) all liabilities that ought to be borne by E-commerce platform operators in accordance with applicable laws will be borne by the E-commerce operators using the platform; (iii) an E-commerce operator has the right to make unilateral or final interpretation; (iv) exclusion or restriction of consumers' rights to lodge complaints or reports, request for mediation, apply for arbitration or initiate lawsuits pursuant to applicable laws; and (v) other content that is unfair or unreasonable to consumers such as exclusion or restriction of consumers' rights, mitigation or waiver of the liabilities of E-commerce operators, and aggravation of consumers' liabilities. The Provision (I) also clarifies that where an E-commerce operator enters into a contract with another person for false publicity by way of fictitious transactions, fictitious hits, fabricated user comments or other means, such contract shall be invalid.

Consumer Protection

The principal legal provisions for the protection of consumer interests are set out in the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) (the "**PRC Consumer Protection Law**"), which was promulgated by the NPCSC on October 31, 1993 and came into effect on January 1, 1994, and was subsequently amended on August 27, 2009 and October 25, 2013. Pursuant to the PRC Consumer Protection Law, business operators shall have the following obligations:

- ensuring that goods and services provided to consumers comply with relevant laws and regulations, including requirements regarding personal safety and protection of property;

- reporting to relevant governmental authorities, notifying consumers, and adopting measures such as suspension of selling and manufacturing, alert, recall, decontamination, and destruction, in the event of its discovery of goods defects which may be harmful to personal or property safety;

- issuing vouchers for goods or services to consumers in accordance with relevant national regulations or business practices or upon the request of the consumer;

- ensuring the quality, functionality, application and duration of the goods or services under normal use and ensuring that the actual quality of the goods or services are consistent with that displayed in advertising materials, product descriptions, samples or any other manners;

- indicating its name and marks truthfully;

- properly performing its responsibilities for guaranteed repair, replacement, return or other liability in accordance with national regulations or any agreement with consumers; and not setting unreasonable or unfair terms for consumers, such as excluding itself from civil liability or undermining the legal rights and interests of consumers, by means of standard contracts, circulars, announcements, shop notices and the like, and not compelling transactions.

Violations of the above PRC Consumer Protection Law may result in warning, the confiscation of illegal income and the imposition of fines. In addition, the relevant business operator will be ordered to suspend its operations and its business license will be revoked in serious cases. Criminal liability may be incurred in cases where the act constitutes a criminal offence.

According to the PRC Consumer Protection Law, a consumer whose legal rights and interests are prejudiced during the purchase or use of goods may demand compensation from the seller. Where the liability lies with the producer or another seller that provides the goods to the seller, the seller shall, after settling the claim, have the right to recover such claim from that manufacturer or such other seller. Consumers or parties who suffer injuries or property losses due to product defects may demand compensation from the producer as well as the seller. Where the liability lies with the producer, the seller shall, after settling the claim, have the right to recover such claim from the producer, and vice versa.

Anti-Unfair Competition

The principal legal provisions governing market competition are set out in the Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) (the "**PRC Competition Law**"), which was promulgated by the NPCSC on September 2, 1993 and amended respectively on November 4, 2017 and April 23, 2019.

The PRC Competition Law provides that business operators shall not perform any of the following acts enabling people to mistake its goods for those of someone else or speculate that there are certain relations between its goods and someone else:

- using of marks identical or similar to the names, packaging or decorations of the goods which are influential to some extent of someone else without proper authorization;

- using the names (including any shortened name, business name, pen name, stage name, translated name, etc., if applicable) which are influential to some extent of some other enterprises, social organizations or individuals without proper authorization;

- using the main part of the domain name, website name, or webpage which are influential to some extent without proper authorization; or

- other confusing acts sufficient for enabling people to mistake its goods for those of someone else or speculate that there are certain relations between the aforesaid goods and someone else.

The PRC Competition Law also provides that business operators shall not (a) effect commercial promotions for the performance, functions, quality, sales status, users' comments or honor received in respect of their goods in a false or misleading manner, attempting to cheat or mislead consumers, (b) help any other business operator effect commercial promotions in a false or misleading manner by organizing false transactions or any other means, and (c) seek transaction opportunities or competitive edges by bribing relevant entities or individuals with property or by any other means.

Violations of the PRC Competition Law may result in the confiscation of illicit commodities, the imposition of fines and, in serious cases, the revocation of business licenses, as well as the incurrence of criminal liability.

On August 17, 2021, the SAMR issued a draft of the Provisions on the Prohibition of Internet Unfair Competition (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》) for public comments, which, among others, prohibits operators from carrying out or assisting in carrying out acts of internet unfair competition, disrupting market competition, affecting the market's fair trading, or harming the legitimate rights and interests of other business operators or consumers directly or indirectly.

Anti-Monopoly

On August 30, 2007, the NPCSC promulgated the PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》), which took effect on August 1, 2008. The NPCSC amended the PRC Anti-Monopoly Law (the "**Anti-Monopoly Law**") on June 24, 2022, which took effect on August 1, 2022. According to the revised Anti-Monopoly Law, the relevant operators of a concentration of undertakings that reaches the standard for declaration are required to make an advance declaration to the anti-monopoly law enforcement authority under the State Council. The revised Anti-Monopoly Law prohibits business operators from engaging in monopolistic activities, such as entering into monopoly agreements, abusing their dominant market position or pursuing consolidations that exclude, restrict or potentially inhibit competition. The Anti-Monopoly Law provides, among others, that business operators must not use data, algorithms, technology, capital advantages and platform rules to eliminate or restrict competition. The law also requires relevant governmental authorities to strengthen the examination of concentration of undertakings in areas related to national welfare and people's well-being and enhances penalties for violation of the regulations regarding concentration of undertakings.

Monopoly Agreement

Competing business operators may not enter into monopoly agreements that eliminate or restrict competition, such as by boycotting transactions, fixing or changing the price of commodities, limiting the output of commodities, and fixing the price of commodities for resale to third parties. The Anti-Monopoly Law has provided some exemptions for monopoly agreements, such as those that improve technologies, increase the efficiency and competitiveness of small and medium-sized undertakings, or safeguard legitimate interests in cross-border trade and economic cooperation with foreign counterparts. Business operators who violate the Anti-Monopoly Law may be ordered to cease the relevant activities, and be subject to confiscation of illegal gains and fines (ranging from 1% to 10% of its sales revenue for the previous year, or up to RMB5,000,000 if no sales revenue was made for the previous year, or up to RMB3,000,000 if the intended monopoly agreement has not been performed).

On March 10, 2023, the SAMR further issued the Provisions on the Prohibitions of Monopoly Agreements (《禁止壟斷協議規定》), which took effect on April 15, 2023 and superseded the Interim Provisions on Prohibition of Monopoly Agreements (《禁止壟斷協議暫行規定》) issued by the SAMR.

Abuse of Dominant Market Position

Pursuant to the revised Anti-Monopoly Law, "dominant market position" shall refer to a position where in an operator manipulates the price, volume and other trade conditions of commodity on relevant market, or obstructs or otherwise affects the entrance of other operators to the relevant markets. Operators holding dominant market positions shall be prohibited from engaging in practices which may be classified as an abuse of said position such as: a) selling products at unfairly high prices or buying products at unfairly low prices, b) selling products at a price lower than its cost without legitimate grounds, c) refusing to trade with other trading parties without legitimate grounds, d) forcing other trading parties to trade only with said operator or other operators specified by said operator without legitimate grounds, e) conducing tie-in sales or adding other unreasonable conditions on a deal without legitimate grounds, f) discriminating among trading parties of the same qualifications with regards to trade price, among others, without legitimate grounds, or g) adopting other practices recognized by the Anti-Monopoly Law enforcement authorities as constituting an abuse of dominant market position. Business operators who violate the Anti-Monopoly Law may be ordered to cease the relevant activities, and may be subject to confiscation of illegal gains and a fine of 1% to 10% of its sales revenue for the previous year.

On March 10, 2023, the SAMR issued the Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為規定》), which took effect on April 15, 2023 and superseded the Interim Provisions on Prohibition of the Abuse of Market Dominance (《禁止濫用市場支配地位行為暫行規定》) previously issued by the SAMR.

Concentration of Undertakings

Where a concentration of undertakings reaches the declaration threshold stipulated by the State Council, a declaration must be approved by the anti-monopoly authority before the parties implement the concentration. Concentration refers to (1) a merger of undertakings; (2) acquiring control over other undertakings by acquiring equities or assets; or (3) acquisition of control over, or the possibility of exercising decisive influence on, an undertaking by contract or by any other means. If business operators fail to comply with the mandatory declaration requirement, the anti-monopoly authority is empowered to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses within certain periods and impose fines of up to 10% of sales revenue for the previous year, or up to RMB5,000,000 if the concentration of undertakings does not have an effect of eliminating or restricting competition.

Furthermore, on February 7, 2021, the Anti-Monopoly Committee of the State Council promulgated the Guidelines of the Anti-monopoly Commission of the State Council for Anti-monopoly in the Field of Platform Economy (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》) (the "**Platform Economy Anti-Monopoly Guidelines**"), aiming to provide guidelines for supervising and prohibiting monopolistic conduct in connection with internet platform business operations and further elaborate on the factors for recognizing such monopolistic conduct in the internet platform industry. It provides details on "monopoly agreements" in the field of the platform economy, which means agreements, decisions or other concerted conduct of operators to eliminate or restrict competition. These agreements and decisions may be in writing or verbal form. "Other concerted conduct" means conduct with substantive coordination and consensus by data, algorithms and platform rules, or other methods, although operators have not specifically entered into any agreement or made any decision, except price leadership and other parallel conducts of relevant operators on the basis of independent declaration.

In particular, pursuant to the Platform Economy Anti-Monopoly Guidelines, an internet platform's methods of collecting and using the privacy information of internet users may also be one of the factors to be considered in analyzing and recognizing monopolistic conduct in the internet platform industry. In addition, factors including, based on big data and algorithms, whether differentiated transaction prices or other transaction conditions are implemented for consumers with different payment ability, consumption preferences and usage habits, may be used to analyze whether there is differentiated treatment, which is also a type of behavior constituting abuse of dominant market position. Furthermore, whether the relevant business operators are required to "choose one" among the internet platform and its competitive platforms may be considered in analyzing whether such internet platform operator with dominant market position abuses its dominant market position and excludes or restricts market competition.

On March 10, 2023, the SAMR issued the Provisions on the Review of Concentration of Undertakings (《經營者集中審查規定》), which took effect on April 15, 2023 and superseded the Interim Provisions on the Review of Concentrations of Undertakings (《經營者集中審查暫行規定》) previously issued by the SAMR.

Supervision of the Retailer

The Administrative Measures for Sales Promotion Acts of Retailers (《零售商促銷行為管理辦法》) (the "**Retailer Sale Promotion Measures**") was promulgated on September 12, 2006 and came into effect on October 15, 2006. The Retailer Sale Promotion Measures primarily aims at safeguarding legitimate rights and interests of consumers and maintaining the order of fair competition and public interests. Pursuant to the Retailer Sale Promotion Measures, the retailer shall comply with the requirements in respect of the promotion activities, including safety measures, advertisements contents, price management and indication, product quality and commodities, preferential cards, and replacement and return.

The Administrative Measures on Fair Trading between Retailers and Suppliers (《零售商供應商公平交易管理辦法》) (the "**Retailers and Suppliers Fair Trading Measures**") was promulgated on October 13, 2006 and came into effect on November 15, 2006. The Retailers and Suppliers Fair Trading Measures primarily aims at regulating the transactions between retailers and suppliers, and further protecting the order of fair trade and legitimate rights and interests of consumers. Under the Retailers and Suppliers Fair Trading Measures, the retailers shall not abuse its dominant position or engage in unfair trading conduct, and the retailers and the suppliers have their respective obligation to not engage in certain anti-competition activities.

Online Trading

According to Measures for the Supervision and Administration of Online Trading (《網絡交易監督管理辦法》) (the "**MSAOT**"), which was issued by SAMR on March 15, 2021 and became effective on May 1, 2021, the MSAOT shall apply to business activities involving the sale of goods or provision of services through the Internet and other information networks as well as the supervision and administration thereof by market regulatory departments. No online trading operators may engage in business operations without a license or permit in violation of any law, regulation or decision of the State Council. Except under the circumstances where registration is not required as prescribed in Article 10 of the Electronic Commerce Law of the People's Republic of China (《中華人民共和國電子商務法》) (the "**PRC Electronic Commerce Law**"), an online trading operator shall undergo market entity registration in accordance with the law. In addition, an online trading operator shall disclose goods or service information in a comprehensive, truthful, accurate and timely manner, and protect consumers' right to know and right to choose. No online trading operator may, in violation of the PRC Competition Law or other provisions, commit any act of unfair competition that disrupts the market competition order and damages the lawful rights and interests of any other business or consumer.

In accordance with the PRC Electronic Commerce Law promulgated on August 31, 2018 and came into effective on January 1, 2019, the electronic commerce operators shall have the following obligations:

- display at a prominent position on its homepage its business license information, its business-related administrative license information and update the information displayed in a timely manner;
- disclose products or services related information in a comprehensive, truthful, accurate and timely manner in order to protect consumers' right to know as well as their right to choose;
- when providing search results for products or services according to consumers' interests, consumption habits or other characteristics of consumers, provide the consumers with options not targeting their personal characteristics in order to respect and equally protect the legitimate rights and interests of consumers;
- bring any tie-in sale to the attention of consumers in a notable way and not set acceptance of tie-ins as default; and
- deliver products or services to consumers according to its commitment or in the manner and period stipulated with consumers, and assume the risk and responsibility in relation to the shipment of the products.

Personal Information

The PRC Consumer Protection Law specifies that personal information of consumers in purchasing and using commodities or receiving services shall be under the protection of the law. Business operators should follow the principles of legality, propriety and necessity when collecting and using consumers' personal information, specifically notify consumers about the purpose, method and scope of the collection and use of the information and obtain the consumers' consent. Business operators who collect and use consumers' personal information should announce their policies on collection and use and should not collect and use the information in breach of laws and regulations and the agreement between the parties. Business operators and their staff should keep strictly confidential the consumers' personal information that they collected; and should not divulge, sell or unlawfully furnish to any third party such information. Business operators should implement technical and other necessary measures to ensure that the information is secure and to prevent the disclosure or loss of consumers' personal information. In case the information is or is likely to be disclosed or lost, remedial action should be taken immediately.

On December 28, 2012, Decision of the NPCSC on Strengthening Network Information Protection (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) was issued and took effect to enhance the legal protection of information security and privacy on the internet.

On July 16, 2013, the MIIT issued the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》). Most requirements under the order that are relevant to internet content provision operators are consistent with pre-existing requirements but the requirements under the order are often more stringent and have a wider scope. If an internet content provision operator wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, it must disclose to its users the purpose, method and scope of any such collection or use, and must obtain consent from its users whose information is being collected or used. Internet content provision operators are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential, and take technological and other measures to maintain the security of such information. Internet content provision operators are required to cease any collection or use of the user personal information, and de-register the relevant user account, when a given user stops using the relevant internet service. Internet content provision operators are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties.

On May 28, 2020, the National People's Congress adopted the Civil Code of the People's Republic of China (《中華人民共和國民法典》) (the "**Civil Code**"), which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organisation 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.

The Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) (the "**PIPL**") was promulgated by NPCSC on August 20, 2021, and became effect on November 1, 2021. The PIPL accentuates the importance of processors' obligations and responsibilities for personal information protection and sets out the basic rules for processing personal information and the rules for cross-border transfer of personal information. Pursuant to the PIPL, a personal information processor is allowed to process (including collection, storage, usage, transmission, provision, disclosure, deletion, etc.) personal information only under certain circumstances, such as processing with consent from such individual, or for necessity of performance of a contract to which such individual is a contracting party or statutory duties, management of human resource under the labour rules and regulations developed in accordance with the law or a collective contract signed in accordance with the law, protection of public interest, or reasonable usage of legally disclosed information, etc. Processing of sensitive personal information, such as the personal information that is likely to result in damage to personal dignity, personal or property safety once illegally disclosed, as well as the personal information of minors under the age of 14, is subject to higher regulatory requirements including specific purpose, sufficient necessity, duty of explanation to such individuals and consent from a parent or a guardian of minors.

Article 38 of the PIPL provides for three compliance routes for cross-border data transfer and several regulations have been subsequently released to implement these routes. On July 7, 2022, the Measures on Security Assessment of Cross-border Data Transmission (《數據出境安全評估辦法》) was issued by the CAC and came into effect on September 1, 2022. These measures apply to 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. These measures specify that to conduct such an outbound data transfer that falls under any of the four circumstances outlined below, the data processor must apply to the CAC for security assessment through 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 one (1) million 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. In addition, on February 22, 2023, the CAC issued the Measures on the Standard Contract for Outbound Data Transfer of Personal Information (《個人信息出境標準合同辦法》), which came into effect on June 1, 2023, which provide for circumstances where personal information processors may transfer personal information abroad by entering into a standard contract, and stipulated detailed compliance requirements.

Information Security

On November 7, 2016, the NPCSC issued the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**"), which came into effect on June 1, 2017. The Cyber Security Law provides that for the construction and operation of the network or the provision of services through the network, technical measures and other necessary measures shall be taken in accordance with the provisions of laws and administrative regulations and the compulsory requirements of national standards to ensure the safe and stable operation of the network, effectively respond to cybersecurity incidents, prevent illegal criminal activities committed on the network, and maintain the integrity, confidentiality and availability of network data. Network operators must set up internal security management systems that meet the requirements of multi-level cybersecurity protection system, including appointing dedicated cyber security personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cyber security incidents, and taking data security measures such as data classification, backups and encryption. According to the Cyber Security Law, network operators shall strictly keep confidential users' personal information collected by them, and establish and improve the system for the protection of users' information.

On June 10, 2021, the NPCSC issued the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) (the "**Data Security Law**") to regulate data processing activities and security supervision in the PRC, which took effect on September 1, 2021. According to the Data Security Law, data processing activities shall be carried out in accordance with PRC laws and regulations, establishing and improving the data security management system of the whole process, organizing and carrying out data security education and training, and taking corresponding technical measures and other necessary measures to guarantee data security. Where data processing activities are carried out through the Internet and other information networks, the above-mentioned data security protection obligations shall be fulfilled on the basis of the multi-level cybersecurity protection system. In carrying out data processing activities, risk monitoring shall be strengthened, and remedial measures shall be taken immediately when data security defects, loopholes and other risks are found. In the event of a data security incident, the processors of data shall take immediate measures to deal with it, inform the user in time and report to the competent authorities in accordance with relevant provisions. The processors of important data shall, in accordance with relevant provisions, carry out regular risk assessments of their data processing activities and submit risk assessment reports to the competent authorities. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. Any organization or individual carrying out data processing activities that violates the Data Security Law shall bear the corresponding civil, administrative or criminal liability depending on the specific circumstances. In September 2021, the Guangdong Communications Administration published a province-wide notice to more than one hundred companies, including us, on personal information protection related issues, which we addressed promptly to the satisfaction of the regulator with no further inquiries or penalties.

On December 28, 2021, the revised Cybersecurity Review Measures (《網絡安全審查辦法》) ("**Revised CRM**") was promulgated by the Cyberspace Administration of China (the "**CAC**"), the NDRC, the Ministry of Industry and Information Technology (the "**MIIT**"), the Ministry of Public Security (the "**MPS**"), the Ministry of State Security, the MOF, the Ministry of Commerce, the People's Bank of China, the SAMR, the National Radio and Television Administration, the National Administration of State Secrets Protection and the State Cryptography Administration, which took effect on February 15, 2022 and stipulates that operators of critical information infrastructure purchasing network products and services, and the operators of network platform carrying out data processing activities that affect or may affect national security, shall conduct cyber security review. However, the Revised CRM did not define what constitutes "data processing activities that affect or may affect national security." Pursuant to the Revised CRM, the cybersecurity review will focus on the assessment of the risks and factors in relation to national security, including: (i) risks of illegal control, interference or destruction of critical information infrastructure ("**CII**") caused by the products or services; (ii) damages to the continuity of CII caused by interruptions in the supply of products and services; (iii) the security, openness, transparency, and diversity of sources of products and services, as well as the reliability of supply chains, and risks of supply interruption due to political, diplomatic, trade, or other factors; (iv) compliance with PRC laws, administrative regulations and government rules by product and service providers; (v) risks of theft, leakage, damage, illegal use, or illegal cross-border transfer of core data, important data, or large amounts of personal information; (vi) risks of influence, control, or malicious use of CII, core data, important data, or large amounts of personal information by foreign governments, or cybersecurity risk in connection with the overseas listing; and (vii) other factors that may endanger the security, cybersecurity and data security of CII. According to the Revised CRM, an operator of network platform who controls more than 1 million users' personal information must report to the cyber security review office for a cyber security review if it intends to be listed abroad (國外上市). However, the Revised CRM provides no further explanation or interpretation for "listed abroad."

On November 14, 2021, the CAC issued the Regulations on Network Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) ("**Draft NDSR**"), which provides four circumstances, under any of which data processors shall, in accordance with relevant provisions of the State, apply to the cyberspace security assessment of data cross-border transfer. These circumstances include: (i) merger, reorganization or separation of network platform operators that aggregate a large amount of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) where a data processor who controls more than 1 million users' personal information intends to be listed abroad; (iii) where a data processor to be listed in Hong Kong that affect or may affect national security; and (iv) other data processing activities that affect or may affect national security. However, the Draft NDSR does not provide further clarification on "affect or may affect national security," and the PRC government would have broad discretion over the interpretation of this term. In addition to requirements under current laws and regulations, the Draft NDSR would impose a series of compliance obligations on data processors in respect of cybersecurity and personal information protection.

According to our PRC Legal Advisor's verbal consultation with an official of the China Cybersecurity Review, Certification and Market Regulation Big Data Center, a listing in Hong Kong is not treated as a listing abroad within the meaning of the Revised CRM. Therefore, as advised by our PRC Legal Advisor, our proposed [**REDACTED**] in Hong Kong will not trigger voluntary application for cybersecurity review according to the Revised CRM.

On December 31, 2021, the CAC, the MIIT, the MPS, and the SAMR jointly promulgated the Administrative Provisions on Algorithm-Based Recommendation in Internet Information Service (《互聯網信息服務算法推薦管理規定》), which took effect on March 1, 2022. The Administrative Provisions on Algorithm-Based Recommendation in Internet Information Service, among others, implements classification and hierarchical management for algorithm-based recommendation service providers based on various criteria; requires algorithm-based recommendation service providers to inform users of their provision of algorithm-based recommendation services in a conspicuous manner, and publish the basic principles, purposes and main operating mechanisms of algorithm-based recommendation services in an appropriate manner; and requires such service providers to provide users with options that are not specific to their personal profiles, or convenient methods to opt out algorithmic recommendation services.

As advised by our PRC Legal Advisor, (i) we currently comply and will be able to comply with the Revised CRM, the Measures on Security Assessment of Cross-border Data Transmission, and the Measures on the Standard Contract for Outbound Data Transfer of Personal Information related to our [**REDACTED**] in all material respects, (ii) there is no legal impediment for us to comply with the Draft NDSR related to the [**REDACTED**] from all material respects, if it is implemented in its draft form, and (iii) these regulations will not have any material adverse impact on our proposed [**REDACTED**] in Hong Kong. In addition, considering that (i) our main business is to produce and retail footwear, apparel and accessories, (ii) the types of data we collect are limited and relatively insensitive, (iii) we have taken relatively sound personal information protection measures, (iv) all the personal data we collect is stored in PRC, and (v) there is no outbound data transfer involved in our daily business operations, our PRC Legal Advisor is of the view that the possibility of our data processing activities to affect or potentially affect national security is relatively low based on the factors set out in Article 10 of the Cybersecurity Review Measures, and that our proposed [**REDACTED**] in Hong Kong is not likely to trigger a voluntary cybersecurity review. As of the date of this document, we have not been subject to any material penalty by government authorities due to a breach of any data security laws and regulations. As of the date of this document, we have not received any data security related inquiries with any material impact on us, inquiries in respect of any other matters relating to cybersecurity, or any invitation for cybersecurity review or other interviews from the CAC, the CSRC, or any other relevant governmental authorities. Based on the fact that (i) the Draft NDSR has not been formally adopted and is subject to further governmental guidance, and (ii) as of the date of this document, we have not been involved in any cybersecurity related investigations by the CAC and we have not received any inquiry or notice with any material impact on us, or any warning, sanctions or punishment from governmental authorities, nor been the subject of any other regulatory action in respect of cybersecurity, data processing or data protection; after consulting our PRC Legal Advisor, the Directors are of the view that the Revised CRM and the Draft NDSR have not had any material adverse impact on our business operations as of the date of this document and are not expected to affect our compliance with relevant laws and regulations in any material respect, if they are adopted in the current form. However, our Directors and PRC Legal Advisor cannot preclude the possibility that future rules or regulations will impose additional compliance requirements on us.

In addition, the Critical Information Infrastructure Protection Regulations (the "**CII Regulations**"), which came into force on September 1, 2021, defined the CII as important network facilities and information systems in important sectors and fields. Article 10 of the CII Regulations further provides that industrial regulators and supervisory authorities must arrange the identification of CIIs in the respective sectors or fields governed by them, promptly inform operators of the results of such identification, and report such results to the public security authority of the State Council. As of the date of this document, we have not received any notification or other documentation from any government authority that identifies or may identify us as a critical information infrastructure operator. As advised by our PRC Legal Advisor, our business of manufacturing and selling footwear and apparel products is not one of the important sectors or fields explicitly prescribed in the CII Regulations, and it is unlikely that we will be identified as a critical information infrastructure operator based on our current business operations. Considering these factors and advice from our PRC Legal Advisor, our Directors are of the view that the CII Regulations have not had any material adverse impact on our business operations as of the date of this document and are not expected to affect our compliance with relevant laws and regulations in any material respect. However, our Directors and PRC Legal Advisor cannot preclude the possibility that future rules or regulations will impose additional compliance requirements on us.

Work Safety

Pursuant to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated by the NPCSC on June 29, 2002 and amended respectively on August 27, 2009, August 31, 2014 and June 10, 2021, a production and operation entity must comply with this Law and other laws and regulations related to work safety, strengthen work safety management, establish and improve a work safety responsibility system and work safety rules and systems for all employees, increase efforts to guarantee the input of funds, materials, technology, and personnel in work safety, improve work safety conditions, strengthen standardization and informatization of work safety, construct a dual prevention mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, raise work safety levels, and ensure work safety.

PRC LAW AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on December 26, 1989 and subsequently amended on April 24, 2014 and became effective on January 1, 2015, the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated on November 29, 1998, and subsequently amended on July 16, 2017 and became effective on October 1, 2017, and the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002 and amended on July 2, 2016 and on December 29, 2018, an enterprise, which causes environmental pollution and discharges other materials that endanger the public, shall implement environmental protection methods and procedures into its business operations. The enterprise will receive a warning or be penalized if it fails to report and/or register the environmental pollution caused by it and will have its production and operation ceased or be penalized if it fails to restore the environment or remedy the effects of the pollution within the prescribed time limit. Additionally, the enterprise shall bear the responsibility for remedying the danger and effects of the pollution and compensate for any losses or damages suffered because of such environmental pollution if it has polluted and endangered the environment.

Pursuant to the Administrative Measures on Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》) promulgated by the Ministry of the Environment Protection on January 10, 2018 and last revised on August 22, 2019 and became effective on the same day and the Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》) promulgated by the State Council on January 24, 2021, and became effective on March 1, 2021, a pollutant discharging entity shall legally hold a pollutant discharge license in accordance, and discharge pollutants in compliance with the pollutant discharge license. Any entity that fails to obtain a pollutant discharge license as required shall not discharge pollutants. A pollutant discharge license shall be valid from the date on which the decision on the granting of the license is made. A discharge license issued for the first time shall be valid for three years and a renewed license for five years. For the pollutant discharge units which have been established and actually discharged pollutants before the time limit as provided in the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (《固定污染源排污許可分類管理名錄(2019年版)》), relevant pollutant discharge licenses shall be applied for and obtained within the time limit. The pollutant discharge units established after the time limit shall apply for and obtain the pollutant discharge licenses before starting production facilities or actual pollutants discharge. On March 23, 2023, the Ministry of Ecology and Environment of the PRC released the Administrative Measures on Pollutant Discharge Licensing (Revised Draft for Comments) (《排污許可管理辦法(修訂徵求意見稿)》), which had a comment period that expired on April 24, 2023. As of the Latest Practicable Date, the Administrative Measures on Pollutant Discharge Licensing (Revised Draft for Comments) had not come into effect. According to the Administrative Measures on Pollutant Discharge Licensing (Revised Draft for Comments), a discharge permit will have a valid term of five years.

In addition, during the production and operation process, an entity shall also comply with the relevant environmental protection laws and regulations in specific areas. These laws include the Law on the Prevention and Control of Water Pollution of the PRC (Amended in 2017) (《中華人民共和國水污染防治法(2017修正)》) which generally stipulates the control of water pollution, the Law on the Prevention and Control of Air Pollution of the PRC (Amended in 2018) 《(中華人民共和國大氣污染防治法(2018修正)》) on the prevention of atmospheric pollution, the Law on the Prevention and Control of Environmental Pollution Caused by Solid Wastes of the PRC (Amended in 2020) 《(中華人民共和國固體廢物污染環境防治法(2020修正)》) which provides that all entities and individuals shall take measures to reduce the output of solid waste, promote the comprehensive utilization of solid waste, and reduce the harmfulness of solid waste.

PRC LAW AND REGULATIONS RELATING TO LABOR

Labor Contracts

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on 5 July 1994 and last amended on 29 December 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

According to the Labor Contract Law (《中華人民共和國勞動合同法》) (the "**PRC Labor Contract Law**"), promulgated by the NPCSC on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) (the "**Implementation Rules of the Labor Contract Law**"), promulgated by the State Council on September 18, 2008, a written employment contract shall be concluded in the establishment of an employment relationship. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee's salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations. In addition, if an employer intends to enforce a non-compete provision in an employment contract or non-competition agreement with an employee, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or expiry of the labor contract. Employers in most cases are also required to provide severance payment to their employees after their employment relationships are terminated.

Employee Benefits

The Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) (the "**PRC Social Insurance Law**") came into effect on July 1, 2011 and was amended on 29 December 2018. Under the PRC Social Insurance Law, social insurance system of PRC includes basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance and maternity insurance to guarantee the rights of citizens to legally obtain material assistance from the state and society in case of old age, illness, work-related injuries, unemployment and childbirth. Also, employers and individuals within the territory of PRC shall pay social insurance premiums in accordance with law, and have the rights to inquire about their premium contribution records and personal benefit records and request social insurance agencies to provide social insurance consultation and other relevant services. Individuals shall enjoy social insurance benefits in accordance with law, and have the right to oversee the premium payments made for them by their employers.

According to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council and became effective on April 3, 1999 and amended respectively on March 24, 2002 and March 24, 2019, enterprises must register with the competent managing center for housing provident funds. Employers are required to contribute, on behalf of their employees, to housing funds. Any Employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

PRC REGULATIONS ON FOREIGN EXCHANGE

The Foreign Exchange Administrative Regulations

Pursuant to the Administrative Regulations of the People's Republic of China on Foreign Exchange (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Administrative Regulations**"), which was promulgated by the State Council on January 29, 1996 and was then amended on January 14, 1997 and August 5, 2008, and came into effect on August 5, 2008, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside the PRC, unless the prior approval by the State Administration of Foreign Exchange (the "**SAFE**") or its local counterparts is obtained.

SAFE Circular 19

The Circular of the SAFE on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital 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**") was promulgated on March 30, 2015, became effective on June 1, 2015, and was amended on December 30, 2019 and on March 23, 2023, respectively. According to this SAFE Circular 19, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account crediting of monetary contribution). And foreign-invested enterprises are temporarily allowed to settle such portion at 100% of their foreign exchange capital on a discretionary basis. Furthermore, SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises.

SAFE Notice 59

According to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "**SAFE Notice 59**"), which was promulgated on November 19, 2012 and amended on May 4, 2015, October 10, 2018 and December 30, 2019, respectively, the verification procedure for reinvestment made by foreign investors with lawful income obtained from domestic profits, equity transfer, capital reduction, liquidation, advance recovery of investment, among others, shall be cancelled, and accounting firms may handle confirmation request formalities for capital verification based on the relevant foreign exchange registration information of the invested enterprises. Also, the foreign exchange administration for the domestic reinvestment of foreign-invested holding companies is simplified.

SAFE Notice 16

The Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《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 Notice 16**") was promulgated and became effective on June 9, 2016. The SAFE Notice 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital, foreign debt and funds recovered from overseas listing) on self-discretionary basis, which applies to all enterprises registered in the PRC.

PRC REGULATIONS ON OFFSHORE INVESTMENT

Pursuant to SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment 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》) (the "**SAFE Circular 75**"), which became effective on 1 November 2005, the domestic residents, including domestic individuals and domestic companies, must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle (the "**Overseas SPV**"), for the purposes of overseas equity financing activities, and to update such registration in the event of any significant changes with respect to that offshore company.

On July 4, 2014, the SAFE promulgated the Notice of the State Administration of Foreign Exchange 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》) the ("**SAFE Circular 37**"), which replaced SAFE Circular 75, for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. Under SAFE Circular 37, a domestic resident must register with the local SAFE branch before he or she contributes assets or equity interests in an Overseas SPV, that is directly established or indirectly controlled by the domestic resident for the purpose of conducting investment or financing. In addition, in the event of any change of basic information of the Overseas SPV such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration procedures for offshore investment. According to the procedural guideline as attached to SAFE Circular 37, the principle of review has been changed to "the domestic individual resident shall only register the Overseas SPV directly established or controlled (first level)."

At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》) with respect to the procedures for SAFE registration under SAFE Circular 37, which became effective on July 4, 2014 as an attachment to SAFE Circular 37. Under the relevant rules, failure to comply with the registration procedures set out in SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who hold any shares in the company from time to time are required to register with the SAFE in connection with their investments in the company.

On February 13, 2015, the SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of 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》), effective from 1 June 2015, which further amended SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than the SAFE or its local branches in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

On October 23, 2019, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**SAFE Circular 28**"), which became effective on the same day. SAFE Circular 28 allows foreign invested enterprises that are not investment companies to use their capital funds to make equity investments in China as long as such investments do not violate the currently effective Negative List and the target investment projects are genuine and in compliance with laws. In addition, SAFE Circular

28 stipulates that qualified enterprises in certain pilot areas may use their cash from registered capital, foreign debt and overseas listing for domestic payments without providing authenticity certifications to the relevant banks in advance of these domestic payments.

PRC LAW AND REGULATIONS ON TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), which came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), which was promulgated on December 6, 2007 and became effective on January 1, 2008 and amended on April 23, 2019 (collectively, the "**EIT Law and the Implementation Rules**"), enterprises are classified as either resident enterprises or non-resident enterprises. The income tax rate for resident enterprises, including both domestic and foreign-invested enterprises, shall typically be 25% commencing from January 1, 2008. An enterprise established outside the PRC with its "de facto management body" located in the PRC is considered as a "resident enterprise" for enterprise income tax purposes. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but the income of which has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside the PRC at the reduced rate of enterprise income tax of 10%.

Value-Added Tax

The Interim Value-Added Tax Regulations of the People's Republic of China (《中華人民共和國增值稅暫行條例》) (the "VAT Regulations") was promulgated by the State Council on December 13, 1993 and then amended respectively on November 10, 2008, February 6, 2016 and November 19, 2017. Under the VAT Regulations, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided with in the PRC. 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 shall be 17%.

On April 4, 2018, the MOF and the State Administration of Taxation (the "**SAT**") issued the Notice on Adjustment of VAT Rates (《關於調整增值稅稅率的通知》), which came into effect on May 1, 2018. According to the abovementioned notice, the taxable goods previously subject to VAT rates of 17% and 11% respectively become subject to lower VAT rates of 16% and 10%, respectively starting from May 1, 2018.

On March 20, 2019, the MOF, the SAT and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) (the "**Announcement 39**"), which came into effect on April 1, 2019, to further slash VAT rates. According to Announcement 39, for general VAT payers' sales activities or imports previously subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

PRC Law and Regulations on Dividend Distribution

Under the PRC Company Law and the Foreign Investment Law, foreign-invested enterprises may not distribute after-tax profits to their shareholder(s) unless they have contributed to all required funds as stipulated by the PRC laws and regulations and have set off their financial losses of previous accounting years.

According to the EIT Law and the Implementation Rules, dividends paid to its foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC Government provide otherwise.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes 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》) signed on August 21, 2006, the 5% withholding tax rate applies to dividends paid by a PRC foreign-invested enterprise to its shareholder as a Hong Kong resident, provided that the recipient is a company that directly holds at least 25% of the capital of such PRC foreign-invested enterprise; the 10% withholding tax rate applies to dividends paid by a PRC foreign-invested enterprise to its shareholder as a Hong Kong resident if the recipient directly holds less than 25% of the capital of such PRC foreign-invested enterprise.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated by SAT and became effective on February 20, 2009, all of the following requirements must be satisfied for a tax resident of the other contracting party to the tax treaty to enjoy the preferential tax rates provided under the tax treaty: (i) the tax resident of the other contracting party who obtains dividends should be limited to a company in accordance with the tax treaty; (ii) the equity and voting interests in the PRC resident enterprise directly owned by the tax resident of the other contracting party must reach a specified percentage; and (iii) the equity interests of the PRC resident enterprise directly owned by the tax resident of the other contracting party, at any time during the 12 months prior to the payment of the dividends, must reach a specified percentage prescribed in the tax treaty.

PRC INTELLECTUAL PROPERTY LAW

Trademarks

The principal legal provisions for the protection of holders of registered trademarks are set out in both the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) (the "**PRC Trademark Law**"), which was promulgated by the NPCSC on August 23, 1982 and amended respectively on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, and the Implementing Regulations of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, amended on April 29, 2014 and with effective on May 1, 2014. The exclusive right to use a registered trademark is limited to the approval of its trademark registered and the goods approved to use the trademark. The registered trademark is valid for ten years from the date of approval of the registration. Pursuant to the PRC Trademark Law, using a trademark that is the same as or similar to a registered trademark on a product that is the same as or similar to the product such registered trademark is registered without the authorization of the registered trademark owner which is likely to cause confusion shall be deemed infringement of the exclusive right of the registered trademark of the trademark owner.

Patent

Patents are protected by the Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated on March 12, 1984 and last amended on October 17, 2020 with effect from 1 June 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) which were promulgated on January 9, 2010 with effect from February 1, 2010, and were amended on December 21, 2023 with effect from January 20, 2024. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds, methods of nuclear transformation or substances obtained by means of nuclear transformation. The Patent Office under the National Intellectual Property Administration is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention, a ten-year term for a utility model and a fifteen-year term for a design. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper licence from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Domain Name

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the China Internet Network Information Center (the "**CNNIC**") is responsible for the daily administration of .cn domain names and Chinese domain names. CNNIC adopts the "first to file" principle with respect to the registration of domain names. In November 2017, the MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based 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》), which became effective on January 1, 2018. Pursuant to the notice, the domain name used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity's shareholders), or the entity's principal or senior manager.

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated on September 7, 1990 and effect from June 1, 1991 and was respectively amended on October 27, 2001, February 26, 2010 and November 11, 2020 and effect from June 1, 2021, specifies that Chinese citizens, legal persons or other organizations whose works including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms have been published or not, shall enjoy the copyright in such works. Copyright holders can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002 and effect from the same day, regulates the registration of software copyright, the exclusive licensing contract and transfer contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) which was promulgated by the State Council on December 20, 2001 and effect from January 1, 2002 and was amended on January 8, 2011 and January 30, 2013.

PRC REGULATIONS ON LEASING

Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》), which was issued on August 26, 2019 and effective on January 1, 2020, a lessor and lessee are required to enter into a written lease contract, containing provisions such as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. The lessor and the lessee are also required to register the lease with the real estate administration department.

Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) was issued by the Ministry of Housing & Urban-Rural Development on December 1, 2010 and took effect on February 1, 2011, according to which the parties to a lease contract must, within 30 days after the execution of the lease contract, carry out lease registration and filing formalities at the construction (real estate) administrative department of the municipality directly under the central government, city or county, where the leased house is located. In the event of a change in the content of leasing registration and filing or renewal of lease or termination of lease, the parties to house leasing shall complete formalities for change in leasing registration and filing, renewal of lease or de-registration with the original departments within 30 days from the change. If anyone fails to complete the house leasing registration and filing formalities on time, the construction (real estate) administrative department will order it to make corrections within a prescribed time limit. Those failing to comply with above leasing registration and filing regulations within the prescribed time limit will be imposed of a fine of not more than 1,000 yuan (for a non-compliant individual) or a fine of more than 1,000 yuan and less than 10,000 yuan (for a non-compliant entity).

PRC REGULATIONS ON OVERSEAS LISTING

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with Law (《關於依法從嚴打擊證券違法活動的意見》), which provide that the administration and supervision of overseas-listed China-based companies will be strengthened.

On February 17, 2023, the CSRC released the Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic Chinese companies that seek to offer and list securities overseas, directly or indirectly, are required to fulfill the filing procedure and report relevant information to the CSRC. The Trial Measures clarify the scope of overseas offerings and listings by Chinese domestic companies which are subject to the filing and reporting requirements thereunder. According to the Trial Measures, (i) Chinese domestic companies that seek to offer or list securities overseas, both directly and indirectly, are required to fulfill the filing procedure and report relevant information to the CSRC; if a Chinese domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such Chinese domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (ii) if the issuer meets both of the following conditions, the overseas offering and listing will be determined as an indirect overseas offering and listing by a Chinese domestic company: (a) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; (b) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in China; and (iii) where a Chinese domestic company seeks to indirectly offer and list securities in an overseas market, the issuer must designate a major PRC domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for listing in an overseas market, the issuer shall submit filings with the CSRC within three working days after such application is submitted.

As advised by our PRC Legal Advisor, the [**REDACTED**] shall be deemed as an indirect overseas [**REDACTED**] and [**REDACTED**] under the Trial Measures. Therefore, we are required to file with the CSRC in accordance with the Trial Measures after our [**REDACTED**] for the [**REDACTED**] is submitted. We will also perform the reporting obligations to the CSRC in the event of occurrence of material events after the [**REDACTED**] as required. For further details, please refer to the section headed "Risk Factors—Risks Relating to Doing Business in China—The approval and/or other requirements of the CSRC or other PRC governmental authorities may be required in connection with the [**REDACTED**] under PRC rules, regulations or policies" in this document.

In addition, in February 2023, the CSRC, the MOF, the National Administration of State Secrets Protection, and the National Archives Administration of China jointly issued the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality Provisions**"), which came into effect in March 2023. The Confidentiality Provisions require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. According to the Confidentiality Provisions, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets or that have an adverse impact on the national security or public interests, the domestic company should complete the relevant approval/filing and other regulatory procedures.

OVERVIEW

Founded in 1981, we have grown to become a leading soft fashion company and the largest fashion footwear company in China based on 2022 retail sales value, according to Frost & Sullivan. Our Company was incorporated as an exempted company in the Cayman Islands with limited liability on December 15, 2021 in anticipation of the [**REDACTED**]. As part of the Reorganization and for the purpose of the [**REDACTED**], our Company became the holding company of our Group.

KEY MILESTONES IN OUR HISTORY AND BUSINESS DEVELOPMENT

The following table illustrates the key milestones in our history and business development:

Year	**Milestone**
1981	We founded Lai Wah Footwear, which was initially engaged in the trading of footwear products.
1991	We commenced the customization and manufacture of footwear products.
1992	We established the business under our brand BELLE in China.
1998	We established our brand STACCATO.
1999	We established the business under our brand TEENMIX in China.
2003	We established our brand TATA.
2005	We began to expand into the footwear retail business in China and entered a period of rapid business growth by establishing our own retail network.
2007	Belle International, which was principally engaged in our business and the sportswear retail business in China, was listed on the Stock Exchange.
2008	We completed the acquisition of the businesses of Mirabell and SENDA.
2013	We established a strategic partnership with Baroque Japan Limited ("**Baroque Japan**"), which was our first step into the women's fashion apparel market.
2014	We completed the acquisition of the brand SKAP.
2017	Belle International was privatized and delisted from the Stock Exchange.
	We acquired a controlling interest in INITIAL's apparel business.

Year	Milestone
2018	We acquired a controlling interest in 73Hours' footwear business.
2019-2021	We were granted rights to distribute Champion's apparel and accessories in China. Subsequently, we were also granted the right to use the Champion trademarks for footwear and accessories products, and commenced the design, development and manufacture of these products under the Champion trademarks.
2023	We completed the acquisition of the brand OGR.
	We acquired a third party's distributorship rights in the PRC and became the de facto sole distributor and licensee of Champion-branded products in the PRC.

OUR HISTORY

Our Early History

Our history can be traced back to the founding of Lai Wah Footwear. Established in 1981 in Hong Kong, Lai Wah Footwear was initially principally engaged in the trading of footwear products. In October 1991, Lai Wah Footwear established a PRC subsidiary which was initially engaged in the customization and manufacture of footwear products, and later expanded into the wholesale sales of footwear products in mainland China.

After having accumulated years of rich experience and deep industry knowledge in the footwear manufacturing business, we began to develop our own brands of footwear products and sell our products in China through distributors. With the easing of foreign investment restrictions in the retail sector in China in late 2004, we decided to expand our business to the footwear products retail business in China. Since then, we have successfully established a nationwide retail network under our direct control and management, implemented a multi-brand strategy to broaden our customer base and built a vertically-integrated business model covering fashion trend research, product planning, design and development, production, merchandise management, direct-to-consumer retail, and building customer insights.

By the end of 2006, we had become the largest retailer of women's footwear in China in terms of retail sales value.

Prior Listing of Belle International

On May 23, 2007, Belle International, which was principally engaged in our business, and to a lesser extent, the sportswear retail business in China, was listed on the Stock Exchange by way of an initial public offering with an offer price of HK$6.20 per share, giving rise to a market capitalization of approximately HK$51.0 billion.

To the best knowledge and belief of our Directors, Belle International complied with the applicable requirements under the Listing Rules in all material respects during the period when it was listed on the Stock Exchange. For further details on Belle International, please refer to the section headed "Relationship with our Controlling Shareholders" in this document.

Major Developments after the Listing of Belle International

Since the listing of Belle International, while maintaining steady business growth, we completed the acquisition of the businesses of Mirabell and SENDA in 2008, and completed the acquisition of the brand SKAP in 2014. Through a series of brand acquisitions and the addition of our own brands, we had improved our brand strategies in the mid-end and mid to high-end footwear markets, as well as further refined our brand portfolio.

In 2013, we established two joint ventures in China with Baroque Japan, which are principally engaged in the retail and distribution business of Baroque Japan's women's apparel in the Chinese market. Through such partnership, we took our first step towards actively engaging in the field of women's fashion apparel. Baroque Japan has well-established product development and brand marketing capabilities in the field of fashion apparel, while we have strong channel development and retail management execution capabilities in the Chinese market. The synergies generated by the partnership have contributed to a significant increase in the scale, profitability and operational efficiency of the abovementioned joint ventures.

Background and Key Considerations for the Privatization

During the approximately 10-year period when its shares were listed on the Main Board of the Stock Exchange, Belle International's principal businesses included our business and the sportswear retail business. From 2014 until the Privatization, our Group's footwear business, the main source of Belle International's operating profit, experienced a material deterioration in performance. The weakened performance of our Group's footwear business resulted in a continuous decline in Belle International's overall financial performance.

Faced with such a challenging operating environment, Belle International planned to proceed with a fundamental transformation of its entire business, including that of our Group. This fundamental transformation required Belle International, in particular our Group's footwear business, to pursue a number of transformative and innovative initiatives. It was concluded that it would be difficult to effectively implement this transformation and there could be additional risks if Belle International continued to be a publicly listed company, which by its nature, could be subject to short-term distraction and pressure from the volatile public equities market.

Against such backdrop, Belle International was taken private by a consortium comprising Hillhouse HHBH and its affiliate, WMVL and SCBL, through Muse B as the offeror on July 25, 2017. The Privatization was implemented by way of a scheme of arrangement under the applicable companies law of the Cayman Islands. At the court meeting and the extraordinary general meeting (the "**Meetings**") of Belle International convened on July 17, 2017, the relevant resolutions approving the scheme of arrangement were passed by approximately 99% of the votes that were cast at the Meetings. On July 27, 2017, the listing of the shares of Belle International on the Stock Exchange was withdrawn.

Funding of the Privatization

The cash requirement of the Privatization of approximately HK$45.3 billion was financed through an equity investment by, among others, SCBL and Hillhouse HHBH, and debt financing, which has been fully repaid.

Business Improvement Initiatives Subsequent to the Privatization

After the Privatization, we formulated and subsequently launched and implemented a series of initiatives tailored to our footwear business to optimize our operations and enhance productivity, primarily including: (i) shifting from a retail-focused to a brand-focused organizational structure, which we believe leads to product innovation and more sustainable growth of our business in the longer term. For example, we simplified the reporting hierarchy of our sales team from five levels to a three-level structure and largely transferred decision-making authority on retail pricing from our sales regions to our centralized brand management teams; (ii) optimizing our brand portfolio by repositioning certain brands in order to achieve maximum differentiation among our brands, which in turn allows us to capture diverse demands from a broader customer base. For instance, we successfully repositioned TATA and BASTO, two brands with similar market positioning previously, which led to these two brands improving from 13th and 32nd best-selling women's fashion footwear brands during the Singles' Day shopping festival in 2017 to 5th and 7th, respectively, in 2023, on Tmall based on sales value; (iii) devoting significant resources to online penetration, with a focus both on e-commerce platforms such as "Tmall", "JD.com" and "VIP.com", as well as social media platforms such as Douyin, resulting in our revenue contribution from online sales channels increasing significantly from below 7% for the year ended February 28, 2017 to 23.6%, 27.1% and 27.7% for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively; (iv) while maintaining our cooperation with department store partners in key locations, optimizing our offline store network by strategically and significantly reducing low-performing department store locations and increasing our presence in shopping malls, resulting in (a) the number of our total footwear stores decreasing from 13,062 as of February 28, 2017 to 7,444 as of November 30, 2023, and (b) footwear revenue contribution from department stores decreasing from over 70% for the year ended February 28, 2017 to below 40% for the nine months ended November 30, 2023; (v) accelerating digital transformation along our vertically integrated value chain, resulting in our industry-leading "order, replenish and redesign" merchandise model according to Frost & Sullivan and other competitive strengths, which in turn led to an improvement in inventory turnover days for our footwear segment; and (vi) exploring various smart manufacturing and mass customization initiatives. As a result of these business improvement initiatives, our financial performance improved, as evidenced by footwear segment revenue increasing prior to the Track Record Period and recovering quickly after COVID-19 impact for the nine months ended November 30, 2023, as compared to a year-on-year decline in footwear segment revenue of 10% for the year ended February 28, 2017 before the Privatization.

Our transformation has also benefited from the experience and resources of the members of the consortium formed to privatize Belle International. The consortium members' experience, business connections and resources in the fields of new retail and technology have provided us with strong support for attracting talent and establishing strategic partnerships.

Reasons for Seeking the [REDACTED] on the [REDACTED]

Our Directors consider that we are ready to re-enter the capital markets by seeking a [**REDACTED**] on the [**REDACTED**], which will support our business development strategies and will be beneficial to us and our Shareholders as a whole.

Our key considerations for seeking a [**REDACTED**] on the [**REDACTED**] are as follows:

- as described in the section headed "—Business Improvement Initiatives Subsequent to the Privatization" above, we have achieved the initial goals of our transformation, which has resulted in our business recovering from the decline at the time of the Privatization to growth and we have laid the foundation for continued future growth;

- technology initiatives require continued investment. The [**REDACTED**] will provide us with direct and independent access to the capital markets, when needed. Please refer to the section headed "Future Plans and [**REDACTED**]" in this document for details;

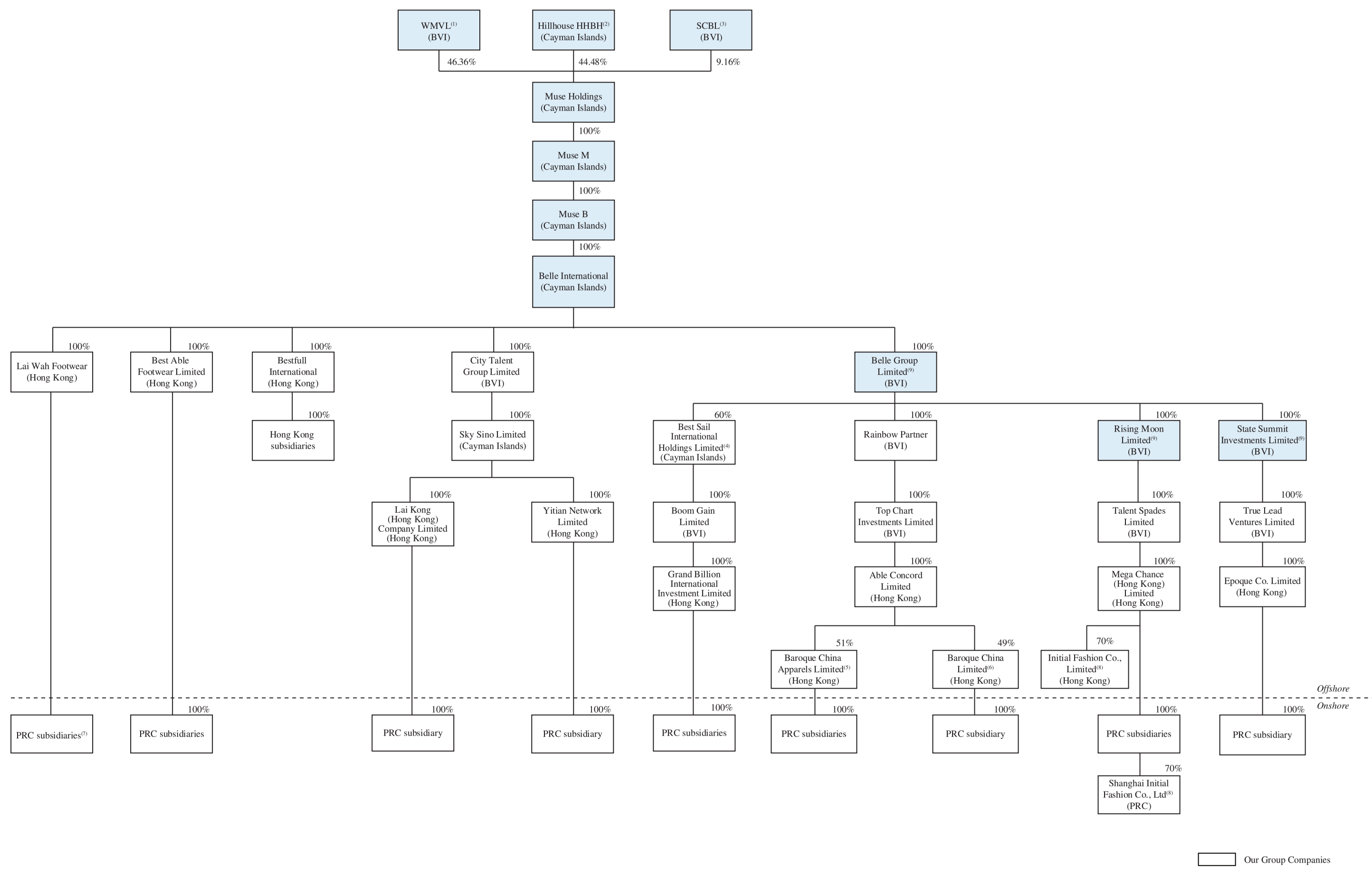
- being a [**REDACTED**] company will further raise our profile, which will enhance our ability to attract more talent (especially high-calibre talent for our various technology initiatives), business partners (including brand companies) and potential strategic [**REDACTED**]; and

- the share price performance of our Company will serve as a benchmark for our Shareholders and the [**REDACTED**] to independently evaluate our performance.

REORGANIZATION

During the Track Record Period and immediately prior to the Reorganization, our businesses and assets were primarily held by Lai Wah Footwear, Best Able Footwear Limited, Bestfull International, City Talent Group Limited and Belle Group Limited, all of which were held by Belle International, and certain of their respective subsidiaries.

Set forth below is the simplified corporate structure of our Group before the Reorganization.



Notes:

1-7. See notes 1-7 on page 124.

8. The remaining 30% interests in Initial Fashion Co., Limited and Shanghai Initial Fashion Co., Ltd. (上海依迪索時裝有限公司) were held, directly or indirectly, by Fong Tsz Fung, an Independent Third Party. We subsequently acquired the remaining 30% interests in these two companies in 2023, which became wholly-owned subsidiaries of our Group.

9. Upon completion of the Reorganization, Belle Group Limited, Rising Moon Limited and State Summit Investments Limited did not form part of our Group. To the best of our knowledge, each of these entities did not have any material regulatory non-compliance during the Track Record Period.

For the purpose of the [**REDACTED**] and consolidating our businesses, our Group carried out the Reorganization, which included the following major steps:

Incorporation of the Offshore Companies of our Group

Our Company

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability on December 15, 2021. Upon incorporation, one ordinary share with a par value of US$1 was allotted and issued as fully paid to the initial subscriber, which was subsequently transferred to Belle International on the same day. On January 28, 2022, our Company allotted and issued one share with a par value of US$1 to Belle International.

On January 29, 2022, Belle International transferred all of the issued shares of our Company to its directly wholly-owned subsidiary, Belle Brands. Following this, our Company became a direct wholly-owned subsidiary of Belle Brands.

Belle Style

Belle Style was incorporated as a BVI business company in the BVI on December 3, 2021. Belle Style allotted and issued as fully paid one share to Belle International upon incorporation, and allotted and issued eight additional shares to Belle International on January 27, 2022.

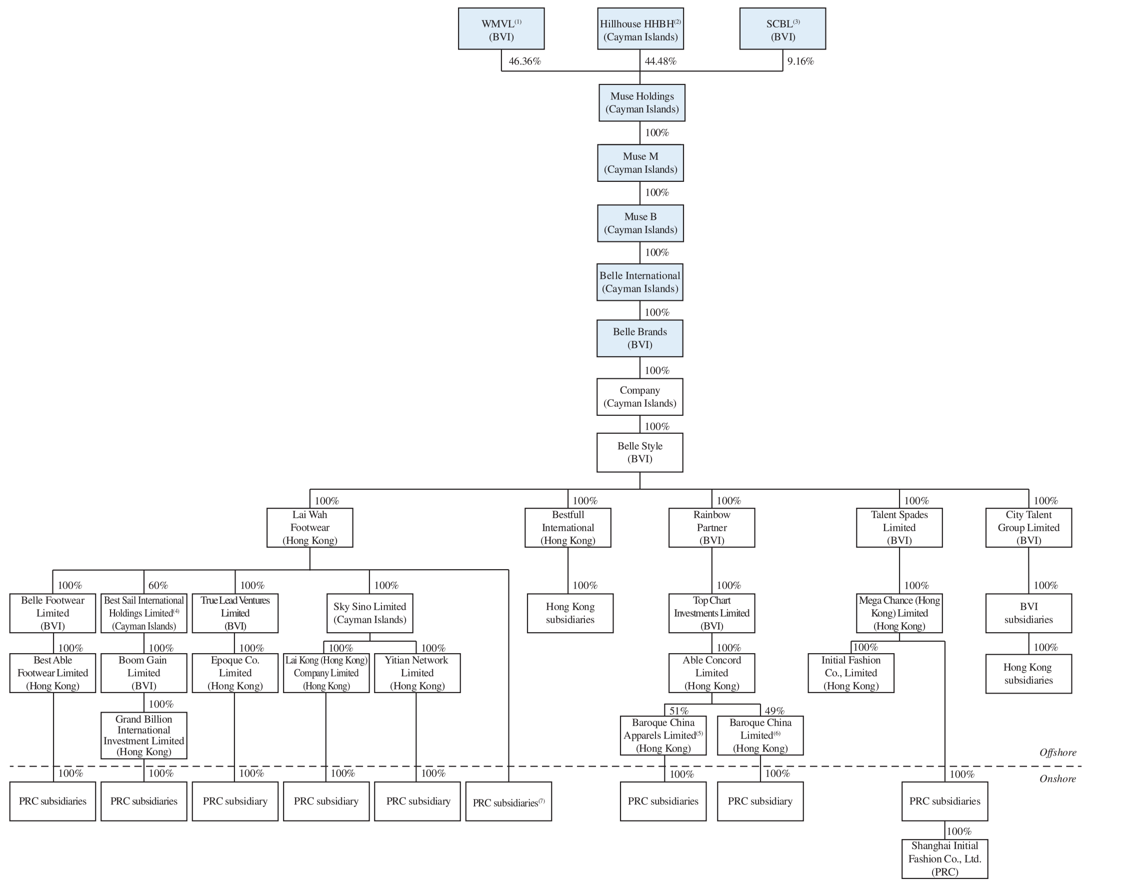
On January 28, 2022, Belle International transferred all of the issued shares of Belle Style to our Company, and Belle Style became a direct wholly-owned subsidiary of our Company.

Formation of our Group

During the period from December 2021 to February 2022, a series of share swaps were completed such that (i) all the issued shares of Lai Wah Footwear, Bestfull International, City Talent Group Limited, Rainbow Partner and Talent Spades Limited were transferred to Belle Style; (ii) all the issued shares of Sky Sino Limited and True Lead Ventures Limited and all the issued shares held by Belle Group Limited in Best Sail International Holdings Limited were transferred to Lai Wah Footwear; and (iii) all the issued shares of Best Able Footwear Limited were transferred to Belle Footwear Limited, a subsidiary of Lai Wah Footwear.

Upon completion of the Reorganization, our business and assets were held by Lai Wah Footwear, Bestfull International, Rainbow Partner, Talent Spades Limited, City Talent Group Limited and their respective subsidiaries.

Set forth below is the simplified corporate structure of our Group after the Reorganization and as of the Latest Practicable Date:



Notes:

1-7. See notes 1-7 on page 124.

PRINCIPAL OPERATING SUBSIDIARIES

Details of the principal subsidiaries of our Group which, among other things, made a material contribution to our results of operations during the Track Record Period are set out in the section headed "II Notes to the Historical Financial Information—2 Reorganization and Basis of Presentation—2.1 Reorganization" in the Accountant's Report in Appendix I to this document.

THE CAPITALIZATION ISSUE

On February 29, 2024, the authorized share capital of our Company was increased by HK$20,000 divided into 20,000,000,000 Shares of a par value of HK$0.000001 each. Immediately following such increase in authorized share capital, our Company issued a total of 5,271,038,024 Shares credited as fully paid at par value to its sole Shareholder, Belle Brands, by way of capitalization of the sum of HK$5,271.038024 standing to the credit of the share premium account of our Company (the "**Capitalization Issue**").

DISTRIBUTION OF SHARES

As of the Latest Practicable Date, WMVL, Hillhouse HHBH and SCBL are shareholders of Muse Holdings, which indirectly holds all of the issued Shares of our Company. For details, please see the structure chart set out in "—Reorganization—Formation of our Group" of this section.

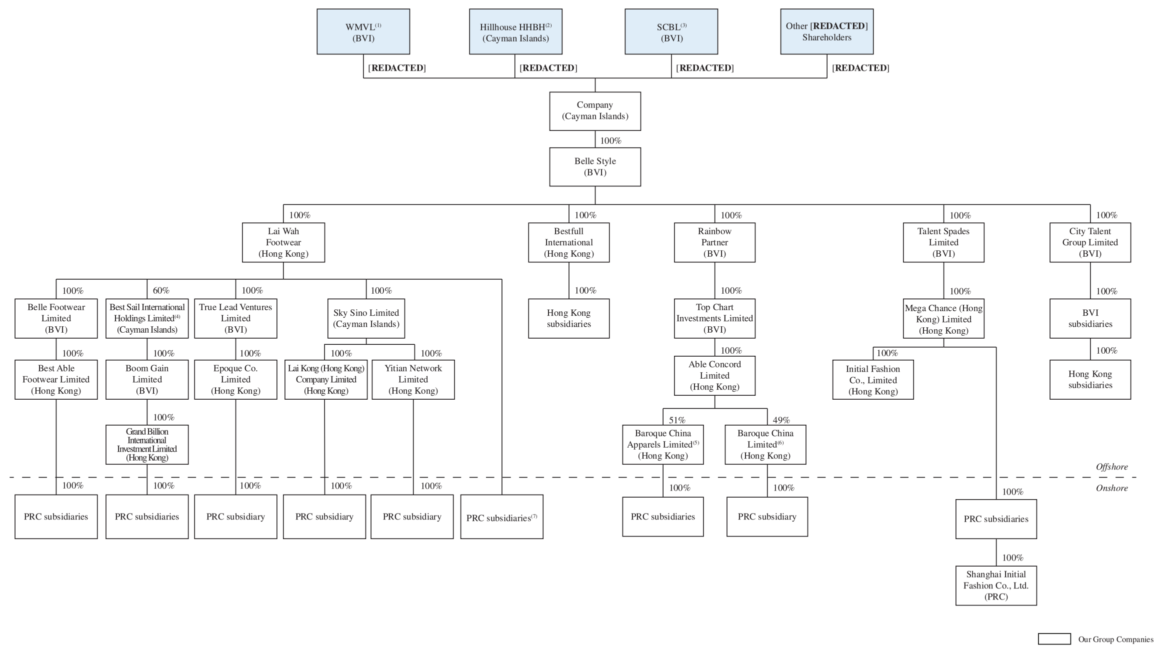
Immediately after the [**REDACTED**] becomes unconditional, to simplify our Company's shareholding structure, Muse Holdings will distribute all of the Shares that it indirectly holds (the "**Distribution Shares**") to WMVL, Hillhouse HHBH and SCBL in proportion to their respective shareholding interest (the "**Distribution**"). As a result, immediately upon completion of the [**REDACTED**] (excluding the [**REDACTED**]), WMVL, Hillhouse HHBH and SCBL will each hold [**REDACTED**] Shares, [**REDACTED**] Shares and [**REDACTED**] Shares, representing (i) approximately 46.36%, 44.48% and 9.16% of the Distribution Shares; and (ii) approximately [**REDACTED**], [**REDACTED**] and [**REDACTED**] of the total issued Shares, respectively.

Given that the purpose of the Distribution is to simplify our Company's shareholding structure, it does not involve any change in the ultimate beneficial ownership or control of our Company. WMVL and the Hillhouse Entities will continue to be Controlling Shareholders of our Company following the Distribution.

Our Company has applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of Rule 9.09(b) of the Listing Rules in respect of the Distribution. For details, please see the section headed "Waivers from Strict Compliance with the Listing Rules—Rule 9.09(b) of the Listing Rules" in this document.

CORPORATE STRUCTURE

The simplified corporate structure of our Group immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) is as follows:



Notes:

1. WMVL is a company incorporated in the BVI. The ultimate beneficial owners of WMVL comprise a number of Directors and current and former senior management members of the Belle International Group and its affiliates (together, the "**Management Shareholders**"), whose shareholding interests in WMVL are diverse. Among the Management Shareholders, in respect of matters relating to our Group, each of Mr. Sheng Fang (a Director) and Mr. Yu Wu (a Director) is entitled to control not less than 10% of the voting power at the relevant shareholders' meetings of WMVL. None of the Management Shareholders is entitled to individually control, directly or indirectly, 30% or more of the voting power at any general meeting of WMVL. Shares held by WMVL are not counted towards the [**REDACTED**] for the purpose of the Listing Rules.

2. Hillhouse HHBH is an exempted company incorporated under the laws of the Cayman Islands with limited liability. Hillhouse HHBH is an indirect subsidiary of Hillhouse LP, which is in turn managed and controlled by Hillhouse Investment. Please see the section headed "Relationship with our Controlling Shareholders" for further information on Hillhouse Investment. Shares held by Hillhouse HHBH are not counted towards the [**REDACTED**] for the purpose of the Listing Rules.

3. SCBL is a company incorporated in the BVI with limited liability which is directly wholly owned by Alpha Mavericks Limited, indirectly non-wholly owned by CDH Fund V, L.P., and ultimately controlled by CDH V Holdings Company Limited ("**CDH V**") in its capacity as the fund's general partner. CDH V is ultimately controlled by Mr. Wu Shangzhi (as to 26.56%), the chairman of CDH Investments, and other minority shareholders. Established in 2002, CDH Investments is one of the leading alternative investment fund managers focused on China. SCBL is principally engaged in investment holding and Shares held by it are counted towards the [**REDACTED**] for the purpose of the Listing Rules.

4. The issued shares of Best Sail International Holdings Limited, other than that held by our Group, is held as to 18% by Sino Century Trading Limited, as to 18% by Billion Best Group Limited and as to 4% by Praise Apex Limited, each of which is an not a connected person of our Company.

5. The issued shares of Baroque China Apparels Limited, other than that held by our Group, is held as to 49% by Baroque HK Limited, which is a subsidiary of Baroque Japan and is not a connected person of our Company.

6. Baroque China Limited is an associated company of our Group.

7. Save for Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司) ("**Shanghai Yueze**"), such subsidiaries are wholly-owned by Lai Wah Footwear. The equity interest in Shanghai Yueze, other than that held by our Group, is held as to approximately 21%, 7%, 5% and 2% by Zhao Ruohong (趙若虹), Gongqingcheng Yueze Investment Management Partnership (Limited Partnership) (共青城越澤投資管理合夥企業(有限合夥)), Anjihan Industrial Enterprise Management Consulting Partnership (Limited Partnership) (安吉漢實業企業管理諮詢合夥企業 (有限合夥)) and Vertex Ventures China III, L.P. respectively, each of which is not a connected person of our Company.

PRC LEGAL COMPLIANCE

SAFE Registration in the PRC

According to the SAFE Circular 37 promulgated by the SAFE on July 4, 2014 and with effect from the same date, which replaced the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Resident's Corporate Financing and Roundtrip Investment Through Offshore 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》) (the "**SAFE Circular 75**"), a domestic resident shall conduct foreign exchange registration for offshore investment with the SAFE before the domestic resident contributes its legally owned onshore or offshore assets or equity into a special purpose vehicle, and modify corresponding registration information accordingly when any change of stipulated circumstances occurs. Failure to comply with relevant regulations on foreign exchange registration could result in punishment and subject the PRC subsidiaries of such special purpose vehicle to restrictions on foreign exchange activities, including but not limited to restriction on distribution of dividends to offshore parent company.

Our PRC legal advisor, JunHe LLP, has advised us that those shareholders holding the interests of WMVL indirectly and subject to the requirement on domestic resident about foreign exchange registration of offshore investments have completed such registration in accordance with SAFE Circular 75 in force then or SAFE Circular 37 in force now, respectively. Each of the other shareholders holding the interests of WMVL indirectly is not a PRC domestic resident and is therefore not subject to SAFE Circular 37.

M&A Rules

MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the State Administration for Industry & Commerce, the China Securities Regulatory Commission, and the SAFE jointly promulgated the Rules on the 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**") on August 8, 2006, which came into effect on September 8, 2006 and amended by MOFCOM on June 22, 2009. Under the M&A Rules, (i) if any domestic company, enterprise or natural person merges or acquires its affiliated domestic companies in the name of the companies in foreign countries legally established or controlled by the aforesaid domestic companies, enterprises or natural persons, it shall be subject to the approval of MOFCOM, (ii) any overseas listing transactions of special purpose vehicles shall be approved by the Securities Regulatory Administration of the State Council, while special purpose vehicles refer to overseas companies controlled directly or indirectly by PRC domestic companies or natural persons for the purpose of realizing an overseas listing of the interest in PRC domestic companies that is actually owned by them.

Our PRC legal advisor, JunHe LLP, have advised us that (i) the entities involved in the Reorganization are all overseas companies and do not involve changes in the equity of PRC domestic companies, and (ii) the Reorganization does not involve related mergers or acquisitions or overseas listing transactions of special purpose vehicles, which does not require the approval from the China Securities Regulatory Commission, MOFCOM or any other PRC government department.

OVERVIEW

We are a leading soft fashion company and the largest fashion footwear company in China based on 2022 retail sales value, according to Frost & Sullivan. We operate a diversified portfolio of 19 core self-owned brands and partner brands (including licensed brands and distributed brands), with product categories encompassing footwear, apparel and accessories for women, men and kids. According to Frost & Sullivan, based on 2022 retail sales value, we ranked No. 1 with a 12.3% market share in China's fashion footwear market, compared to the second place company with a 9.1% market share. During each of the Singles' Day and "June 18" shopping festivals during the Track Record Period, our brands consistently made up at least five out of the top ten best-selling women's fashion footwear brands on Tmall based on sales value. Over the decades, we have operated and refined each stage of the full value chain of our footwear business, including fashion trend research, product planning, design and development, merchandise management, production, direct-to-consumer retail, and building customer insights, and built an industry-leading vertically integrated business model according to Frost & Sullivan. We have also expanded into the apparel business, which consists of partner brands and our own brands. We are committed to building the most vibrant brand growth platform for fashion brands across different product categories and catering to the broadest base of consumers in China.

Founded in 1981 in Hong Kong as a footwear trading business, we expanded our fashion footwear business to mainland China in 1992. Today, our brands collectively cover a wide range of price points and styles, target different consumer groups, and cater to a variety of occasions and functions to meet the diverse fashion needs of consumers. Our brands cover styles spanning trendy, functional, athleisure, and lifestyle. Each of our brands has its clear and differentiated positioning and design concepts, together elevating the brand influence at our group level.

We have established a consumer-centric, vertically-integrated business model across the full value chain. This business model allows us to deliver fashion products based on consumer insights that we generate from continuous, direct and personal interactions with our customers. We detect, predict and adapt to consumers' rapidly changing preferences and emerging trends to better meet their demands. Through our omni-channel retail network, we deliver a consistent brand image and seamless customer experience, regardless of customers' preferred shopping venue. We have adopted digital business processes, which results in increased speed of response and efficiency of operations.

We adhere to a direct-to-consumer retail model with our nationwide directly-operated retail network as our core sales and customer-engagement channel. As of November 30, 2023, our offline retail network consisted of 8,361 directly-operated stores across China and was the largest directly-operated fashion footwear and apparel retail network in China, according to Frost & Sullivan. Each of our store personnel is a valuable point of contact to our customers, delivering our carefully curated brand image, generating product sales, and collecting consumer feedback. In recent years, we have also devoted significant resources to online channels and online-to-offline integration, which has become an important complement to our offline network and a key growth driver. Revenue contribution from our online channels increased significantly from less than 7% for the year ended February 28, 2017 to approximately 28% for the nine months ended November 30, 2023. We continuously adjust and integrate our online and offline channels to enrich our interactions with consumers and provide them with an omni-channel shopping experience.

Our revenue decreased by 18.3% from RMB23.5 billion for the year ended February 28, 2022 to RMB19.2 billion for the year ended February 28, 2023, and our net profit decreased by 54.0% from RMB2.7 billion for the year ended February 28, 2022 to RMB1.3 billion for the year ended February 28, 2023. These decreases were primarily due to the COVID-19 pandemic's impact on our business operations. Since early 2023, sales have been recovering for both our online and offline channels as the pandemic situation has improved. We have also taken additional measures to optimize our expenses and enhance our profitability. As a result, our revenue increased by 12.8% from RMB14.3 billion for the nine months ended November 30, 2022 to RMB16.1 billion for the same period of 2023, and our net profit increased by 92.7% from RMB1.1 billion for the nine months ended November 30, 2022 to RMB2.1 billion for the same period of 2023. Importantly, our net profit margin reached 12.8% for the nine months ended November 30, 2023, which was the highest level during the Track Record Period.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths have been key contributors to our success and will continue to support our business growth:

Leading soft fashion company and the largest fashion footwear company in China

Founded in 1981 in Hong Kong as a footwear trading business, we expanded our fashion footwear business to the PRC in 1992, making us one of the first in China's fashion footwear industry to do so according to Frost & Sullivan. According to the same source, we are a leading soft fashion company and the largest fashion footwear company in China in terms of 2022 retail sales value. As of November 30, 2023, our offline retail network consisted of 8,361 directly-operated stores and was the largest directly-operated fashion footwear and apparel retail network in China, according to the same source.

China has the world's second-largest fashion footwear market, which reached RMB168.5 billion in terms of retail sales value in 2022. We have maintained the No. 1 position in this market for over a decade and had a 12.3% market share in 2022 by retail sales value, much higher than that of the second place company, according to Frost & Sullivan. In addition, from 2018 to 2022, we gained the largest market share in terms of retail sales value among the top ten China-based fashion footwear groups, according to Frost & Sullivan, demonstrating the vitality of our brand portfolio.

Diversified portfolio with differentiated fashion brands enabled by our brand growth platform, catering to a broad base of consumers

We have curated a diversified portfolio of 19 core brands, including some of China's best-selling fashion footwear brands and fast-growing fashion apparel brands based on sales value. These brands collectively cover a wide range of price points and styles, target different consumer groups, and cater to a variety of occasions and functions to meet the diverse fashion needs of consumers.

Our footwear brands cover all our major fashion styles including trendy, functional, athleisure, and lifestyle. Our apparel brands focus on athleisure and lifestyle products, including Champion, an athleisure brand that is popular among young consumers; and MOUSSY and SLY, lifestyle brands that promote mix-and-match fashion. In addition, we have launched kids products under five of our own brands and partner brands, to capture the rapid growth in the kids fashion market.

We continually identify and capture new fashion trends by expanding our brand portfolio through licensing and acquisitions. Leveraging our vertically integrated business model and industry leadership, we empower new brands and accelerate their growth through our brand growth platform. For example:

- We formed a strategic partnership with Champion, first through a distribution agreement in 2019 to retail its apparel and accessories in the PRC, which leveraged our deep insights on Chinese consumers and our nationwide offline and online sales channels. We later expanded the relationship with a licensing agreement to design, manufacture and retail Champion's footwear and accessories in the PRC, which leverages our product development and supply chain capabilities. In December 2023, we acquired a third party's distributorship rights in the PRC and became the de facto sole distributor and licensee of Champion-branded products in the PRC, further deepening our footprint in the athleisure style. Our revenue for the Champion brand exceeded RMB1 billion for the year of 2021 and continued to grow during the Track Record Period. In particular, footwear and accessories' contribution to our Champion brand's revenue increased during the Track Record Period and exceeded 30% in recent months, further demonstrating our research and development, design and supply chain capabilities.

- We added a high-end women's footwear label 73Hours to our brand portfolio in 2018 through an acquisition. Since the acquisition, we have been empowering 73Hours' brand operations. For the nine months ended November 30, 2023, 73Hours' revenue grew at a CAGR of over 30% from the same period of 2018 and year-over-year by close to 60% compared to the same period of 2022. In addition, during the 2023 Singles' Day shopping festival, 73Hours' online sales value in China almost doubled that of the prior year. 73Hours also achieved rapid growth in profitability during the Track Record Period.

- We further enriched our brand portfolio and expanded our style coverage in January 2023 by acquiring OGR, an emerging lifestyle footwear brand focusing on sneakers with chunky soles and futuristic designs. We are gradually building the brand's potential by providing OGR with a broad range of resources and support, particularly cultivating its original designs, enhancing its channel presence and strengthening its marketing efforts. During the 2023 Singles' Day shopping festival, OGR's online sales value in China grew by approximately 380% compared to that of 2022. Within a year of the acquisition, our retail sales value of this brand for the second half of the year 2023 was around six times that for the first half of the year 2023.

We constantly monitor the latest market trends and stay abreast of popular fashion styles, thereby dynamically adjusting our brand and product offerings and maintaining the vitality of our brand portfolio.

Powerful consumer-centric and vertically-integrated business model, able to predict and swiftly respond to consumer preferences

We have established a vertically-integrated business model by operating the entire value chain: from fashion trend research and product planning, design and development to production, merchandise management, direct-to-consumer retail, and building customer insights. Such vertical integration enables us to detect and capture fashion trends, predict and respond to consumers' constantly changing preferences through efficient product designs, targeted marketing and prompt product iterations. These capabilities are a core strength of ours and enable us to continuously capture market share in the fast-changing world of fashion.

Thanks to our direct-to-consumer retail model, agile supply chain, and lean manufacturing, we benefit from instant feedback on the latest fashion trends, allowing us to adjust our product planning, design and development, production and sales strategies, both before and during each season. For some brands and products, we have front-loaded design iteration at the product development stage based on feedback from product testing with celebrities, KOLs and consumers prior to the product launch, to maximize the popularity of our products when launched. As a result, not only are we able to launch products which are more likely to be popular with consumers at the start of a season, we can also continue to refine product design and production throughout the season based on actual demand, to deliver more precisely targeted and therefore popular products. During the Tmall Singles' Day shopping festivals in 2021, 2022 and 2023, we had ten, seven and ten successful products, respectively, that recorded single-product sales of over RMB10 million, among our generally 100 to 200 products every sales season for each brand.

We operate a unique three-step "order, replenish and redesign" merchandise model. Taking our BELLE brand as an example:

- Pre-season order: To launch a new season, we initially only order approximately 40% of the season's estimated sales volume for a typical season. Such an initial inventory level allows us to have sufficient products for the season launch while leaving ample room for subsequent product adjustments based on real-time in-season demand, resulting in minimum risk of obsolete inventory.

- In-season replenish: Leveraging our digitalized operations, in-house lean manufacturing capabilities and seamless cooperation with our manufacturing partners, we place orders for additional popular products, which can reach our stores in as fast as 15 days after order placement, thereby ensuring adequate store-level supply without excessive inventory. In a typical season, approximately 30% of our total BELLE product sales are made from replenished inventory.

- In-season redesign: We keep monitoring consumers' feedback and create new designs, which are either variations of our existing popular designs or designs based on newly emerged fashion trends, and ship such products during the season in as fast as 25 days from the start of design to such products arriving in our stores. In a typical season, approximately 30% of our total BELLE product sales are from new in-season designs.

Leveraging our "order, replenish and redesign" model, we are able to swiftly respond to changes in consumer preferences. In addition, for certain of our brands and product lines, we have started to front-load design iterations and incorporate consumer feedback early on into our product planning, design and development, and marketing process, which helps us preempt consumer preferences more precisely and ensure the success of our products when launched. Taking our OGR and 73Hours as examples:

- We initially curate a selection of products based on these brands' images, fashion trends and consumer footprints on social media platforms. We then test launch these products with celebrities and KOLs, who may be instrumental to setting the consumption trend for the season.

- Once we collect feedback from the celebrities and KOLs, we iterate designs and narrow down our key products for the season. In the meantime, we create and enhance our overall marketing plans based on this feedback to support the mass launch and sales of the key products.

- Once the products are launched, we continuously monitor consumer feedback and sales data to replenish inventories. These products generally do not require material post-launch redesigns. However, we sometimes adjust the product offerings to cater to a wider range of consumers, such as by adding more colors or fine-tuning certain design elements.

In this approach, our products which undergo extensive testing amongst different types of consumers and substantial design iterations are generally set up for a successful launch and very likely to become best-sellers, thus minimizing our inventory risks and maximizing the sell-through of the products.

Our business model is a core competitive advantage that safeguards our industry-leading position. It allows us to strengthen our existing brands and accelerate the growth of new brands, enabling us to predict and quickly respond to consumer preferences, and forms the foundation of our brand growth platform.

Extensive nationwide store network and omni-channel capabilities, improving consumer experience and capturing fashion insights

We have long maintained a direct-to-consumer retail model, which gives us unmatched proximity to a large number of consumers. Combining an extensive network of nationwide offline stores with significant and increasing presence on China's major e-commerce and social media platforms, we have built an omni-channel retail network that provides superior consumer experience and captures real-time fashion trends.

As of November 30, 2023, we had 8,361 directly-operated stores and tens of thousands of store personnel in China, covering 330 cities spanning 31 provinces as well as Hong Kong and Macau. According to Frost & Sullivan, we have China's largest directly-operated fashion footwear and apparel retail network. We have been optimizing our channel mix by focusing on increasing the proportion of shopping mall stores in response to the migration of consumer traffic and consumption trends in China in recent years. For example, the contribution of our department store channel to our footwear revenue decreased from over 70% for the year ended February 28, 2017 to below 40% for the nine months ended November 30, 2023.

In addition to being a powerful sales channel, our extensive offline store network and store personnel act as our frontline touch points with a large base of consumers across China, constantly providing us with real-time intelligence on consumer preferences and changes in fashion trends. Aided by a variety of tools, our store personnel provide a decentralized yet effective form of customer engagement. Through face-to-face interactions inside our stores and personalized engagement outside of them, our store personnel increase our customer loyalty and brand recognition.

We have devoted significant resources in recent years to strengthen our online capabilities and have now established broad presence on China's major e-commerce platforms including Tmall, JD.com and VIP.com as well as social media platforms such as Douyin and Xiaohongshu. Revenue contribution from our online channels increased significantly from less than 7% for the year ended February 28, 2017 to approximately 28% for the nine months ended November 30, 2023. According to Frost & Sullivan, we ranked No. 1 among all companies in China in terms of aggregate online fashion footwear retail sales value in 2022.

Beyond traditional e-commerce platforms, we have made significant investments in emerging channels such as livestreaming. We started livestreaming in 2018 and were one of the first soft fashion companies in China to conduct self-livestreaming sales, according to Frost & Sullivan. As of November 30, 2023, we had collaborated with over 120 KOLs and, more importantly, established our own dedicated livestreaming team of approximately 275 personnel to facilitate our self-livestreaming sales. Relying on the dual drivers of KOL livestreaming and our self-livestreaming, along with a series of innovative initiatives, livestreaming sales accounted for approximately 27% of our online sales for the nine months ended November 30, 2023.

We have achieved a high level of integration between our online and offline channels, with a majority of our products sold at similar prices regardless of the channel. In addition, we are able to fulfill online and offline orders from the same pool of inventory, including the ability to fulfill e-commerce orders directly from our offline stores, which requires both system integration as well as proper incentive structures for store personnel. As a result, instead of having to prepare dedicated inventory for online shopping festivals such as Tmall Singles' Day, which may result in significant inventory build-up and therefore risk, we can fulfill a portion of the orders from our offline stores, thereby meeting peak season demand without significant inventory risk while optimizing delivery time and costs.

Our digital and technology capabilities

The ability to detect and predict the latest fashion trend, incorporate it in product designs, and deliver such products to consumers quickly is critical for success in the fast changing world of fashion. In order to maximize our operational efficiency, we have adopted digital technologies across each step of our full value chain:

– *Product design*: While product designs depend on the ingenuity of our over 800 creative team members, we have developed various digital tools to support their creative process. Our proprietary footwear development platform has databases of shoe lasts, styles, materials, processes and categories, which allow our designers to go from idea to design in the shortest possible time. Using custom-made 3D foot scanners in our stores, we have collected foot dimension data from millions of anonymous or de-identified Chinese consumers, which allows us to design products not only of beauty but also of comfort. Our design and visualization tools, together with the use of 3D printing technology, allows prototypes to be built quickly, which further shortens the time to production. Our CRM system and analytics tools help us collect valuable consumer feedback on our new products, which enables us to timely iterate our product designs and determine the best-selling products' inventory replenishment and their targeted marketing strategies.

– *Merchandise management*: We self-developed a data visualization system to monitor the full lifecycle of the merchandise, which centralizes data from merchandise purchase to sell-through, inventory reallocation and inventory management. In addition, our manufacturing partners are connected to our supply chain management system so that we can monitor their production progress and product quality and more efficiently manage our order replenishment.

– *Production*: We have accumulated process know-how over decades, which allows us to increase the quality of our products and the efficiency of production. In recent years, we have also implemented various digitalization initiatives in our manufacturing processes. For example, rather than relying on manual skills, our proprietary leather inspection technology processes each piece of leather in less than one minute, which saves more than 95% of the time needed for manual inspection and reduces waste of materials by automatically determining optimized cutting. More recently, by utilizing surface modeling techniques and developing our production lines with three-dimensional visualization and robotics technologies, our production lines have been able to model all required sizes for a single footwear product within a short period of time. As of November 30, 2023, we had obtained 144 manufacturing-related patents.

– *DTC retail*: To empower our frontline store personnel and regional sales managers, we have developed a digital tool, which allows comprehensive tracking and visualization of real-time sales and inventory data at varying levels of granularity, facilitating quick and data-driven decision-making. This tool automatically allocates daily sales targets and other performance indicators to each of our store personnel and allows them to track such targets in real time. Additionally, customer engagement tools are widely used in our dissemination of marketing campaign and other materials compiled by our headquarter marketing team. Our store personnel also leverage a variety of digital tools to reach consumers and provide them with personalized content and to generate sales wherever consumers are, thus further increasing the effectiveness of our marketing efforts.

In January 2024, we were recognized as a Data Management Capability Maturity Assessment Model ("DCMM") Level 4 enterprise. The DCMM model, spearheaded by the MIIT, is the first national standard and the most prestigious data management assessment for companies across industries, according to Frost & Sullivan. We were the only consumer and retail company among nearly 100 internet infrastructure, technology and finance companies that obtained the Level-4 or above certification in the DCMM list. This demonstrates our continued commitment to digitalization, which has helped to improve our operational efficiency.

Experienced and dedicated management team

Our senior management team consists of veterans with vast experience in China's footwear and apparel industry, and a majority of them having worked for our group for over 15 years. Their insights into the fashion footwear and apparel market and deep understanding of consumer trends, coupled with a focus on constant improvement and innovation, have led us to develop our core competences.

Our chairman and chief executive officer, Mr. Sheng Fang, was previously responsible for our expansion into the East China region. Under Mr. Sheng's leadership for years, the East China region became one of Belle International's largest retail regions. In 2013, acting on shrewd market perception, Mr. Sheng led Belle's expansion into the fashion apparel business, laying a solid foundation for our current apparel business. In 2017, Mr. Sheng initiated the transformation of our footwear business and has, together with other senior management team members, led our Group into a new chapter of growth. Our senior vice president, Mr. Hu Bing, has led several of our most iconic brands, including BELLE, and has accumulated vast experience in every stage of fashion footwear's full value chain. Our vice president, Mr. Zhu Guangxian, having previously held senior Greater China positions in global footwear and apparel companies such as Nike and Columbia, is responsible for all brands within our apparel business and has approximately 22 years of experience in the footwear and apparel industry.

Under the leadership of our senior management team, we seek to attract the best industry talent and lead the digitalization of China's footwear and apparel industry. With our collective efforts, we believe that we will achieve our vision to build a vibrant growth platform and open ecosystem for fashion brands.

OUR STRATEGIES

Expand our brand portfolio and product categories, and strengthen our brand growth platform to solidify our leading position

Expand fashion styles. We plan to expand in the functional, athleisure and lifestyle segments through acquisition and licensing, to replicate the success we have had in recent years. For example, we have acquired OGR, a lifestyle brand, and partnered with well-known international brands such as Ellesse, an athleisure brand, and Hush Puppies, a functional brand.

Extend price range of our brand portfolio. We will expand our price range to cater to broader consumer preferences. On the one hand, we will enrich our brands and offerings of high-end trendy products and increase investments in brand marketing to enhance our brand positioning, as demonstrated by our acquisition of the high-end brand 73Hours. On the other hand, we will continue to enrich our accessible-market fashion product line to cater to more value- and quality-focused customers, such as by extending our BASTO and TOOMANYSHOES to the accessible price range.

Expand product categories within each brand. We will broaden the product categories of our existing brands by optimizing their positioning and customer segmentation, to further expand into bags and accessories, men's footwear and apparel, and kids' footwear and apparel.

Strengthen brand growth platform. We are committed to building the most vibrant brand growth platform. For brands that we added via acquisition and licensing, we will help them achieve rapid growth, leveraging our omni-channel, digital and technology capabilities and our vertically-integrated business model across the value chain. We will also continuously expand and diversify our brand portfolio through acquiring, investing in and licensing in promising brands that are strategically complementary to and incrementally expand the spectrum of fashion styles of our existing brands.

Expand and upgrade our omni-channel network and increase our overseas penetration

We are committed to expanding and upgrading our omni-channel sales network to provide superior shopping experience to our customers. We will continue to optimize and expand our offline sales network and improve our store sales by increasing our penetration in premium shopping malls and factory outlets, deepening our cooperation with leading department stores, selectively upgrading certain stores and closing under-performing stores. Based on each brand's positioning and stage of development, we will implement tailored store expansion and channel strategies.

In addition to strengthening our presence on traditional e-commerce platforms, we will continue to enhance our capabilities on emerging social e-commerce channels. We plan to expand our self-livestreaming team, deepen our cooperation with KOLs, and further improve our content creation capabilities, with a goal of achieving higher consumer mindshare and sales through emerging social media and content-driven e-commerce platforms.

Based on local markets and consumers' features, we have entered the Japan and Korea markets, with a strategically curated portfolio of brands and products. We plan to deepen our penetration in overseas markets, such as Southeast Asia and Middle East, through a combination of direct sales and collaboration with local distributors. We are in the process of building our local teams in Southeast Asia to further develop our business in the Asia markets. We will also enter markets in other regions at appropriate times to establish a globalized brand portfolio.

Continue to enhance our industry-leading vertically-integrated value chain and our capabilities to predict and swiftly respond to consumer preferences

Leveraging advantages in our vertically-integrated business model and valuable consumer insights from our direct-to-consumer channels, we expect to further enhance our capabilities to predict and swiftly respond to consumer preferences, through a combination of our "order, replenish and redesign" model, agile design and development capabilities, and targeted marketing.

We plan to replicate our experience operating OGR and 73Hours in our other brands. In particular, we will front-load design iterations and incorporate consumer feedback early on into our product planning, design and development, and marketing process for more brands and products. We will design products for test launches through social media platforms or KOLs, collect instantly available consumer feedback to iterate designs, and enhance targeted marketing based on consumer reactions. In this approach, we anticipate to create products that more precisely meet customers' rapidly changing preferences and new emerging fashion trends, thus increasing the success rate of new product launches and minimizing relevant inventory risks.

Strengthen investment in technology to promote digital transformation

We plan to increase our investments in technology to empower our digital transformation and further improve our overall management and operational capabilities and efficiency.

- To support fast and flexible collaboration across our business operations, we plan to upgrade our existing technology infrastructure to create a more centralized and open framework with a standardized data integration system.

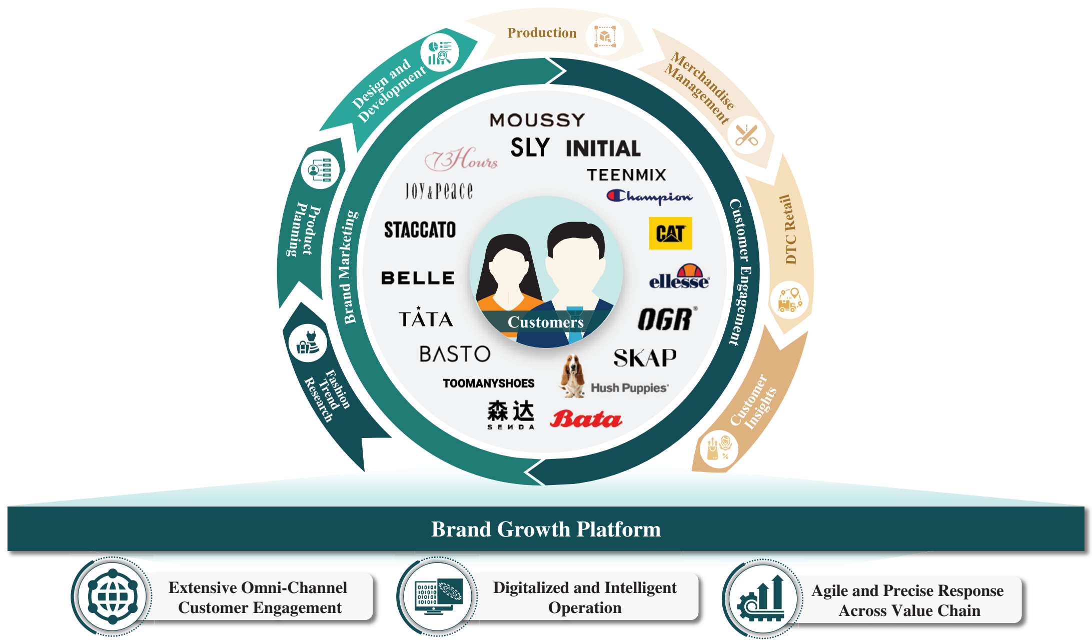
- We also plan to enhance our digitalization by applying a variety of technologies to different aspects of our business, including the use of AI technologies in product design, development and marketing.

- In respect of manufacturing, we will continue to develop automated production processes and enhance the automation of our production lines, which will help to improve our production efficiency while ensuring consistent product quality and to maintain our cost efficiency in light of the rising labor costs. By continuously expanding our footwear database and optimizing our intelligent production processes, we strive to make the most comfortable shoes and provide the best product experience to our customers.

OUR BUSINESS MODEL

We have established a consumer-centric, vertically-integrated business model across the full value chain, from fashion trend research and product planning, design and development to merchandise management, production, direct-to-consumer retail, and building customer insights.

The following diagram illustrates our business model:



Our consumer-centric philosophy drives everything we do. In order to be close to consumers and understand their ever-changing preferences, we pursue a direct-to-consumer retail strategy with the largest directly-operated fashion footwear and apparel store network in China. To create products with brand narratives that consumers identify with, we have built a portfolio of primarily self-owned brands, many of which are best-selling labels in the industry based on sales value. To swiftly respond to changing consumer preferences, we operate an agile supply chain, which allows us to go from design to market in the shortest possible time. In other words, our full value chain business model is a direct result of our consumer-centric philosophy.

Our portfolio of brands covers a wide range of price points and styles, allowing us to cater to a large base of consumers in China's geographically diverse markets. Benefiting from valuable consumer insights from our direct-to-consumer channels, each of our brands has developed its distinct brand identity to attract its own group of target consumers. Building on such brand image, our creativity and our manufacturing capabilities, we design, manufacture and deliver products to consumers through our direct-to-consumer sales channels, both offline in the form of retail stores and online through various e-commerce and social media platforms in China. During this process, we have continuous, direct, and personal interactions with our customers, which allow us to gain further insights and thus form a virtuous cycle, which in turn reinforces our leadership position in the fashion footwear and apparel market in China.

Supporting our consumer-centric philosophy and brand growth platform are our core competences of extensive omni-channel customer operation, digitalized and intelligent operation, and agile and precise response across value chain. These capabilities increase our speed, efficiency and proximity to consumers and form our core competitive strengths beyond our business model itself.

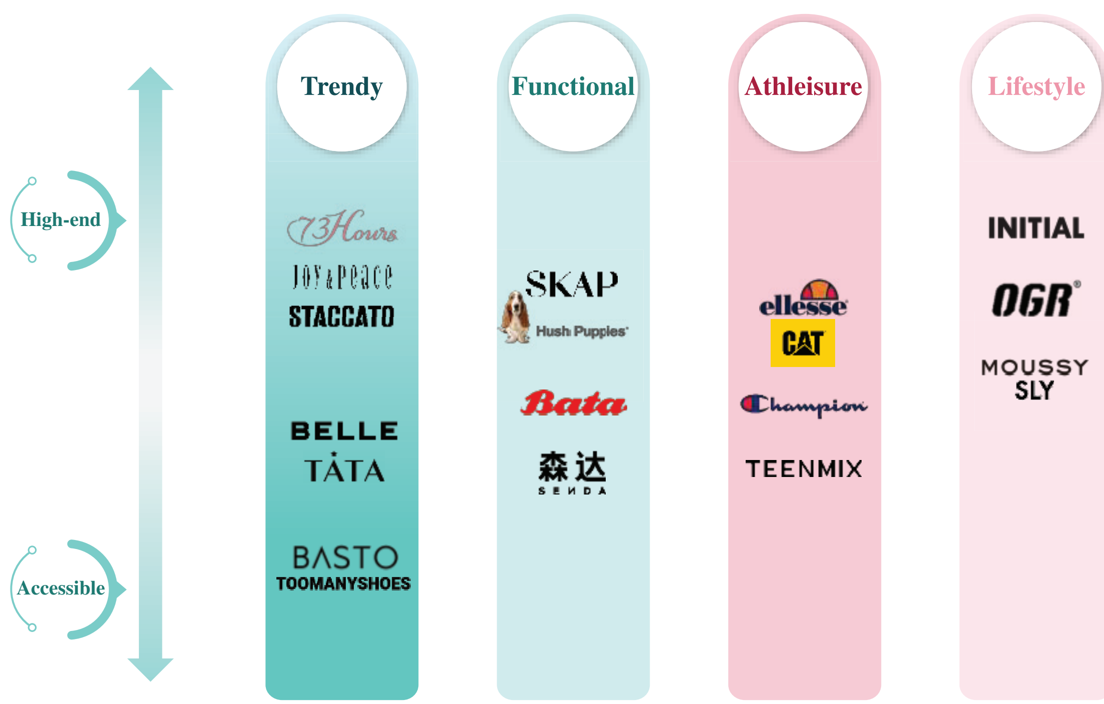
Chinese consumers have become increasingly demanding, focusing not just on product design but also on comfort, brand identity, quality, affordability, and the shopping experience. We believe our consumer-centric philosophy, empowered by our full value chain business model, gives us the best chance of success.

OUR BRANDS

Our Brand Portfolio

We currently operate a portfolio of 19 core brands, comprising 12 of our own brands and seven partner brands (including licensed brands and distributed brands). We offer a wide range of footwear, apparel and accessories for women, men and kids under our various brands.

The diagram below illustrates our brands by style and positioning.



Our 19 brands collectively cover four major style categories, including trendy, functional, athleisure, and lifestyle, catering to a wide array of occasions including formal, business, outdoors and leisure, among others. Each of our brands has its unique positioning and design concept and, collectively, they cover the fashion footwear and apparel demands of a large base of consumers in China.

Each of our brands is managed by a separate brand management team, which is responsible for its brand's market positioning, brand identity, product planning, design and development, pricing, and marketing strategy, under the guidance and coordination from our management team. Each of our brands has a dedicated creative team to determine and implement the brand's design concept. We design and develop products for our brands, and jointly design certain products under our licensed brands to be tailored for Chinese consumers.

During the Track Record Period, our top five brands by revenue in each reporting period—BELLE, TATA, STACCATO, TEENMIX, and BASTO—were all our own footwear brands. The revenue contributions from each of these brands remained relatively stable and the top five brands collectively accounted for approximately 63% of our total revenue in each of the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023. BELLE was the top-selling brand and accounted for approximately 28% of our total revenue, while TATA, STACCATO, TEENMIX and BASTO each accounted for approximately 7% to 11% of our total revenue during these respective periods. The gross profit margins for our top five brands remained relatively stable during the Track Record Period. Compared with the gross profit margin of our footwear segment, BELLE and STACCATO recorded moderately higher gross profit margins, and TEENMIX and BASTO recorded slightly lower gross profit margins during these respective periods. Overall, the average gross profit margins for our top five brands during these respective periods were in line with that of our footwear segment. Our licensed and distributed brands in aggregate accounted for approximately 18%, and the largest licensed brand accounted for approximately 5%, 6% and 6% of our total revenue during these respective periods. Accordingly, we do not believe that we have any material reliance on any licensed or distributed brand. The following table summarizes certain information of our brands by business segment (footwear or apparel) as of the Latest Practicable Date. Please refer to "Appendix IV—Statutory and General Information—B. Further Information About Our Business—2. Intellectual Property Rights of Our Group—(a) Trademarks" for more information of our own and licensed trademarks related to each of our brands.

Brand name	Brand rights	Year of launch/inclusion in our portfolio	Style
Footwear Segment			
BELLE	Owned	1992	Trendy
STACCATO	Owned	1998	Trendy
Joy & Peace	Owned	1999	Trendy
TEENMIX	Owned	1999	Athleisure
TATA	Owned	2003	Trendy
Bata	Licensed	2004	Functional
BASTO	Owned	2007	Trendy
Hush Puppies	Licensed	2008	Functional
SENDA	Owned	2008	Functional
SKAP	Owned	2013	Functional
73Hours	Owned	2018	Trendy
TOOMANYSHOES	Owned	2018	Trendy
OGR	Owned	2023	Lifestyle
Apparel Segment			
CAT	Distribution	2008	Athleisure
MOUSSY	Licensed	2013	Lifestyle
SLY	Licensed	2013	Lifestyle
INITIAL	Owned	2017	Lifestyle
Champion	Distribution	2019	Athleisure
	Licensed	2021	
Ellesse	Licensed	2023	Athleisure

Our brands under the footwear segment cover a wide range of styles, and substantially all of these brands generally have 100-200 products every season, capturing all kinds of evolving fashion trends and consumer preferences. Our brands under the apparel segment focus on athleisure and lifestyle products and primarily cater to urban youths. The growth in our apparel business benefits from our intimate understanding of Chinese consumers and strong capabilities in branding, marketing and omni-channel retail, which we have developed over the decades of operating our footwear business.

Leveraging our multi-brand strategy, we have a rich offering of diversified products across our footwear as well as apparel segments. The table below provides a breakdown of revenue by segment during the periods indicated.

	Year ended February 28,				Nine months ended November 30,			
	2022		2023		2022		2023	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*
					(Unaudited)			
Segment:								
Footwear	20,224.1	86.0	16,530.1	86.0	12,319.2	86.2	14,021.2	87.0
Apparel	3,285.6	14.0	2,680.2	14.0	1,967.5	13.8	2,090.8	13.0
Total	23,509.7	100.0	19,210.3	100.0	14,286.7	100.0	16,112.0	100.0

Brand Marketing

Our brand marketing efforts permeate multiple fronts of our operations. We have established a central BIC team to coordinate resources such as KOLs, selective consumers, celebrities and co-branding partnerships, research and apply novel marketing strategies, and assess marketing outcome, in order to empower our brand-specific marketing activities.

Our brand-specific marketing teams carefully curate content for their respective brands, developing the overall brand identity, narratives, elements and culture centered around each brand's market positioning and target customers. They also define the visual identity of each brand holistically, encompassing logo, color, style, and other visual media such as display and store design in order to tell a coherent brand story. Our marketing efforts combine content created in-house and user-generated content to further solidify our brand story and brand image:

- *Professionally generated content (PGC).* We collaborate with celebrities whose styles and public images match our brands and feature them in our marketing campaigns as our brand ambassadors to resonate with our consumers. Our marketing team designs original content tailored to special occasions throughout sales seasons and plan a variety of offline events, such as pop-up stores or themed activities, to stay abreast of trendy topics and enhance our brands' exposure and customer loyalty. We sometimes sponsor popular TV shows, whose concepts align with our brand designs, to increase our brands and products' exposure. We also partner with artists or other IP owners to launch co-branded products that have similar design concepts and target customers.

- *User-generated content (UGC).* We collaborate with KOLs to generate social media content in popular formats including images, blogs and vlogs on platforms such as Douyin, Xiaohongshu and Bilibili, and for them to endorse or introduce our products to their followers with more personal touch and hence greater influence. Our popular products consistently get mentions on influential platforms such as Xiaohongshu by our real customers with authentic feedback, which further helps enhance our consumer mindshare.

In addition to brand marketing strategies tailored to each brand's distinct features, we also have group-level marketing strategies, such as hosting fashion shows to showcase our new collections, which amplify our brand influence at our group level. Our BIC team also integrates resources within our Group and aligns our marketing efforts with other aspects of our business operations, such as merchandise management and product design and development, in order to integrate consumer preferences and feedback in our design iteration. The following are pictures of our fashion shows:

Brand Pricing

We have a diversified portfolio of brands which covers a wide range of price points and styles and caters to a variety of consumers and functions to meet the diverse fashion needs of consumers. For our own brands and brands that we have license rights to, the MSRP for each product is determined by our brand management team, with reference to the brand positioning as well as the cost of production. For brands for which we are a distributor, the MSRP for each product is generally determined by the relevant brand partner.

Even though we conduct our offline sales through different sales regions, product pricing, which is normally at a discount to MSRP, generally follows the guidance from our centralized brand management teams, taking into consideration the product sales velocity and inventory level. Such discount levels are adjusted from time to time, and more discretion is given to respective sales regions towards the end of a sales season. We believe our "order, replenish and redesign" merchandise model allows us to maximize sales volume and minimize inventory, thus resulting in a smaller discount to MSRP than otherwise needed.

PRODUCT PLANNING, DESIGN AND DEVELOPMENT

Creative Teams

Aside from brands for which we have a pure distribution arrangement with the brand partner, each of our brands has a dedicated creative team that is responsible for designing products and maintaining brand identity. As of November 30, 2023, our creative teams had over 800 members, including designers, product developers, and other product R&D personnel. Our creative team leaders on average have over 19 years of industry experience and have extensive expertise in footwear and apparel designs, market trends and consumer preferences.

Product Planning, Design and Development Process

Our product planning, design and development processes utilize our consumer insights and our research of the latest market trends to formulate holistic product launch plans for each new season. The collective efforts of our creative teams, brand management teams and marketing teams during this process are critical to the success of our products for the new seasons.

Our typical product planning, design and development process includes:

- <u>Product planning</u>: In addition to relying on internally generated data and insights, our designers attend trade exhibitions and conduct other market research to keep abreast of the latest fashion trends when developing design ideas and planning product lines. The creative teams work with our brand management teams to conduct data analysis on our previous sales performance, customer surveys and feedback from our store personnel on consumer preferences, and further conduct data mining and analysis of fashion trends, product ratings and the competitive landscape. Based on these analyses, our brand management and creative teams for each brand set the creative direction for each line of products, including the narratives, themes and types of products, for the season. Moreover, we have increasingly integrated our marketing strategies and customer engagement efforts into product designs by leveraging our CRM system and analytics tools. This enables us to predict consumer preferences more precisely and ensure the popularity of our new products for each season.

- <u>Design and development</u>: Our creative teams turn design sketches into initial product prototypes using traditional prototyping methods as well as 3D printing and modular technologies. Our brand management teams determine the initial pricing strategies for each product, based on brand positioning, feedback from our marketing team on product ratings, and cost of production. For products we design independently or jointly with the brand partners under license agreements, we typically submit design prototypes and pre-production samples to the brand partners for approval.

- Marketing and product pilot sales: Our marketing team works with our brand management teams to formulate each brand's marketing strategy based on its design concepts, target consumers, seasonal themes, and marketing and product launch windows. We conduct online marketing and pilot sales of certain new products before mass production, which increases the likelihood of success of our official product launches.

- In-season redesign: Based on consumer feedback on our own products and observations on the latest fashion trends, our creative teams create new designs and iterate existing designs, which are either variations of our existing popular designs or designs based on newly emerged fashion trends. See "—Our Agile Supply Chain System" for more information on our "order, replenish and redesign" merchandise model.

OUR AGILE SUPPLY CHAIN SYSTEM

We operate an agile supply chain, which allows us to minimize the time-to-market for our products, made possible by the vertical integration and digitalization of our product design and development, manufacturing and logistics operations. At the core of our agile supply chain is our "order, replenish and redesign" merchandise model, which allows us to dynamically adjust our product offering based on real-time in-season consumer demand and fashion trends. This helps us maximize the overall popularity of our products and minimize the risk of obsolete inventory:

- Pre-season order: To launch a new season, we initially only order a portion of the season's estimated sales volume to be stocked in our stores and warehouses. Such initial inventory levels, which may vary across our brands, allow us to have sufficient products for the season's product launch while leaving ample room for subsequent product adjustments based on real-time in-season demand, resulting in minimum risk of obsolete inventory due to pre-season misjudgments of fashion trends.

- In-season replenish: Based on sales data and real-time feedback from our offline stores and online channels, we place additional orders for popular products among our thousands of unique SKUs in a typical season. Leveraging our digitalized operations, in-house lean manufacturing capabilities and seamless cooperation with our manufacturing partners, additional products can reach our stores generally in as fast as 15 days after order placement, thereby ensuring adequate store-level supply without excessive inventory. A significant portion of our total product sales are made from replenished inventory in a typical season.

- In-season redesign: Based on feedback on our own products and observations on the latest fashion trends, we create new designs, which are either variations of our existing popular designs or designs based on newly emerged fashion trends. It generally takes as fast as 25 days for these new products to arrive in our stores from design initiation. For some of our brands, a significant portion of our total product sales are from new in-season designs, which are more targeted and therefore more likely to be popular among customers.

OUR OMNI-CHANNEL RETAIL NETWORK

We have long maintained a direct-to-consumer retail model, which gives us unmatched proximity to a large number of consumers. Combining an extensive network of nationwide offline stores with significant and increasing presence on China's major e-commerce and social media platforms, we have built an omni-channel retail network that provides superior consumer experience and captures real-time fashion trends.

The table below provides a breakdown of revenue by segment and sales channel during the periods indicated.

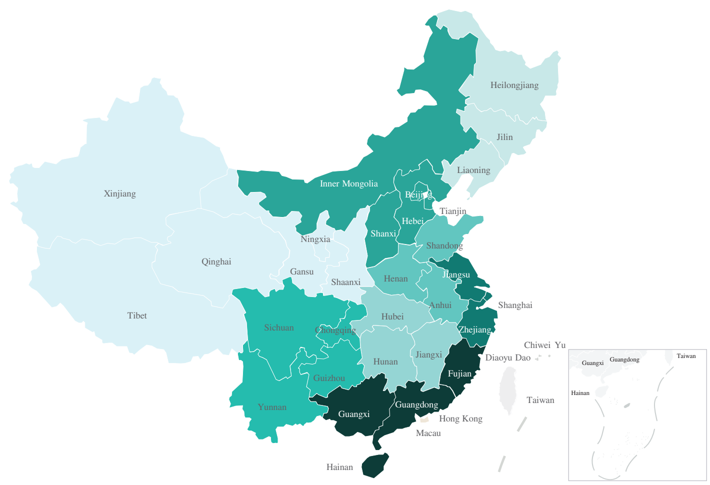
	Year ended February 28,				Nine months ended November 30,			
	2022		**2023**		**2022**		**2023**	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*
					(Unaudited)			
Footwear								
Offline channels	15,324.9	75.8	11,843.9	71.7	8,667.6	70.4	10,025.0	71.5
Online channels	4,899.2	24.2	4,686.2	28.3	3,651.6	29.6	3,996.2	28.5
Subtotal	20,224.1	100.0	16,530.1	100.0	12,319.2	100.0	14,021.2	100.0
Apparel								
Offline channels	2,648.2	80.6	2,163.1	80.7	1,553.7	79.0	1,626.9	77.8
Online channels	637.4	19.4	517.1	19.3	413.8	21.0	463.9	22.2
Subtotal	3,285.6	100.0	2,680.2	100.0	1,967.5	100.0	2,090.8	100.0
Total	23,509.7		19,210.3		14,286.7		16,112.0	

Our Nationwide Directly-operated Store Network

We manage our directly-operated stores through nine sales regions, which report to our management team. As of November 30, 2023, we had a total of 8,361 directly-operated stores in China, covering 330 cities spanning 31 provinces as well as Hong Kong and Macau. According to Frost & Sullivan, we have China's most extensive directly-operated fashion footwear and apparel retail network. The following map shows the geographical distribution of our directly-operated stores as of November 30, 2023.

Store Network as of November 30, 2023

Region	Footwear	Apparel	Total
South China	1,303	145	1,448
East China	1,203	243	1,446
North China	1,376	156	1,532
Southwest China	871	135	1,006
Shandong/ Henan/Anhui	761	52	813
Central China	689	59	748
Northeast China	678	51	729
Northwest China	516	58	574
Hong Kong & Macau	47	18	65
Total	**7,444**	**917**	**8,361**



Our directly-operated stores are primarily located within department stores and shopping malls. Department stores, which have traditionally been the go-to shopping venues in cities across China, remain our important sales channel partners. At the same time, shopping malls, which integrate shopping, entertainment and social networking functions, and factory outlets, have attracted increasing consumer traffic in China in recent years. Correspondingly, we have adjusted our offline channel mix to increase the proportion of shopping malls and factory outlets. As a result, the contribution from department stores to our revenue from the footwear business declined from over 70% for the year ended February 28, 2017 to below 40% for the nine months ended November 30, 2023.

Our stores are primarily mono-brand stores, which deliver a shopping experience centered on a single brand and its brand narrative. Among these stores, we have built flagship stores that act as our brand beacons, further strengthening the overall brand recognition among consumers. To a lesser extent, we also have multi-brand stores, which offer products from multiple brands within our brand portfolio. Below are examples of our flagship stores:

In addition to being a powerful sales channel, our extensive offline store network and tens of thousands of store personnel act as our frontline touch points with a large base of consumers across China, constantly providing us with real-time intelligence on consumer preferences and changes in fashion trends. Aided by a variety of tools, our store personnel provide a decentralized yet effective form of customer engagement. Through face-to-face interactions inside our stores and personalized engagement outside of stores, our store personnel increase our customer loyalty and brand recognition.

The following table sets forth the number of our directly-operated stores by product segment as of the dates indicated.

	As of February 28,				As of November 30,	
	2022		2023		2023	
		(%)		*(%)*		*(%)*
Footwear	8,376	89.2	8,033	89.2	7,444	89.0
Apparel	1,012	10.8	970	10.8	917	11.0
Total	9,388	100.0	9,003	100.0	8,361	100.0

The declines in the number of our directly-operated stores for footwear and apparel as presented in the table above were primarily driven by our retail network and brand portfolio optimization efforts, as well as increased penetration of online sales. For more information on this, please see "—Management of Our Retail Operations—Store Openings, Closures and Upgrades."

The following table sets forth the average sales per store (representing revenue for a fiscal year or annualized revenue for a nine-month period divided by the average of the beginning and ending store numbers during that period) of our directly-operated stores by product segment for the periods indicated.

	Year ended February 28,		Nine months ended November 30,
	2022	2023	2023
	(RMB million)		
Footwear	1.8	1.4	1.7
Apparel	2.8	2.2	2.3
Total	1.9	1.5	1.8

Primarily due to the COVID-19 pandemic's adverse impact on our sales, our average sales per store declined for the year ended February 28, 2023 compared to the prior fiscal year, and we recorded Same Store Sales Growth of negative 24.9% for the year ended February 28, 2023 compared to the prior fiscal year. As our sales gradually picked up after the pandemic situation improved, our annualized average sales per store increased for the nine months ended November 30, 2023 compared to the fiscal year ended February 28, 2023, and we recorded Same Store Sales Growth of 16.1% for the nine months ended November 30, 2023 compared to the same period of 2022.

We also engage in wholesale distribution to authorized third-party retailers in China and overseas markets and certain other wholesale customers in overseas markets. These authorized third-party retailers and other wholesale customers contributed less than 4% of our revenue during the Track Record Period, and this percentage is expected to remain at a relatively low level for the foreseeable future. All of our authorized third-party retailers during the Track Record Period were Independent Third Parties. Furthermore, during the Track Record Period, we generated an immaterial portion of our total revenue from sales outside mainland China, including those from our directly-operated stores in Hong Kong and Macau.

For overseas markets, we have also entered Japan and Korea. In Japan, we have been selling our STACCATO products through our retailers in shopping malls and department stores. The STACCATO products have become increasingly popular and STACCATO was elected as the "2022 Best-selling Brand" by merchandise managers of nationwide department stores in Japan, an award sponsored by Senken Magazine. We plan to deepen our penetration in overseas markets, such as Southeast Asia and Middle East, through a combination of direct sales and collaboration with local distributors. We are in the process of building our local teams in Southeast Asia to further develop our business in the Asia markets. We will also enter markets in other regions at appropriate times to establish a globalized brand portfolio.

Our Online Sales Channels

We have devoted significant resources in recent years to strengthening our online capabilities and have now established a broad presence on China's major e-commerce platforms including Tmall, JD.com and VIP.com as well as social media platforms such as Douyin and Xiaohongshu. Revenue contribution from our online channels increased significantly from less than 7% for the year ended February 28, 2017 to 23.6%, 27.1% and 27.7% for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively. According to Frost & Sullivan, we ranked No. 1 among all companies in China in terms of aggregate online fashion footwear retail sales value in 2022.

Given the nature of China's e-commerce landscape, we have focused our online penetration efforts on major e-commerce platforms in China, such as Tmall, JD.com and VIP.com, which collectively account for a majority of e-commerce activities in China. We launched our first online flagship store on Tmall in 2009. In the early years, e-commerce platforms were primarily a channel for us to clear excess inventory and, as a result, we typically sold older, out-of-season products online at lower prices compared to our offline stores. In recent years, however, as a result of our conscious effort to provide customers with a consistent shopping experience regardless of channels, there has been a convergence between products sold in our online and offline stores. Over the past few years, we have consistently maintained high rankings on e-commerce platforms during major online shopping festivals. During the Singles' Day shopping festivals for the past five consecutive years, our BELLE brand's sales ranked No. 1 among all women's fashion footwear brands on Tmall. During each of the Singles' Day and "June 18" shopping festivals during the Track Record Period, our brands consistently made up at least five out of the top ten best-selling women's fashion footwear brands on Tmall based on sales value.

In addition to traditional e-commerce sales, we have made significant investments to respond to customers' fast-evolving online shopping habits. In particular, as of November 30, 2023, we had collaborated with over 120 KOLs and, more importantly, established an in-house livestreaming team of approximately 275 personnel to facilitate our self-livestreaming, and had dedicated livestreaming studio space of over 1,000 square meters. We started live-streaming in 2018 and were one of the first soft fashion companies in China to conduct self-livestreaming sales, according to Frost & Sullivan. Our in-house live-streamers are carefully selected and well trained to deliver an atmosphere consistent with our brands' design concepts. Our strong in-house livestreaming team enables us to timely capture market trends and consumers' needs and improve our brands' recognition on mainstream online channels and our customer engagement capabilities. We utilize various platforms for livestreaming including Tmall and Douyin and leverage new technologies to facilitate livestreaming. In addition to our in-house livestreaming capabilities, we also engage livestreaming KOLs to sell our products. For each product sold through a KOL, we are required to pay the KOL a commission based on a percentage of the product price. For products sold through livestreaming, we only recognize revenue from orders that are not cancelled by consumers before shipping and net of any subsequent returns.

Our online efforts also provide us with another critical channel for consumer feedback. Through analysis of anonymized and aggregated customer data such as age groups, product browsing patterns and key words searched, we are able to gain additional consumer insights and perspectives, which complement the personal consumer interactions within our offline stores. Such intelligence acts as an important input for our creative teams when designing new products, either pre-season or in-season. In addition, from time to time, we use our online channels to test product designs through pilot sales, thus ensuring greater success when the products are officially launched.

Our Online and Offline Integration

We have achieved a high level of integration between our online and offline channels, with a majority of our products sold at similar prices regardless of the channel. In addition, we are able to fulfill online and offline orders from the same pool of inventory, including the ability to fulfill e-commerce orders directly from our offline stores, which requires both system integration as well as proper incentive structures for store personnel. As a result, instead of having to prepare dedicated inventory for online shopping festivals such as the Tmall Singles' Day, which may result in significant inventory build-up and therefore risk, we can fulfil online orders from our offline stores, thereby meeting peak season demand without significant inventory risk.

CUSTOMER ENGAGEMENT

Our direct-to-consumer channels and our multi-brand portfolio provide us with opportunities for frequent customer interactions and engagement. In order to maximize the value of such interactions and to enhance our brand recognition and customer loyalty, each of our brands has established its own membership program with operational and system support from our centralized CRM system. Our membership programs come with different membership tiers, privileges and other services, and serve to enhance the affinity between our brands and their customers.

Once authorized by a member, our CRM system is able to analyze the member's shopping behavior among our brands and across our different channels. This analysis generates a member's profile, which provides us with better understanding of such member's preferences and therefore enables us to provide more customized services.

In recent years, we have focused on de-centralized customer engagement, relying on our frontline store personnel to interact with customers both inside and outside of our stores. Empowered by centrally produced creative content and equipped with digital tools, our frontline store personnel are able to provide customers with high-quality engagement and personalized services. This de-centralized engagement model not only enhances the experience and therefore loyalty of our customers, but also motivates our store personnel as a result of the personal connection built in the engagement process.

We believe that the frequency of interaction with our customers should not be limited by the frequency of their purchases. When making purchase decisions, beyond focusing on the product itself, consumers increasingly value the shopping experience. With brand-related content delivered through our digital tools, our store personnel interact with customers using original content on a regular basis. This customer engagement builds a more personal and trusted relationship, resulting in increased opportunities to generate sales. Compared to traditional consumer analytics, which are largely based on sales data, our customer engagement efforts help us generate more insights on consumer behavior beyond purchases and act as an invaluable input for our brand development process.

OUR DIGITALIZATION INITIATIVES

We believe that digitalization plays a key role in our continued success. Our digitalization efforts focus on systemizing our business processes, including know-how and best practices which we have accumulated over our decades of operation, and developing new digital tools to enhance our customer engagement. Currently, we have adopted digital business processes with a focus on product planning, design and development, manufacturing, and retail operations.

Empowering Product Planning, Design and Development

To complement consumer interactions in our offline stores and to gain further consumer insights, we analyze publicly available data on the internet, including social media platforms, product ratings and consumer reviews. As a unified internal management platform for all of our brands' membership programs, our CRM system also provides us with valuable profiling information on our members in addition to transaction data. All of these insights and market intelligence support us in our product planning and designs for initial product releases, our product redesigns and improvements, and adjustments we make to our product mix and our marketing and sales strategies.

Our proprietary footwear development platform contains databases of shoe lasts, styles, materials, processes and categories, which allow our designers to go from idea to design in the shortest possible time. Using custom-made 3D foot scanners in our stores, we have collected foot dimension data from millions of anonymous or de-identified Chinese consumers, which allows us to design products not only of beauty but also of comfort. Our design and visualization tools, together with the use of 3D printing technology, allows prototypes to be built quickly, which further shortens the time to production. These efforts have supported our creative teams in designing and developing fashionable and comfortable footwear and rapidly refining the designs of our products after initial launches. Moreover, our foot dimension and shoe last databases enable us to rapidly develop and produce non-standard footwear for our customers, such as for outlier sizes and subtle width differences.

Enhancing Manufacturing Efficiency

Footwear production, especially for leather shoes, is typically a highly manual process since each piece of leather has different thickness, malleability and other qualities and hence requires a high level of skills to identify quality leather and cut it with precision and minimum waste. We have accumulated vast process know-how over the decades, which allows us to increase the quality of our products and the efficiency of production. In recent years we have implemented various initiatives in order to systemize our know-how and to standardize certain processes. For example, our intelligent production management systems, such as our advanced production scheduling system ("**APS**") and product lifecycle management system ("**PLM**"), can automatically convert our product orders across different SKUs and priorities into requirements for raw materials and production capacity. Our MES provides real-time information on material components in our manufacturing process and creates a data-driven and traceable production environment, helping improve our manufacturing efficiency.

Furthermore, we have integrated a number of types of automation equipment into our manufacturing process and are exploring the automation of certain parts of our production processes. For example, as one of the first steps in leather shoe making, a large piece of leather historically needed to be manually inspected and, depending on its shape, thickness and malleability, cut into smaller pieces to be used as different parts of a shoe. Such inspection process relies on the know-how of our factory workers, whose skills may vary from one to another, and therefore is time-consuming and sometimes results in wastage of raw materials.

We have developed an automated inspection machine which can perform these functions in around 40 seconds, saving more than 95% of the time needed for manual processing. In addition, our machines can digitize the leather's information and conduct automated cutting, thereby reducing material wastage and improving our production efficiency. More recently, by utilizing surface modeling techniques and developing our production lines with three-dimensional visualization and robotics technologies, our production lines have been able to model all required sizes for a single footwear product within a short period of time.

Digitalizing Merchandise Management

Effective merchandise management is vital to ensuring superior consumer experience and improving store sales efficiency. We have invested significant resources and efforts in digitizing and systemizing our merchandise analytics, making our merchandise management systems more robust and our merchandise-related decisions more accurate.

Our Merchandise Lifecycle Management Systems

We have developed proprietary merchandise management systems that cover the full merchandise lifecycle, including procurement, merchandise allocation, inventory replenishment and merchandise adjustment.

- *Procurement system*: Our procurement system supports and partially automates the order placement process by our sales regions and other channels for all of our brands, which for each season collectively launch thousands of SKUs. At the beginning of each procurement cycle, our sales regions review and adjust the relevant parameters of each store in our operation system. Leveraging our proprietary algorithm, this system automatically generates a baseline order sheet for each of our offline stores. Our sales regions then adjust the baseline order sheets for their stores to reflect region- and store-specific circumstances. With this system our sales regions can generate and integrate thousands of store-level order sheets within hours, a process that previously took weeks to complete due to the large number of stores and SKUs. This digitalized procurement system makes our procurement process less dependent on our team's human judgment and, consequently, less susceptible to human errors.

- *Merchandise allocation system*: Our merchandise allocation system automatically integrates our product order data, including styles, colors, specifications and order quantity. Based on these data, our algorithm automatically allocates merchandise for our offline stores.

- *Inventory replenishment system*: Our inventory replenishment system establishes a coordinated inventory replenishment platform across our brands and sales regions. This system enables our product team to check inventory levels our stores in real time and immediately generate replenishment orders as needed. This system also automatically generates and sends replenishment alerts to our product team when inventory levels fall below preset levels. It can also forecast local demand for a product based on historical sales of similar products, thus assisting our product team's replenishment decisions. In addition, our inventory replenishment system provides analytics tools for us to rapidly identify and significantly improve our ability to discover and develop best-selling products.

- *Merchandise adjustment system*: Our merchandise adjustment system automatically generates merchandise reallocation recommendations for our various offline stores, based on our inventory-to-sales ratio analytics and other proprietary algorithms, in order to achieve a balanced inventory level across different stores. This system avoids over-stocking of inventory in one location and shortage in another, and therefore helps us increase our inventory turnover rate and improve our operational efficiency.

Our Omni-channel Order Fulfillment System

We operate a centralized order fulfillment system to process orders across all of our sales channels. Through this system and our systems' seamless connection with the logistics systems of Li Xun, our logistics service provider, we have digitalized and systemized our inventory management across China. In particular, orders from all of our online and offline sales channels for our 19 brands can be fulfilled through inventories stored either at any of the 74 warehouses of Li Xun (as of November 30, 2023) or our offline stores, whichever is closest to the consumer or otherwise most efficient based on our system-generated optimal delivery routes.

Empowering Retail Operations

Leveraging our accumulated knowhow in store operations, we have developed a convenient digital tool to empower our frontline store personnel and regional managers, supporting them in the following areas:

- *In-store merchandise management.* Our digital tool allows our store personnel to check sales and inventory data in real time and rapidly identify and resolve any issues. Similarly, our regional managers can use this tool to compare the sales performance of the same SKU among different stores and re-allocate SKUs to those stores that represent better sales opportunities.

- *Sales target management.* The digital tool automatically allocates daily sales targets to each of our store personnel. Our store personnel can monitor their fulfillment of the targets in real time through this tool, thereby improving our stores' operational efficiency.

- *Store personnel management.* Store managers can arrange and allocate shifts for store personnel and monitor attendance with one click.

- *Store performance management.* The digital tool automatically performs product performance analysis using embedded algorithms. Applying the analysis, our store managers and personnel can obtain timely insight into the store's performance and adjust operational strategies accordingly. In addition, this tool can generate daily, weekly and monthly sales reports, which helps free up time for our store managers to deal with more substantive management tasks.

- *Customer feedback collection.* Through the product feedback function of the digital tool, our store personnel can timely relay consumers' suggestions to our brand management teams (including creative teams), who can then quickly refine or develop new products to meet customers' preferences.

During the Track Record Period, this digital tool was deployed in all of our directly-operated stores.

MANAGEMENT OF OUR RETAIL OPERATIONS

Our Sales Regions

Given the diverse nature of China's population, consumer preferences vary significantly across different regional markets. As a result, we divide our retail operations into nine sales regions, including Hong Kong and Macau.

Our sales regions are primarily responsible for selecting, ordering and selling products based on their regional demand, as well as managing the store network within their respective regions. In addition, our sales regions also implement brand marketing strategies in conjunction our group-level brand management and marketing teams.

Design and Appearance of Our Stores

The majority of our stores are mono-brand stores characterized by a distinctive brand identity. We aim to create a consistent shopping experience using standardized interior designs and facilities that are unique to each of our brands. The design, space planning and layout of the stores for our own brands follow guidelines set by our store appearance designers, while those for the stores of our partner brands primarily follow guidelines set by the relevant brand partners. Our store appearance designers continually upgrade our store designs to keep up with the latest narrative and identity for each of our brands.

Our stores mostly have a selling space of approximately 30 to 150 square meters for our footwear brands, and approximately 70 to 180 square meters for our apparel brands. The number of personnel per store depends upon the size, location and type of store. Except for certain stores at factory outlets, our stores are primarily mono-brand stores and many of our stores sell a diverse range of products under the relevant brand.

Concessionaire and Lease Agreements

We typically enter into annual concessionaire agreements with department stores and, to a lesser extent, with some shopping malls and factory outlets in China. Pursuant to these agreements, a department store, shopping mall or factory outlet typically allocates certain store space to us for the display and sale of our merchandise and charges us concessionaire fees as a percentage of our relevant stores' sales, as well as other expenses. We also have a small number of stores for which the concessionaire fee is subject to a guaranteed minimum sales amount. We primarily enter into lease agreements with shopping malls and some factory outlets to operate stores on leased properties. Our lease agreements typically have a term not exceeding three years. As of the Latest Practicable Date, the remaining tenor of our directly-operated stores' lease agreements generally ranged from a few months to around three years. The rental expenses of our leased stores vary greatly based on locations and sizes of the stores, types and locations of the retail channels and tiers of cities, and generally range from less than RMB100 per square meter in lower tier cities to over RMB1,000 per square meter in prime locations in tier-1 cities. As of November 30, 2023, the average rental expenses per square meter of our leased stores for our various sales regions ranged from approximately RMB260 in the Northeast China region to approximately RMB470 in the North China region, except that such average rental expenses in our Hong Kong and Macau region exceeded RMB1,600.

Consumers generally pay for the products we sell at centralized cashier counters operated by department stores and some factory outlets, which in turn transfer the net sales proceeds to us, typically on a monthly basis, after deducting concessionaire fees and other relevant expenses. For our stores at a large majority of shopping malls and some factory outlets, we operate our own cashier counters within our stores and pay fixed or variable monthly rental and other expenses to the landlord.

Our Store Personnel

Our store personnel at our 8,361 directly-operated stores play a key role in promoting sales, maintaining our brand image, engaging with customers both inside and outside of our stores, and collecting customer feedback on our products. Our store personnel are responsible for the daily operations of our stores, including promotion, product sales, cash handling, store security and customer service, as well as engagement with our customers via WeChat and other channels. The number of staff per store depends on the size, location and type of the store. We conduct evaluations of our store personnel's performance from time to time.

We place great emphasis on the training and development our store personnel. We provide training to the personnel of our directly-operated stores on areas such as product knowledge, sales techniques, product selection and fitting, customer service, store operation and safety measures, as well as customer engagement related training. All new store personnel are required to attend introduction courses and additional training prior to new product launches to ensure that they are equipped with the necessary skills to perform their duties. Furthermore, we require our store personnel to follow our standard procedures on various retail operation aspects, including greeting consumers upon their entry and exit, addressing frequently-asked questions from customers, assisting consumers in selecting suitable products and handling consumer complaints. This training helps ensure that all consumers receive attentive and professional services when shopping at our stores.

Quality Control at Our Stores

Our store personnel are responsible for checking each product upon delivery before the product is accepted and sold to consumers. Our customer service staff conducts consumer satisfaction surveys and timely relays consumer feedback to our brand management teams and other departments such as our quality control team.

Store Openings, Closures and Upgrades

We constantly seek to optimize our store network, and we make decisions on store openings, closures and upgrades in accordance with our various brands' respective development strategies.

We experienced net store closures during the Track Record Period. In line with our business strategies and changes in market conditions, we have been optimizing our sales channels and brand mix, while enhancing our operating efficiency by closing under-performing stores.

- We have historically relied heavily on the department store channel. However, in recent years, we have seen consumer traffic migrate to shopping malls and factory outlets, which integrate shopping, entertainment and social networking functions. As a result, we have been actively opening new stores at shopping malls and factory outlets, especially after the privatization of Belle International in 2017. Given the large number of department stores we historically had, the closure of stores at department stores was a multi-year effort. However, the process has been largely completed. Contribution from the department store channel to our total offline revenue decreased from approximately 55% for the year ended February 28, 2022 to slightly below 50% for the year ended February 28, 2023 and the nine months ended November 30, 2023, with our remaining offline revenue during the Track Record Period primarily coming from shopping malls and factory outlets.

- We continuously optimize our brand portfolio and our various brands' retail network. On the one hand, we opened around 100 new Champion stores as of November 30, 2023 compared to February 28, 2022 as we expanded the athleisure style category. On the other hand, we closed a total of approximately 300 offline stores for 15mins, Millie's and Clarks from February 28, 2022 to November 30, 2023. These brands together contributed less than 1% of our revenue for the nine months ended November 30, 2023.

- In addition to adjusting our channel mix and brand portfolio, we also monitor the performance of individual stores. We close under-performing stores from time to time primarily because their sales performance consistently fall short of our expectations, or their locations are no longer favored due to changes in market circumstances.

The following table sets forth the changes in the number of our stores by segment during the periods indicated.

	Year ended February 28,		Nine months ended November 30,
	2022	2023	2023
Footwear:			
Number of stores			
At the beginning of the period	8,549	8,376	8,033
– Department stores	6,210	5,774	5,391
– Shopping malls and others	2,339	2,602	2,642
Opening of new stores	827	515	273
– Department stores	197	124	91
– Shopping malls and others	630	391	182
Closure of stores	(1,000)	(858)	(862)
– Department stores	(633)	(507)	(519)
– Shopping malls and others	(367)	(351)	(343)
Net decrease in the number of stores	(173)	(343)	(589)
At the end of the period	8,376	8,033	7,444
– Department stores	5,774	5,391	4,963
– Shopping malls and others	2,602	2,642	2,481
Apparel:			
Number of stores			
At the beginning of the period	880	1,012	970
– Department stores	259	256	235
– Shopping malls and others	621	756	735
Opening of new stores	326	168	163
– Department stores	65	32	39
– Shopping malls and others	261	136	124
Closure of stores	(194)	(210)	(216)
– Department stores	(68)	(53)	(50)
– Shopping malls and others	(126)	(157)	(166)
Net increase/(decrease) in the number of stores	132	(42)	(53)
At the end of the period	1,012	970	917
– Department stores	256	235	224
– Shopping malls and others	756	735	693

We seek to open new stores in a prudent manner. Due to changes in consumer spending patterns and offline sales channels' competitive landscape, in recent years we have opened new stores primarily at shopping malls and factory outlets. Site selection is critical to the success of our stores. To find ideal locations for our new stores, we conduct extensive surveys and retail mapping and have developed a comprehensive analytic approach. These efforts enable us to more confidently forecast our new stores' potential performance by comparing proposed new store locations with our existing stores with comparable characteristics. We consider and evaluate the following factors when selecting a location to open a new store: (i) geographical location of the store and its match with the relevant brand's market positioning; (ii) the shopping patterns, spending power and population density of the targeted demographics and the location's development potential and transportation; (iii) competition in the surrounding area and the retail channel operator's reputation; and (iv) our estimated initial capital investment and projected sales and profitability. For stores of our partner brands, we discuss our overall plans for opening new stores each year with the relevant brand partners and jointly decide our plans.

In opening new stores, we typically spend approximately three months from the date of the relevant concessionaire or lease agreement to new store opening, including the time for construction and interior decoration work. Each new store must follow the guidelines and specifications set by our brand management teams or, for our partner brands, primarily those of the brand partners, in matters including survey and measurement, store layout design, renovation and construction.

From time to time, we upgrade our stores with strong performance by increasing the store size, upgrading renovations to enhance the brand image, and adding the number of SKUs offered in the stores. These types of upgrades are particularly relevant for our stores located in department stores, where the initial store size can be small, thus limiting the number of products carried. Upgrading stores with strong performance is a relatively low risk way to capture more consumer traffic and increase sales.

After-sales Service

Pursuant to the PRC Product Quality Law, the PRC Law on Protection of Consumer Rights and Interests and other applicable PRC laws, consumers are entitled to return or exchange, without cause, a product purchased online within seven days of receipt of the shipment; and return, exchange, and request repair of a defective product purchased from our offline directly-operated stores. We are generally responsible for product returns under our partner brands. However, if the product is provided by a brand partner or manufacturing partner, defective products returned to us by customers can be sent back to the brand partner or manufacturing partner and we are credited for these returns in our future purchases from the brand partner or manufacturing partner.

We require our store personnel to follow our customer service guidelines, including the handling of customer complaints. In addition, we have a dedicated customer service team handling customer hotlines, where our well-trained customer service representatives timely respond to and address consumer concerns. We receive and handle customer inquiries and complaints in stores and through hotlines. We address complaints by actively communicating with customers and, at times, taking actions to reinforce customers' confidence in our brands. Our customer service team and store personnel keep detailed records of customer inquiries, feedback and complaints, and the results of investigation or measures taken.

We typically do not provide a warranty to authorized third-party retailers or other wholesale customers, and we generally do not allow them to return products to us, except for quality issues of products sold to domestic authorized third-party retailers. The product returns from our domestic authorized third-party retailers accounted for less than 0.1% of our revenue during the Track Record Period. During the Track Record Period, there were no material product liability claims or complaints from our customers, and we did not record any material provision for product warranty.

INVENTORY CONTROL

Our "order, replenish and redesign" merchandise model generally allows us to maintain healthy inventory levels by producing a significant portion of our products after the start of a season based on actual consumer demand, instead of before the season where visibility on fashion trends is lower. Each of our brand management teams prepares budget plans at the beginning of every year to determine the procurement amounts, sales targets, inventory levels and other important key performance indicators for each sales season. Our brand management teams, together with regional managers from our sales regions, also monitor our inventory levels and composition and make adjustments on pricing and additional procurement, in order to balance between performance targets and inventory risk. We aim to maintain an optimal inventory-to-sales ratio, which represents the average level of inventory held compared with sales revenue within a particular period.

PRODUCTION

With the exception of products under certain distributed brands that we purchase directly from our brand partners in the form of finished goods, we are generally responsible for manufacturing the footwear and accessories sold in our stores and online channels. We utilize a combination of our own manufacturing facilities and those of our manufacturing partners, which allow us to meet our production requirements without excessive fixed asset investments. Among products produced by ourselves or our manufacturing partners (i.e., other than those purchased from the brand partners), based on production value, we produced at our manufacturing facilities approximately one third of our footwear products and generally over three fourths of our bags and other accessory products for each reporting period during the Track Record Period. All of our apparel products are purchased from the brand partners or produced through our manufacturing partners.

Our Manufacturing Facilities

We have a two-pronged approach for manufacturing of footwear and some accessories products, using both our in-house manufacturing capabilities as well as capacities from our manufacturing partners. We generally use our own manufacturing facilities for more complicated or newer designs, which may require newly developed manufacturing processes or techniques that our manufacturing partners may not have fully adopted. Our manufacturing partners typically cooperate with us to produce more classic designs, which they are able to manufacture in a timely and cost efficient manner. Some of our manufacturing partners may also have specific manufacturing expertise in certain niche areas, which we have not invested resources in, considering cost efficiencies. This two-pronged approach allows us to meet our production needs without large investments in manufacturing facilities, keep our in-house capacities at high utilization levels, while achieving the desired quality and speed of production for products from our manufacturing partners. As of November 30, 2023, we had an aggregate designed annual production capacity of 15.8 million pairs of shoes and 2.2 million bags. As of the same date, we had approximately an aggregate of 945,694 square meters' gross site area of land used for our manufacturing facilities, which provides sufficient room for us to add new production lines as may be required in the future. The following table sets forth information on the location, size and production capacity of our manufacturing facilities as of November 30, 2023.

Location of manufacturing facilities	**Gross site area of land** *(sq.m.)*	**Property ownership**	**Year commissioned**
Footwear:			
Shenzhen, Guangdong Province	130,574	Leased	2008
Suzhou, Anhui Province	519,636	Owned	2010
Dongguan, Guangdong Province	113,311	Leased	2005
Zigui County, Hubei Province	53,522	Owned	2008
Jianhu County, Jiangsu Province	65,860	Owned	2008
Tongren, Guizhou Province	76,662	Owned	2012
Guangzhou, Guangdong Province[1]	6,880	Leased	2023
Total	945,694		
Bags:			
Shenzhen, Guangdong Province	Same facility as footwear	Leased	2008
Jianhu County, Jiangsu Province	Same facility as footwear	Owned	2008

Note:

(1) This facility is related to the OGR brand that we acquired in January 2023.

We have established a lean production system utilizing small-batch production lines to achieve flexible production. As opposed to the mass production lines of our industry peers, which are typically used to produce substantial amounts of standardized products, we have designed all of our production lines to be small-batch, U-shaped lean production lines to better serve our production of thousands of different and constantly changing SKUs. The design of our production lines enables a streamlined workflow and enhanced efficiency for our production workers and ensures our quick response to changes in market trends and customer demands. Furthermore, we can adjust our production capacity in a flexible manner and can scale up our capacity based on actual demand and without significant capital expenditure, thus keeping our capacity utilization at a high level.

In addition, we have established a dedicated team focused on upgrading our manufacturing equipment and production automation and we have automated the production for certain parts of our footwear products. We are exploring to automate additional steps of our footwear manufacturing processes, which we expect to significantly reduce manpower and skillset requirements, increase our production capacity and shorten our lead times. As of the Latest Practicable Date, we had three self-designed automated and digitalized production lines in operation. These production lines are equipped with assistive robots and incorporate surface modeling and 3D modeling techniques, thereby enhancing our overall production efficiency.

Our production equipment mainly includes cutting machines, automatic sewing machines, heel forming machines, shoe last machines, heating machines, cooling machines, heel nailing machines, polishing machines and various physical testing machines. In addition to such standard production equipment purchased from Independent Third Parties, we have collaborated with business partners to develop or have self-developed equipment including 3D foot scanners, automated leather recognition machines, automated edge coating machines and automated production lines.

Our proprietary information systems track raw material inventory and forecast additional raw material requirements based on the product design specifications and volume of production. They connect each step during our manufacturing process, enabling us to continuously monitor and optimize our procedures and cross-check our manufacturing process. We have also developed substantially all of our intelligent production management systems, such as our enterprise resources planning ("**ERP**") system, MES, APS, PLM, automated production control system, and barcoding system.

The table below sets forth information about the estimated maximum production capacities and the estimated average utilization rates of our footwear production lines during the periods indicated.

	Year ended February 28,						Nine months ended November 30,		
	2022			2023			2023		
Location of manufacturing facilities	Designed Production Capacity[1]	Production Volume	Utilization Rate[2]	Designed Production Capacity[1]	Production Volume	Utilization Rate[2]	Annualized Designed Production Capacity[1]	Production Volume	Utilization Rate[2]
		(units)	*(%)*		*(units)*	*(%)*		*(units)*	*(%)*
Shenzhen, Guangdong Province	6,912,300	6,900,805	99.8	5,538,000	5,341,188	96.4	7,185,600	5,297,401	98.3
Suzhou, Anhui Province	4,264,200	4,197,507	98.4	3,787,500	2,784,681	73.5	3,248,000	2,115,924	86.9
Dongguan, Guangdong	1,927,200	1,920,598	99.7	1,640,400	1,330,015	81.1	1,793,600	1,274,636	94.8
Zigui County, Hubei Province	2,068,800	2,047,216	99.0	1,759,200	1,301,591	74.0	1,727,200	1,185,804	91.5
Jianhu County, Jiangsu Province	1,565,000	1,535,302	98.1	1,451,100	1,062,778	73.2	1,475,200	1,020,231	92.2
Tongren, Guizhou Province	264,750	257,848	97.4	189,000	205,175	108.6	189,600	122,158	85.9
Guangzhou, Guangdong Province[3]	–	–	–	–	–	–	187,200	9,400	60.3
Total	17,002,250	16,859,276	99.2	14,365,200	12,025,428	83.7	15,806,400	11,025,544	92.9

Notes:

(1) The designed production capacity of each manufacturing facility for a specified period is the number of production lines multiplied by the number of days worked during this period and multiplied by 600 (600 units represent designed daily production capacity for each production line, based on the production process designs, particularly the time required for the pressing and shaping step); except that the designed production capacity for the manufacturing facility in Jianhu County, Jiangsu Province for a specified period is the daily production capacity multiplied by the number of days worked during this period. The designed production capacity for the nine months ended November 30, 2023 was annualized.

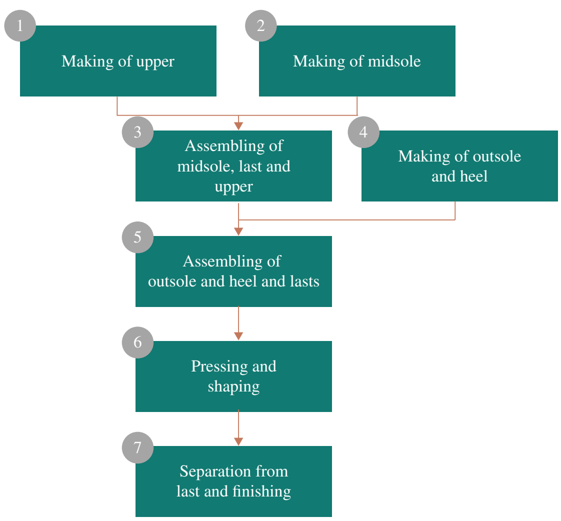
(2) The utilization rate is equal to the production volume divided by the designed production capacity during the same period.

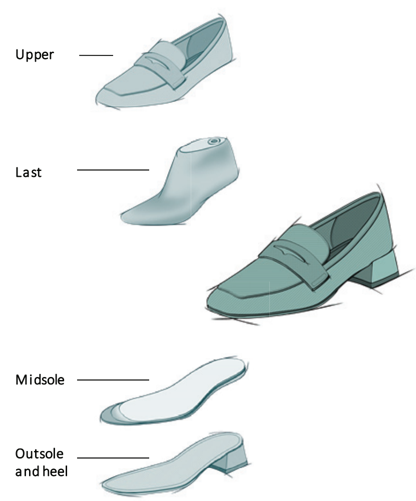
(3) The production line for finished products at the manufacturing facility in Guangzhou, Guangdong Province is related to the OGR brand, and it commenced production of finished products in November 2023. The table above reflects the production volume and utilization rate of this production line for the month of November 2023.

Our production volume of bags was 1.8 million, 1.6 million and 1.6 million units in the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively. Our bags' production lines had annual designed production capacity of 2.0 million, 1.9 million and 2.2 million units, and a utilization rate of 93.1%, 82.2% and 95.3% in these respective periods.

Manufacturing Process

We use our manufacturing facilities primarily to produce certain footwear products. Our footwear manufacturing process and major parts of a typical leather shoe are illustrated in the following diagrams:





Over our decades of operations, we have accumulated significant know-how in shoemaking processes. Our typical leather footwear manufacturing process is divided into the following main steps:

(i) Making of upper: The upper unit of a shoe varies for each pair of shoes and typically consists of different leather and ornament pieces. In making the upper unit, a large piece of leather is first cut into relatively small pieces, manually with mechanical tools that require fine cutting skills and increasingly automated with our leather inspection and cutting machines. Depending on the shoe design, loose pieces of the leather and other ornaments for the upper unit will be stitched together with linings and trimmings to form the finished upper.

(ii) Making of midsole: The sole is the bottom part of the shoe that comprises midsole and outsole. Midsole is made of cushioning material in the pattern of the last.

(iii) Assembling of midsole, last and upper: The midsole is stapled to the upper and the last to form the initial shape of the shoe.

A shoe last is a foot-shaped 3D form. The last is critical to the shape and fit of a shoe and is the key to set the size, silhouette, and outline of a shoe. Over the past decades, we have refined shoes lasts for different sizes and styles and have built a large library of shoe lasts for our wide range of footwear products. Our expertise and know-how in shoe lasts allows us to deliver products to consumers with a combination of aesthetics and comfort.

(iv) Making of outsole and heel: Outsoles are cut, trimmed and polished into different sizes according to the shoe size and style specifications, and heels are glued to the outsole or molded together with the outsole.

(v) Assembling of outsole, heel and last: The outsole and heel are glued to the last.

(vi) Pressing and shaping: After the assembly, the completed but unfinished shoes are passed on for pressing and re-shaping. Inspection is carried out at each stage of the gluing and assembling process to ensure that the different component parts are firmly glued together.

(vii) Separation from last and finishing: The last stage involves removing the last from the finished shoe, and gluing the sole unit on the mid-sole inside the shoe. Finishing operations such as polishing, trimming and labeling are then carried out. Finally, the finished shoes are given a final inspection by our quality control staff before they are packed into boxes in accordance with the order specifications as provided by the respective sales regions, in preparation for delivery.

Raw Materials

Procurement of Raw Materials

The main raw materials used in the production of our footwear products include leather, synthetic leather and textile, and the other raw materials for our footwear products include out-sole material, mid-sole material, heels, decorative accessories, lining cloth and glue. The raw materials used in the production of our bags primarily include leather, synthetic leather, textiles, decorative accessories, lining cloth and glue. Our raw material suppliers are generally based in China.

Our purchase contracts with our raw material suppliers are predominantly by way of purchase order, based on our actual requirements. We maintain sufficient inventory levels of key raw materials at the warehouses in our manufacturing facilities and also regularly monitor our raw material inventory. As the prices of leather and other raw materials are generally subject to seasonal fluctuations, we typically stock up on commonly used materials to ensure that the production of our footwear products is not affected by sudden price fluctuations.

Depending on the raw material price movement trends, we arrange procurement of raw materials, work-in-process or finished our goods from our suppliers accordingly. In addition, we implement stringent quality control measures for raw materials. See "—Quality Control" for more details.

Our Raw Material Suppliers

We have built and maintained long-term and stable relationships with our raw material suppliers. Many of our raw material suppliers have worked with us for over ten years, which we believe enables us to obtain competitive prices and reliable supply for our raw materials. In addition, leveraging our rich industry experience and substantial operational scale, we have strong bargaining power towards our raw materials suppliers. We maintain multiple suppliers for each major raw material to ensure sufficient supplies, and in any event we expect to be able to engage alternative suppliers within a short period of time from our pool of qualified suppliers, considering the abundant supplier candidates available in the fragmented market.

We select our raw material suppliers based on stringent criteria to ensure the quality of the supplies. In evaluating and selecting raw material suppliers, we require them to have requisite qualifications, permits and licenses and also consider factors such as their registered capital, production capacity, number of employees, equipment, locations, technical capabilities, product controls, pricing, product standardization and on-site management, R&D and product testing capabilities, and existing brand customers.

We enter into framework procurement agreements with raw material suppliers, which generally have a one-year term subject to annual renewal. We may place orders from time to time under the framework procurement agreements. The suppliers generally provide us a warranty period of 12 months, during which we are entitled to return or exchange the defective raw materials. In addition, they typically give us a credit term of one to three months.

Production through Manufacturing Partners

In addition to utilizing our own manufacturing capacity, we engage manufacturing partners to produce a significant portion of our products to supplement our own production capacity. We generally use our own manufacturing facilities for more complicated or newer designs, which may require newly developed manufacturing processes or techniques that our manufacturing partners may not have fully adopted. Our manufacturing partners typically cooperate with us to produce more classic designs, which they are able to manufacture in a timely and cost-efficient manner. Some of our manufacturing partners may also have specific manufacturing expertise in certain niche areas, which we have not invested resources in, considering cost efficiencies. As of November 30, 2023, we engaged 549 manufacturing partners for our footwear and apparel products in China. We believe that we have a good working relationship with our manufacturing partners. As there are a large number of footwear, apparel and bags manufacturing partners available in China, we believe that we can engage alternative manufacturing partners within a short period of time to replace any existing manufacturing partners, if required. We typically enter into annual agreements with our manufacturing partners.

We carefully select manufacturing partners by evaluating the candidates' qualifications and various other factors, including their production capacity, existing brand customers, quality management, qualifications, pricing, core management team, financial strength, reputation and ability to meet our delivery timelines. We also conduct regular assessment of our manufacturing partners and may cease procuring from those who (i) commit fraud or any act that could have negative impact our business interests; (ii) deliver products of poor quality for a continuous period; (iii) fail to meet our after-sale services standards and speed of response; or (iv) fail to meet our requisite production capacity or schedule. We did not terminate relationship with any major manufacturing partners during the Track Record Period.

Our supply chain management team works closely with our manufacturing partners during each step of their manufacturing process. Our manufacturing partners are required to meet strict quality standards for products delivered to us, and we also conduct further quality inspections upon product delivery as part of our quality control measures. See "—Quality Control" below for more information. Prior to procuring products from our selected manufacturing partners, we typically enter into annual framework supply agreements with them, which set forth terms such as the suppliers' qualifications, procedures for placing orders, production obligations, quality standards, pricing terms, delivery protocol, inspection and acceptance of products, return policy, payment terms, confidentiality obligations and protection of trademarks and other intellectual property rights of ours. These agreements generally do not contain minimum purchase or price requirements, and we place orders with the manufacturing partners during the contract term from time to time. We typically retain a refundable quality warranty deposit from the manufacturing partners. The manufacturing partners typically provides a warranty of up to 24 months to us, within which we can return or exchange finished products for quality issues. Our footwear manufacturing partners generally use our supplier management systems for orders and payment, which enables our systematic merchandise management.

We provide our manufacturing partners with access to a proprietary order management system which allows them to receive and acknowledge orders in real time, notify us of production status, provide us with tracking information once products are shipped and invoice us after the products have been received and cleared of quality checks. This order management system allows us to minimize human error and effectively manage our numerous orders with different manufacturing partners to minimize the time-to-market.

Quality Control

Our commitment to quality is key to our brand image, and we have established a strict quality control system and a set of quality standards. We have obtained ISO9001:2015 certification at our major manufacturing facilities for production of our footwear products, demonstrating that our quality control management system meets international standards of quality assurance and attests to the quality of our products. We have also implemented business process optimization management and ERP systems and adopted national and industry standards in our quality controls. We have participated in the formulation of a number of enterprise, industry and national standards for footwear products. In addition, we have established a testing center in Shenzhen that is a laboratory certified by the China National

Accreditation Service (the "**CNAS**") for Conformity Assessment. This laboratory is equipped with advanced testing equipment and is capable of performing testing of raw materials, work-in-progress and finished products. At this laboratory, we are able to test approximately 201 quality indicators for our products, including 18 indicators certified by the CNAS, and we seek to expand the certified items in the coming years for physical indicators that consumers are typically concerned about as well as chemical indicators.

As of November 30, 2023, our quality control team had 273 employees, who are responsible for overseeing the quality of our manufacturing process, as well as the quality systems in research and development, procurement, manufacturing and after-sales. As a result of our stringent quality controls, during the Track Record Period and up to the Latest Practicable Date, we did not receive any material product return request from our customers, any material complaints from consumers or any material penalty from government authorities for product quality issues.

We have established a quality management system that complies with relevant national and international standards, covering product design and development, techniques, procurement, manufacturing and after-sales.

Product design and development. After a new product is developed, our quality control team will assess the sample product to see if it has any defects in functionality or quality.

Techniques. The technical processes are crucial to the manufacturing of a new product, and our manufacturing personnel are trained with the technical materials before manufacturing. We conduct review over the technical materials to avoid quality issues.

Procurement. We require our raw material suppliers to meet our rigorous selection criteria and our quality control standards. Our quality control staff is responsible for inspecting the raw materials and accessories before they are accepted for use, and they provide feedback to our procurement staff. For certain raw materials that our manufacturing partners source on their own, we require them to purchase raw materials from designated raw material suppliers. For the raw materials that we provide to our manufacturing partners, we arrange our quality control staff to carry out inspections of these raw materials. We typically request samples of raw materials for testing prior to placing orders with our suppliers. After the raw materials are accepted and sample products are produced, we will also generate a series of standards for the raw materials' quality control.

Manufacturing. In each of our manufacturing facilities, we have designated quality control managers, who are in charge of the overall quality control of the manufacturing process and responsible for examining the products to ensure consistent quality. We also regularly check the compliance of our manufacturing employees with our internal operation standards and procedures. Before mass production of a product, we typically produce the first batch of products to verify whether the raw materials used and the manufacturing process can meet customer expectations and we identify any product defects. After this, we conduct small-batch trial production to check the stability of the techniques and the appropriateness of the raw materials. To effectively control the quality of each product, we identify and closely monitor a few key production steps that may affect the product quality. Subsequently, we conduct mass production and monitor the entire manufacturing process to see if the technical processes and raw materials can meet the manufacturing requirements and achieve the designed effect. After finished products from mass production become available, we also check the products for quality and consistency, our testing center conducts random inspection of our products, and we typically engage third-party quality control inspection institutions to perform random inspections of our finished products during each product's sales seasons.

In respect of products that we produce through our manufacturing partners, we require the suppliers to provide sample products for us to assess all the physical, chemical and appearance indicators. In addition, after the finished products are available, we typically engage third-party inspection institutions to conduct physical and chemical testing and we inspect the appearance of the products. If sub-standard products are identified during the inspection, we check all products in the same batch and work-in-progress products to ensure that no other products have similar issues. Any substandard products will be repaired immediately, and the incident will be documented for internal analysis later.

After-sales. Our sales personnel collect feedback from distributors and consumers on product quality issues and provide this to our quality control staff and suppliers to arrange repair, return or exchange of the products. We also have in place product recall procedures in the event of severe quality issues. During the Track Record Period and up to the Latest Practicable Date, there had been no product recalls that materially and adversely affected our business or results of operations.

LOGISTICS

Since March 2019, we have used the integrated warehousing and logistics services of Li Xun, an affiliate of ours with extensive logistics experience, particularly for the footwear and apparel industry. See "Connected Transactions—Non-Exempt Continuing Connected Transaction—Logistics Services Framework Agreement" for more information on our relationships and arrangements with Li Xun.

At the start of each season, products manufactured by ourselves, our manufacturing partners or our brand partners are delivered to our offline stores as well as centralized and regional warehouses that we use. As products are sold and store inventory levels fall, regional merchandise managers are able to place restocking orders for store inventory to be replenished from the warehouses within 24 hours. As more products are produced throughout the season under our "order, replenish and redesign" merchandise model, inventory at warehouses are also regularly replenished throughout the season. In addition to sales through our offline stores, an increasing proportion of our sales also takes place on online channels. We are able to fulfil online orders both from warehouses we use as well as our offline stores, especially during online shopping festivals such as the "June 18" and Singles' Day promotions.

OUR CUSTOMERS

Our customers are substantially all consumers, and to a much lesser extent, authorized third-party retailers and certain other wholesale customers. In each of the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our aggregate sales to our five largest customers, which comprised our authorized third-party retailers and certain other wholesale customers of our footwear products, accounted for no more than 0.6% of our total revenue. In these respective periods, our sales to our largest customer accounted for approximately 0.2% of our total revenue. These five largest customers were from Indonesia, France, Japan, South Korea and Hong Kong. Our business relationships with them commenced during the period from 2009 through 2023. The credit terms that we provided to them generally ranged from seven days to a month. They paid us through bank or wire transfers.

All of our five largest customers during each of the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023 were Independent Third Parties.

OUR SUPPLIERS

Our suppliers include brand partners for our distributed and licensed brands, manufacturing partners, and suppliers of raw materials, machinery, logistics services and various other services. Our purchases from our five largest suppliers were RMB3,065.6 million, RMB2,535.4 million and RMB2,430.9 million, accounting for approximately 25.7%, 27.0% and 30.5% of our total purchases, for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively, while our largest supplier accounted for 8.1%, 10.9% and 14.4% of our total purchases for these respective periods.

The following table sets forth certain information of our five largest suppliers for each reporting period during the Track Record Period.

Nine Months Ended November 30, 2023

Rank	**Supplier**	**Purchase Amount** *(RMB million)*	**Percentage of Total Purchase**	**Products/ Services Provided**	**Year of Commencing Business Relationship**
1	Supplier A	1,150.1	14.4%	Footwear products	2011
2	Li Xun	525.5	6.6%	Logistics services	2019
3	Supplier B	308.0	3.9%	Apparel products	2019
4	Supplier C	234.8	2.9%	Footwear products	2019
5	Supplier D	212.5	2.7%	Apparel products	2018
Total		2,430.9	30.5%		

Year Ended February 28, 2023

Rank	Supplier	Purchase Amount *(RMB million)*	Percentage of Total Purchase	Products/ Services Provided	Year of Commencing Business Relationship
1	Supplier A	1,024.2	10.9%	Footwear products	2011
2	Li Xun	679.6	7.2%	Logistics services	2019
3	Supplier B	439.4	4.7%	Apparel products	2019
4	Supplier D	236.0	2.5%	Apparel products	2018
5	Supplier C	156.2	1.7%	Footwear products	2019
Total		2,535.4	27.0%		

Year Ended February 28, 2022

Rank	Supplier	Purchase Amount *(RMB million)*	Percentage of Total Purchase	Products/ Services Provided	Year of Commencing Business Relationship
1	Supplier E	961.8	8.1%	Footwear products	2016
2	Li Xun	743.1	6.2%	Logistics services	2019
3	Supplier B	624.5	5.2%	Apparel products	2019
4	Supplier D	400.0	3.4%	Apparel products	2018
5	Supplier A	336.2	2.8%	Footwear products	2011
Total		3,065.6	25.7%		

Our five largest suppliers during each of our financial years within the Track Record Period and the nine months ended November 30, 2023 comprised manufacturing partners for footwear products, brand partners for our footwear and apparel products, and our connected person, Li Xun, which provided logistics services to us. These five largest suppliers were from Mainland China and Hong Kong. Please see "Connected Transactions—Our Connected Persons" for more information on Li Xun. Other than Li Xun, none of our five largest suppliers during each of our financial years within the Track Record Period and the nine months ended November 30, 2023 were connected persons of our Company.

The credit terms that our five largest suppliers provided to us generally ranged from seven business days to 60 days after receipt of the invoice, and Li Xun provided us a credit term of 30 days after receipt of the invoice. We paid them through bank transfers. In the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our purchases from Li Xun were RMB743.1 million, RMB679.6 million and RMB525.5 million, respectively, accounting for 6.2%, 7.2% and 6.6% of our total purchases in these respective periods.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any disruption to our business as a result of shortages of finished goods provided by our brand partners or of raw materials, nor did we experience any difficulties in engaging production through external manufacturing partners or procuring other products or services necessary for our business. Given our established relationship with our suppliers, we do not envisage that we will experience any significant difficulties in obtaining supplies in the foreseeable future.

COMPETITION

The fashion footwear and apparel market in China remains fragmented, with different players targeting different segments of the market. Given the diversified nature of our brand portfolio, our brands face competition from different players, both international and domestic. We believe that our multi-brand strategy, agile and precise response across our vertically integrated value chain, extensive omni-channel customer engagement, and digitalized and intelligent operation provide us with significant competitive advantages. Leveraging these strengths, we are able to better control and coordinate our product planning, design and development, production, marketing and retail sales to timely produce a broad range of high quality products that are in line with the latest fashion trends and consumer preferences at competitive prices. For more information about the competitive landscape in China's footwear and apparel retail markets, see "Industry Overview—Entry Barriers and Competitive Landscape of China's Fashion Market—Competitive Landscape."

EMPLOYEES

As of November 30, 2023, we had 29,192 employees and all of them were based in China. The following table provides a breakdown of our total employees by function as of that date indicated:

Function	Number of employees
Retail	19,307
Production	8,299
Headquarters	1,586
Total	29,192

We emphasize the career development of our personnel and provide regular training to help them acquire more skills. In order to remain competitive in the labor market, we also conduct research on the remuneration packages that are offered by other companies in the same industry. To incentivize our store personnel, we have linked a portion of their compensation to the sales performance of their corresponding directly-operated stores.

We offer our employees additional benefits such as annual leave, stipends and health examinations, and make social insurance and housing provident funds contributions for their benefit in the PRC. With respect to our non-PRC employees, we also comply with all statutory insurance obligations applicable to us under the laws of the respective jurisdictions.

We strive to continuously maintain good working relations with our employees. We believe that our management policies, working environment, development opportunities and employee benefits have contributed to building good employee relations and employee retention. During the Track Record Period, we did not have any strikes, protests or other material labor conflicts that may materially impair our business and image.

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property rights are key to our success and competitiveness and primarily consist of the trademarks and domain names that we use. For more details of our material intellectual property rights, see the section headed "Statutory and General Information—B. Further Information about Our Business" in Appendix IV to this document.

We recognize the importance of protecting and enforcing intellectual property rights. We believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material incidents of intellectual property rights infringement claims or litigation initiated by others against us or *vice versa*.

LICENSING AND DISTRIBUTION AGREEMENTS

We have entered into licensing or distribution agreements with the brand companies for a number of well-known footwear and apparel brands. For our distributed brands, we generally purchase products directly from our brand partners and sell them through our offline and online channels. For our licensed brands, in addition to product sales, we are involved in the design and/or manufacturing of the products, to varying degrees, depending on the specific arrangements with our brand partners. Our licensed and distributed brands in aggregate accounted for approximately 18%, and the largest licensed brand accounted for approximately 5%, 6% and 6% of our total revenue for each of our financial years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023. As of the Latest Practicable Date, our Directors had no reason to believe that any of our material licensing or distribution agreements would not be renewed or extended as and when the relevant agreement expires.

The following table summarizes the principal provisions of our licensing agreements for the licensed brands.

Duration	From four to ten years
Scope of license and exclusivity	For certain licensed brands, we are authorized to *design* the licensed products. In these cases, we are typically required to submit the design concepts, design and pre-production samples to the brand partners for approval. We are generally granted rights to *manufacture* the licensed products. The brand partners typically have rights to approve the manufacturing partners we engage to produce the licensed products, and rights to audit and inspect the licensed products and quality controls methods used at our manufacturing facilities and/or the manufacturing partners' facilities. We are generally granted exclusive and/or non-exclusive rights to *market and sell* the licensed products, through specified online and offline sales channels in designated territories approved by the brand partners, such as mainland China, Hong Kong and Macau.

In addition, we are generally granted rights to use the trademarks of the brand companies to identify the licensed products in our relevant online and offline stores and in association with the advertising and promotion of the licensed products.

Minimum purchase/store opening requirements

Some of our licensing agreements with the brand partners apply minimum purchase and/or minimum store opening requirements to us.

Typically, if we fail to meet the minimum purchase or minimum store opening requirements, we will still be required to pay the minimum royalty or license fees and/or may be required to pay liquidated damages to the relevant brand companies. In addition, the brand partners may be entitled to terminate the license's exclusivity (e.g., the brand partner may operate or authorize third parties to operate additional stores in our designated territories) or even terminate the license agreement.

During the Track Record Period, we did not fail to meet any minimum purchase or minimum store opening requirements that resulted in any material penalties to us. As of the Latest Practicable Date, we did not have any disputes or litigation with the brand companies in this respect.

Business plan and advertising requirements

We are typically required to provide annual business plans to the brand partners for their approval, and the brand partners typically have the right to approve our store opening and closure plans and inspect our stores under their brands.

In addition, we are typically required to commit to minimum advertising and promotional spending and submit marketing materials on the licensed products for the brand partners' review.

Payments

We are typically required to pay:

(i) license-related royalties (typically calculated based on specified rates of the net sales of the licensed products, subject to minimum royalties) and/or

(ii) license or service fees (typically a fixed amount)

to the licensors based on schedules provided in the licensing agreements.

Terminations	Our licensing agreements typically may be terminated upon the parties' mutual agreement or by either party in case of the other party's material breach of the contract or other specified events, and may be renewed upon the parties' mutual agreement.

The following table summarizes the principal provisions of our distribution agreements for the distributed brands.

Duration	From one to five and a half years
Distribution rights and exclusivity	We are typically granted exclusive and/or non-exclusive rights to *market and sell* specified products through specified online and offline sales channels in designated territories, such as mainland China, Hong Kong and Macau. We generally purchase the products from the brand partners for distribution in the designated territories. We are generally granted rights to use the trademarks of the brand companies to identify the distributed products and our relevant online and offline stores and in association with the advertising and promotion of the distributed products.
Minimum purchase/store opening requirements	Some of our distribution agreements with the brand partners set minimum purchase amounts and/or minimum store opening requirements for us. If we fail to meet such requirements, we may be required to pay liquidated damages to the brand partner and the brand partner may be entitled to terminate the distribution agreement, or the parties may cooperate to adjust the minimum purchase or store opening requirements. During the Track Record Period, we did not fail to meet any minimum purchase or minimum store opening requirements that resulted in any material penalties to us. As of the Latest Practicable Date, we did not have any disputes or litigation with the brand companies in this respect.
Business plan and advertising requirements	We are typically required to provide annual business plans to the brand partners for their approval, and the brand partners typically have the right to approve our store opening and closure plans and inspect our stores under their brands.

	In addition, we are typically required to commit to minimum advertising and promotional spending and submit marketing materials on the distributed products for the brand partners' review.
Payments	The prices at which we purchase the distributed products from the brand companies are at a specified discount to their suggested retail prices. We are typically required to pay in full for all products purchased before the delivery of the products, or within a given period after product delivery or issuance of invoices.
Terminations	These agreements may be terminated upon the parties' mutual agreement or by either party in case of the other party's material breach of the contract or other specified events, and may be renewed upon the parties' mutual agreement.

In addition, we and the brand company for MOUSSY and SLY ("**Baroque**") formed (i) a wholesale joint venture 51% and 49% owned by Baroque and us, respectively, to distribute and market apparel and accessories under certain specified brands, such as MOUSSY and SLY in China, and (ii) a retail joint venture 49% and 51% owned by Baroque and us, respectively, to exclusively operate offline and online stores and sell these products in China. Baroque and the two joint ventures described above entered into a renewed license and exclusive distribution agreement for a term of ten years in 2023. Baroque and a subsidiary of the wholesale joint venture also entered into a supply agreement that is automatically renewed each year unless terminated earlier by either party. See "—Our Brands—Our Brand Portfolio" for more information on our license or distribution rights under the relevant brands and their years of inclusion into our brand portfolio.

INSURANCE

We have procured all risks insurance for our business operations in accordance with common industry practice. We review our insurance policies from time to time for adequacy in the breadth of coverage. We believe our existing insurance coverage is in line with the common industry practice in China and is adequate for our existing operations. During the Track Record Period, we did not have any material insurance claims in relation to our business.

HEALTH, OCCUPATIONAL SAFETY AND ENVIRONMENTAL PROTECTION

We are subject to various health, safety, social and environmental laws and regulations and regular inspection by governmental authorities. We are committed to social responsibilities, and consider environmental, social and governance ("**ESG**") essential to our continuous business development and success. We believe that we have adequate policies and procedures in place to ensure compliance with ESG related laws and regulations. Our ESG policies and procedures are critical to achieving our sustainability vision and goals. We group our ESG policies and procedures into the following:

- Environmental – With an aim to reduce environmental impact of our operations, our environmental policies and procedures relate to control over our emissions of pollutants, chemicals, wastes and greenhouse gas; climate change; and resource usage.

- Labor – Our labor policies and procedures concern our relationships with employees, employee training and development, diversity, remuneration, health and safety, and insurance.

- Product Quality – Aimed at improving our product quality, our product quality policies and procedures concern testing, inspection and supply chain management.

- Anti-corruption – We apply a zero-tolerance policy to corruption. We have anti-corruption procedures in our code of conduct, which enable us to take a proactive approach to preventing corruption.

- Data Privacy Protection – Our data privacy protection policies and procedures relate to protection of consumer data in our business operations. See "—Data Privacy Protection" for more information relevant to the company data protection.

- Diversity – Our diversity policy aims to promote diversity, equity and inclusion.

- Governance – Our governance policies and procedures aim to maintain effective board leadership and management processes and cultivate a strong risks control environment.

Our Board has the overall responsibility for establishing, adopting and reviewing the ESG vision, policy and targets of our Group, and evaluating, determining and addressing our ESG-related risks and material issues, including climate-related risks and opportunities. To effectively govern our ESG management work, our Board [has adopted] an ESG policy, which sets out our key ESG-related objectives and responsibilities. Pursuant to our ESG policy, our Board is required to review our core principles in terms of ESG matters on an annual basis, including:

- recognizing the potential impact of our business on the environment, workers, communities and society, as well as the potential impact of climate change on our business and industry, and considering this in all our business dealings;

- maintaining ESG as a key priority for our employees;

- acting responsibly with respect to the environment, aiming for a sustainable approach to the use of resources, environment protection and waste management, and avoiding irresponsible disposal of hazardous products and unnecessary waste while ensuring product quality and service standard;

- being transparent around our direct and indirect impact on the environment through monitoring and measuring material sources of waste, emissions and energy usage and report on these in compliance with our legal and regulatory obligations;

- fostering a culture of acting in accordance with the ESG policy;

- monitoring and reporting key environmental and social risks, mitigation and opportunities for improvement; and

- continuing to promote diversity, inclusiveness and equality in our workforce practices.

Under the ESG policy, we will establish an ESG Oversight Committee reporting to our Board, and this ESG Oversight Committee will have responsibility for the identification, evaluation, prioritization and management of material ESG-related matters. As set forth in our ESG policy, our ESG Oversight Committee will initially comprise our executive Director and company secretary, and heads of our manufacturing, supply chain management, human resources, and corporate culture and public relations departments. See "Directors and Senior Management—Senior Management" for more information relevant to the qualifications and experience of our senior management.

The ESG Oversight Committee will play an important role in assisting our Board in evaluating and managing ESG issues and is responsible for identifying, evaluating and managing the progress of meeting the ESG targets agreed by our Board. Key responsibilities of our ESG Oversight Committee will include:

- Proposing and recommending to the Board our sustainability objectives, strategies, priorities, initiatives, goals and targets;

- Reviewing our ESG policy, goals and targets annually and reporting to the Board;

- Responsibility for preparing our ESG report;

- Reviewing our ESG policy to ensure its effectiveness and presenting our ESG policy to the Board for approval;

- Evaluating the risks and opportunities brought by climate change and other ESG issues to our business; and

- Reviewing and evaluating actions that we take in furtherance of the sustainability priorities, goals and targets, including coordinating with our business units and ensuring that their operations and practices are in adherence with our ESG policy.

Where the ESG Oversight Committee considers it necessary, it may engage a third party consultant to support us in fulfilling our ESG objectives. If we engage such a third party, the ESG Oversight Committee will have responsibility for managing that third-party consultant.

We will incorporate ESG-related matters into various training programs for our employees. The ESG Oversight Committee will also have primary responsibility for preparing our ESG report. The ESG Oversight Committee will report to our Board on an annual basis. Our Board will review the ESG policy, goals and targets annually and be responsible for approving the publication of our ESG report. The Board will also review the ESG policy to ensure its effectiveness and discuss and approve any revision that may be required from time to time.

Identification, Evaluation and Management of ESG Risks and Opportunities

Our Board is responsible for overseeing our ESG direction and strategies, determining the ESG-related risks, and monitoring and reviewing our ESG performance. We also closely follow the latest ESG-related laws and regulations and update our ESG measures to ensure compliance with these laws and regulations. We adopt the following approaches to identifying, assessing and managing material ESG issues:

- Identification: We discuss with key stakeholders, including our customers, major suppliers, management team and employees, the ESG issues and collect their views on our ESG measures and practices, which can help us better identify and prioritize the ESG issues and risks inherent in our business operations and formulate effective ESG measures to mitigate those risks.

- Management: We have implemented ESG measures that provide guidelines on managing our ESG issues. We review ESG issues arising from our business operations, including climate-related issues, major plan of actions, risk management policies, and annual budget in implementing these ESG measures, and our business plans.

Climate-related Risks and Opportunities

We take the risks and opportunities presented by climate change seriously, and our business may be exposed to potential financial and non-financial losses from environmental and climate-related risks. We continuously monitor and assess climate change related risks to our business and are progressively developing plans to mitigate some of these risks. We have identified climate risks associated with our business and initiatives to address them by referring to the list of climate-related risks recommended by the Task Force on Climate-related Financial Disclosures (TCFD), as follows:

- Physical risks: Acute physical risks may arise from extreme weather conditions such as typhoons and heavy rainfall, while chronic physical risks may arise from global warming with persistent high temperatures and frequent natural disasters, which could potentially have a financial impact on our business. Under extreme weather conditions, our factories may suffer direct damages to production equipment and our production lines' operations may be disrupted; our offline stores may be unable to operate normally due to extreme weather; and we may experience supply chain disruptions or increases in raw material prices, if suppliers are affected by extreme weather conditions such as heavy rainfall and flooding.

- Transition risks: In the context of the global low-carbon economic transition, policy and market fluctuations may pose certain risks to our business. Potential emerging policies and laws and regulations may change from time to time, and any changes could increase our compliance costs and place a burden on our operations. At the same time, as the public becomes increasingly concerned about global climate change, consumers are becoming more aware of low-carbon practices, which may require us to make our products more environmentally friendly and reduce our carbon footprint in our daily operations, which may have an impact on our business and financial performance.

Climate Change Adaptation

We are committed to conserving energy and reducing our carbon footprint to reduce greenhouse gas emissions in response to the challenges brought by climate change. Measurement according to the greenhouse gas accounting system enables us to accurately understand the greenhouse gas emissions that we produce directly and indirectly. The power consumption of our factories is our main source of greenhouse gas emissions. The second major source of our greenhouse gas emissions comes from the use of fuel by our official vehicles, natural gas in our employee canteens and the filling of air-conditioning refrigerant. To reduce our greenhouse gas emissions and conserve energy, we have adopted the following measures:

- Installing photovoltaic panels on approximately 35,000 square meters of our idle rooftop, which was completed in December 2023; these panels can generate 5.72 million kWh annually for our own use;

- Continuously looking for effective ways to reduce electricity consumption, including by using LED energy-saving lamps, eliminating inefficient motors, replacing them with high-efficiency inverter air compressors;

- Adopting stringent energy cost control indicators that are subject to monthly review and on-going maintenance;

- Supervising and guiding various internal departments to meet energy saving and emission targets; and

- Requiring our employees to attend mandatory energy saving training.

Besides, we have established an emergency plan preparation team, developed and implemented appropriate emergency plans and mechanisms, as well as conducted regular emergency drills and training annually in an effort to reduce the risks caused by extreme weather events.

Climate-related Opportunities

We actively identify and monitor climate-related opportunities over the short, medium, and long term. Set forth below is a summary of the climate-related opportunities we have identified:

- Market changes in the short to medium term: As the public becomes more concerned about climate change, consumer preferences may shift to lower carbon products, which may expand our consumer base or have a positive impact on our business and improve our margins.

- Technology upgrades in the medium to long term: As technology advances and continues to improve, we continue to explore energy-efficient technologies and adopt energy-efficient equipment, which provide opportunities for us to reduce the energy costs incurred in our operations and contribute to China's transition into a low-carbon economy.

- Product enhancements in the short, medium and long term: We can strengthen sustainable supply chain collaboration with our supply chain partners to facilitate the production and promotion of environmentally friendly products that will help increase our visibility in the marketplace.

Environmental Protection

Various aspects of our business may have significant environmental impact, including waste materials generated during our manufacturing process such as unused raw materials, wastewater and other manufacturing waste, as well as end products which our customers may dispose of after usage. We actively address climate change related risks and seize development opportunities. Our goal is to reduce resource consumption and make minimal emissions of greenhouse gases and pollutants. We have taken various energy-saving and emission-reduction measures to reduce energy consumption and pollutant emissions and improve production efficiency. The environmental management system for certain major operating subsidiaries has been certified under the ISO 14001:2015 standard. Our manufacturing process does not generate material hazards, and our manufacturing process involves minimal waste discharge, noise, and air pollution. This is because our manufacturing process is largely labor-intensive. We have obtained the necessary waste emission permits. In addition, we have waste gas collection and treatment equipment using activated carbon absorption and catalytic combustion techniques for our manufacturing facilities. We have also installed an online monitoring system and connected it to the regulator's platform, to ensure our waste gas emissions' compliance with regulatory requirements. Furthermore, we have been using water-soluble adhesives since

2019 to gradually replace other adhesives in our manufacturing process, which significantly reduces the waste gas that we generate. Water-soluble and other environment-friendly adhesives currently account for a low-teens percentage of the overall adhesives we use, and we expect to gradually increase the use of environment-friendly adhesives that adhere to the relevant footwear quality standards during our manufacturing process. For example, for upper units of the footwear, most of the adhesives we use are environment-friendly. We also use technologies in the design process and replace manual work with automated equipment, to minimize our products' requirements for adhesives. In addition, we have used advanced automated cutting machines to cut leather and increase our utilization of leftover materials, thus reducing solid wastes. For the limited chemical hazards (primarily waste adhesives and absorption tower waste liquid) generated by our testing laboratory, we have engaged qualified third-party service providers to process these hazards regularly.

Our main water consumption is for domestic use of our staff dormitories, while our business operations consume relatively less water. However, we recognize that the consumption of water is becoming an increasingly important ESG issue. Therefore, we will continue to reduce the level of our water usage per employee in the future, through water-saving appliances, recycling of air-conditioning cooling water, conducting water balance testing, implementing water conservation plans and reducing water leakage of appliances. Aside from water consumption, the illumination system in our manufacturing facilities is 100% energy-saving. We also have installed a solar water heating system, which could reduce the energy consumption and generation of greenhouse gas emission during the manufacturing process. In addition, we continue to invest in new equipment, such as promoting the process of equipment automation, and installing digital display screens to track the production data in real time, and improve efficiency of production lines and machine maintenance. We are committed to adopting digital business processes to reduce wastage. For example, we have developed and utilized an automated inspection machine which can perform leather inspection in around 40 seconds, saving more than 95% of the time needed for manual processing. In addition, our machines can digitize the leather's information and conduct automated cutting, thereby reducing material wastage by approximately 20% compared to manual cutting. We also utilize leather pattern sewing machines to replace manual sewing, reducing the time needed for sewing each pair of shoes and thereby further saving energy and resources during the manufacturing process. As an example, for one particular style of footwear, the time needed for completing the sewing process can be reduced by around 50%. Two of our manufacturing facilities received the "Green Factory" award by the MIIT in 2021 and 2023, respectively. The "Green Factory" award was granted by the MIIT after assessing criteria such as sustainable production, energy saving, recycling of wastage and low carbon emission.

Green consumption is expected to be an important factor to drive future consumption. To comply with this development trend, we have begun developing environmentally friendly products, and have used environmentally certified materials to contribute to sustainable development. One of the most important raw materials for our footwear products is leather. We primarily use leather made of cowhide and sheep skins, which are by-products from the meat industry and otherwise would mostly go to waste if unutilized. Given the durable and biodegradable nature of leather, the environmental impacts from leather-made products are thus relatively limited. We have started to use recycled raw materials to produce midsole cardboard and midsole polypropylene, and recycle outdated shoe lasts to produce new shoe lasts. We continue to implement our commitment to responsible procurement, our ability to produce sustainable products as well as our emphasis on sustainable raw materials by reducing the environmental footprint of our raw materials. Given our efficient "order, replenish and redesign" merchandize model, we maintain a healthy inventory level with reduced inventory risk and do not generate any material landfill waste. Such merchandise model also enables us to reduce waste from manufacturing of potentially undesired products.

In addition, we are committed to reducing the use of product packaging materials. Our packaging materials mainly include footwear packages, shoe braces and shopping bags. We have optimized the design and advocated deplasticization of product packaging, such as minimizing packaging to save resources and choosing biodegradable packaging materials (such as non-woven fabrics, paper bags, and wooden sticks) for recycling. We have also started to use recycled raw materials to produce footwear packages and cartons. Furthermore, we collect and recycle the cartons used in the logistics and warehousing process, thereby protecting the environment. Most of the raw materials we currently use in producing midsoles, tools and packaging materials are recyclable, and we expect to gradually increase the portion of recyclable raw materials to the extent possible.

During the Track Record Period and up to the Latest Practicable Date, no administrative sanctions, penalties or punishments had been imposed upon us for the violation of any environmental laws or regulations.

Metrics and Targets

We consider greenhouse gas emissions and resource consumption as key metrics in managing our environmental related risks. Our greenhouse gas emissions consist primarily of Scope 1 and Scope 2 emissions. Scope 1 direct emissions include the greenhouse gas emissions from our manufacturing facilities, stationary combustion sources and vehicles. Scope 2 energy indirect emissions include the greenhouse gas emissions from usage of purchased electricity.

The following table presents a quantitative analysis of our environmental performance during the periods indicated.

	Year ended February 28,		Nine months ended November 30,
Greenhouse gas emission	**2022**	**2023**	**2023**
– Scope 1 (tons CO_2 equivalent)	1,174	1,163	1,444
– Scope 2 (tons CO_2 equivalent)	36,456	32,501	23,973
Total (tons CO_2 equivalent)	37,630	33,664	25,418

Greenhouse gas emission	Year ended February 28, 2022	2023	Nine months ended November 30, 2023
Air pollutant emissions			
Nitrogen oxides (NOx) (kg)	808	679	545
Sulphur oxides (SOx) (kg)	2	1	1
Particulate matter (kg)	78	66	53
Hazardous waste generated (tonnes)	10	8.9	5.5
Resource consumption			
Energy consumption (kWh in million)	71.6	63.8	47.5
– Purchased electricity consumption (kWh in million)	63.9	57.0	42.0
Water consumption (cubic meters in million)	1.1	1.0	0.6

We have set energy-saving and environmental protection targets and indicators for various environmental emissions and important resources involved in our operations. In particular, we target to ensure that 100% of our emissions are discharged up to standard, and all of our hazardous wastes are treated by qualified third parties. We are committed to reducing greenhouse gas emissions and fuel consumption in the coming years, and we also target reducing our per unit electricity consumption of products manufactured by 1% on an annual basis. We target to reduce our total water usage across our manufacturing facilities by approximately 1% for the year ending February 28, 2024, compared to the prior financial year.

Supply Chain Management

We are committed to establishing and maintaining long-term relationships with our suppliers to ensure the stability of our supply chain. We have established a series of supply chain management systems and a supplier grading and classification database. Our procurement agreements also set out the requirements for environmental protection, quality control and production safety. We select suppliers that meet our ESG standards through stringent screening procedures, including qualification review, production site inspection and sample testing. We evaluate suppliers' performance on a regular basis, and would make rectification proposals to below-standard suppliers or terminate them as appropriate. See "—Production—Raw Materials" and "—Production—Production through Manufacturing Partners" for more information on our supply chain management.

Health and Safety

We are subject to workplace safety laws and regulations and treat occupational health and safety as our important responsibilities. The environmental, health and safety management system for certain of our major operating subsidiaries has been certified by the ISO 45001 Occupational Health and Safety Management System. Our manufacturing facilities had obtained the relevant licenses that are material to our operations as required by PRC laws and regulations. We have adopted and implemented a number of measures in relation to occupational health and safety, including systems, policies and procedures for the identification and prevention of accidents and hazardous conditions and procedures relating to emergencies, accidents and other hazardous conditions; providing our employees with a safe and healthy working environment by setting out a series of work safety measures in the staff manual for our staff to follow; providing safety-related training and guidelines to our employees to increase their awareness of occupational health and work safety matters; equipping employees with necessary safety protection equipment as required, such as masks, protective glasses and protective gloves; and conducting periodic safety checks to ensure proper operation of our machines and compliance with our safety guidelines by our employees.

Governmental authorities occasionally conduct safety inspection checks to ensure that our operations comply with workplace safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, none of our employees were involved in any major workplace accident in the course of their employment, and we were not subject to any disciplinary actions with respect to labor protection issues.

Social Responsibility

It is our corporate policy to offer equal opportunities to our employees regardless of gender, age, race, religion or any other social or personal characteristics. For example, female employees accounted for approximately 81% of our total employees as of November 30, 2023 and four out of our eight Directors are female. We are also committed to the fulfillment of our corporate responsibility. For instance, during the COVID-19 outbreak in 2020, we donated shoes and apparel to medical teams supporting Hubei, and donated masks and other anti-epidemic materials to the local government in Shanghai and our upstream and downstream business partners. In addition, we have donated shoes, books, stationery and educational equipment to schools in rural areas and organized low-carbon environmental protection activities.

We have obtained the social responsibility certification pursuant to the Standard SA8000:2014, which sets a standard based on international human rights law and national labour law. The SA8000 standard has nine basic requirements, including those in respect of health and safety, working hours, child labor, discrimination, freedom of association and collective bargaining, remuneration, disciplinary practices, and management systems. The SA8000 certification demonstrates our ethical operations towards all our stakeholders and our commitment to raise the standards set by the Social Accountability International, a global non-governmental organization advancing human rights at work.

During the Track Record Period, the environmental government authorities conducted clean production inspections on us each year and the safety monitoring government authorities conducted safety production standards inspections on us once in three years.

Our cost of compliance with the applicable health, work safety, social and environmental laws and regulations was immaterial during the Track Record Period, and we expect this compliance cost to remain immaterial in the foreseeable future.

LAND AND PROPERTIES

The total carrying amount of our property interests comprising buildings and land use rights accounted for approximately 5.4% of our total assets as of November 30, 2023, and consequently, no single property interest had a carrying value exceeding 15% or more of our total assets. Furthermore, each of our properties that generate rental income had a carrying amount below 1% of our total assets as of November 30, 2023. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this document any valuation report of our property interests, and, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Owned Properties and Land Use Rights

As of November 30, 2023, we had land use rights to six parcels of land with an aggregate site area of approximately 879,400 square meters in the PRC. Our owned properties are primarily used for our production facilities, warehouses and offices. We have obtained the land use rights certificates for all the land we owned.

As of November 30, 2023, we owned 102 properties with an aggregate gross floor area of approximately 502,300 square meters for our production facilities, warehouses, offices and staff dormitories, which we have obtained all the requisite certificates and permits.

Leased Properties

As of November 30, 2023, we had 8,361 directly-operated stores, the majority of which were operated under concessionaire agreements with the remainder under lease agreements. As of November 30, 2023, we leased 2,091 properties in the PRC, the vast majority of which were for operating our stores under lease agreements and the remainder were used for offices and manufacturing facilities.

Our three leased manufacturing facilities are located in Shenzhen, Dongguan and Guangzhou, Guangdong Province. Our leased stores and office premises are located in all of our nine sales regions. See "—Our Omni-channel Retail Network—Our Nationwide Directly-operated Store Network" for more information on the locations of our directly-operated stores.

The table below sets forth our number of leased properties and corresponding outstanding lease liabilities as of the dates indicated. We did not recognize any lease liabilities for short-term leases or leases without minimum rental payment obligations.

	As of February 28,				**As of November 30,**	
	2022		**2023**		**2023**	
	Number of leased properties	*Outstanding lease liabilities (RMB million)*	*Number of leased properties*	*Outstanding lease liabilities (RMB million)*	*Number of leased properties*	*Outstanding lease liabilities (RMB million) (Unaudited)*
Due within 1 year	699	182.5	606	145.5	620	189.1
Due within 2 years	733	494.8	673	470.0	661	499.3
Due after 2 years but within 5 years	620	646.0	408	457.4	292	442.3
Due after 5 years	18	36.9	5	12.8	2	5.0
Total	2,070	1,360.2	1,692	1,085.7	1,575	1,135.7

Note:

The outstanding lease liabilities shown in the table above correspond to leased properties categorized by the lease term expiry dates, which is different from the presentation of current and non-current lease liabilities in our balance sheets, according to IAS 1 "Presentation of financial statements" as of the relevant dates.

None of our stores operated under lease agreements contributed more than 1% of our revenue for the year ended February 28, 2023 or the nine months ended November 30, 2023. As of the Latest Practicable Date, no single property leased by us was material to our operations. If we are required to cease to occupy any of these leased properties, we believe that we will be able to find suitable replacement locations without material delay, incurring undue cost, or causing disruption to our business.

As of the Latest Practicable Date, the lessors for some of our leased properties had not provided valid authorization documents evidencing their right to lease the properties, or had not provided valid title certificates or other ownership documents for the leased properties. We have used these leased properties primarily as our directly-operated stores. As a consequence, we may be exposed to a potential relocation risk if our rights to use these properties were to be successfully challenged. In addition, as of the Latest Practicable Date, a large number of the lease agreements relating to our leased properties had not been registered with the relevant PRC housing administration authorities in accordance with applicable PRC regulations, which could subject us to administrative penalties. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may order us and the landlords to rectify (i.e., register the leases) within a specified period and, if the leases are still not registered, we may be imposed a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. See "Risk Factors—Risks Relating to Our Business and Industry—Defects in our leased properties may adversely affect our ability to use these properties" in this document for more information on relevant risks.

We consider that the defects in the titles of our leased properties and the failure to complete the administrative registrations are primarily attributable to reasons beyond our control because the lessors of these properties are responsible for procuring the necessary ownership certificates and providing documents and information necessary for the administrative filings. We understand that, as of the Latest Practicable Date, some of the lessors were in the process of procuring the property ownership certificates or the construction completion acceptance receipts. To minimize the potential adverse impact of the above property defects on our operations, we plan to continue to maintain regular communication with the lessors regarding their progress of remedying the defects. We have strengthened our internal control procedures to improve our assessment of locations for our new stores from a compliance perspective. We will provide training to our relevant business development personnel to enable them to identify and collect sufficient and valid title certificates, other ownership documents and authorization documents from the lessors during the store opening process. We will also consult with our external legal counsel to review the title certificates and other documents for our new stores' premises to ensure compliance with applicable PRC laws and regulations. Additionally, it is the lessors' responsibility to obtain the title certificates to enter into the leases, and, as a tenant, we will not be subject to any administrative punishment in this regard. Based on our experience and knowledge, if we are required to cease to occupy any of these leased properties, we believe that we will be able to find suitable replacement locations in a timely manner and at a reasonable cost. As of the Latest Practicable Date, neither do we have material disputes with the lessors over the ownership of the leased properties and the registration and filing of lease agreements, nor have we been asked to vacate from any of the leased properties. As of the Latest Practicable Date, we have not received any order from the relevant PRC authorities to register the leases. We regularly communicate with the lessors to obtain their cooperation in the registration of the relevant lease agreements and will seek to complete the registration as soon as practicable, if we are required by any relevant PRC authority to register the leases.

After taking into consideration the above factors, our PRC legal advisors, have confirmed that the legal implications of the defects and non-compliance matters described above are not likely to have a material adverse impact on our business.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

Legal Proceedings

We may from time to time be involved in legal proceedings arising from the ordinary course of our business, such as intellectual property related lawsuits. As of the Latest Practicable Date, we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have non-compliance incidents that our Directors believe would, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

LICENSES, APPROVALS AND PERMITS

As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations. We renew all our material permits and licenses from time to time to comply with the relevant laws and regulations. Our PRC legal advisors, JunHe LLP, have advised us that there is no material legal impediment to renewing such permits or licenses in the PRC.

DATA PRIVACY PROTECTION

We are committed to protecting consumer data in our business operations. We collect certain data and information from consumers in connection with our business and are subject to data privacy laws in relevant jurisdictions, primarily the PRC. The relevant data privacy laws may require consumers to consent to our data collection, usage and transfer. We believe that we are in compliance with all relevant laws and regulations in all material respects with respect to data privacy. We have taken necessary measures to prevent the leakage of consumer data, such as formulating internal policies; taking appropriate encryption, de-identification and other technical measures; entering into confidentiality agreements with our employees; and providing training to our employees to ensure their awareness of our internal policies in relation to customer data protection. We have obtained the Information System Security Level Protection Record Certificate (《信息系統安全等級保護備案證明》) issued by the Shenzhen Public Security Bureau. To protect and safeguard consumers' personal information, we also have in place the policies, procedures, software and technology infrastructure to collect, use, store, retain and transmit our consumer data in compliance with applicable data protection laws and regulations of our major markets, such as the Data Security Law of the PRC (中華人民共和國數據安全法) and the Personal Information Protection Law of the PRC (中華人民共和國個人信息保護法). See "Regulatory Overview—PRC Law and Regulations Relating to the Retail Sector—Information Security" for details.

We collect customers' personal information mainly from members' registration and purchase at offline stores as well as online customer services. We process a customer's personal information based on the legal requirements as provided under the Personal Information Protection Law of the PRC, including obtaining the customer's consent to the terms of our membership agreements or our online data privacy policy, which specify the data we collect, store, use and may share with third parties. Such personal information may include: the customer's nickname and phone number, for membership identity verification; gender, birth date and residing region, for the customer to receive certain benefits and services; brands and products purchased and purchase amounts, as part of our sales records; contact information, for product delivery services; records of participating in online and offline member interactions; phone number, username and password, for purposes of online shopping account registration; online view, search and purchase records, to provide online sales services; internet behavioral records, personal device information and location information, to provide personalized product or service recommendations. We do not intend to provide services to minors directly, and minors are required to obtain their legal guardians' written consent before they can use our platforms or services. We own the consumer data that we collect through our membership programs or our own online channels, and we store and manage this data in our physical servers in Shenzhen and cloud-based servers in Beijing. We do not transfer our customer data to any third parties outside the PRC. We only share customers' data with our affiliates and other business partners (such as payment institutions and logistics service providers) for purposes of providing services to the customers or analyzing the information on our products sold and services provided to enhance our products and services. We assess the legality, appropriateness and necessity of such data sharing and require the third parties to protect the security of the data and strictly comply with relevant laws and regulations. A substantial majority of our online sales are made through third-party online platforms. Data regarding our customers' online purchases made through third-party platforms are managed subject to those third-party platforms' data governance policies. We generally only store personal information for the period necessary to achieve the purpose of processing the data and in compliance with the requirements of applicable laws. In particular, we store members' data until the members' accounts are terminated, to facilitate our services to them. We also retain sensitive information generally for five years. Upon the expiry of the storage period, we will delete or anonymize the personal information, or if it is technically impractical to delete the information, we will cease processing it other than securely storing such information. We will also delete personal information upon request of a user, and where laws and regulations require us to retain personal information, we will only securely store such information.

Sufficient maintenance, storage and protection of consumer data and other related information is critical to our business. Our group-wide policies on data collection and protection practices primarily include: (i) requirements on processing personal information with legal basis, such as providing adequate notice to consumers as to how their data is being collected and used and obtaining their consent, (ii) encrypting consumer data stored on our system, (iii) limiting access of consumer data to authorized employees, and (iv) making reasonable efforts to prevent loss or leakage of consumer data. For example, we use various data security technologies, such as data encryption and desensitization, to protect consumer data's safety, and our frontline staff and regional managers can only access the desensitized consumer data of their respective stores and regions. Access to the original consumer data is prohibited unless approved in accordance with the "need to know basis" principle pursuant to our internal policies. We have established a dedicated information management team in charge of our overall information security and the head of our information management team is responsible for supervising our network security, data security and personal information protection. Our information management team regularly performs data security and privacy checks to ensure that the usage, maintenance and protection of consumer data are in compliance with our internal rules and applicable laws and regulations. We have also incorporated strict ethical standards into our employee manuals and our agreements with our business partners, prohibiting any unauthorized use or disclosure of consumer data. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material consumer data privacy breach, leakage or dispute.

RISK MANAGEMENT AND INTERNAL CONTROLS

We are exposed to various risks in the course of our operations and have established risk management systems with policies and procedures that we believe are appropriate for our business operations. Our policies and procedures relate primarily to the management of our store operations, procurement, production, inventory, treasury and financial reporting processes.

Our management has designed and implemented a risk management policy to address various potential risks identified in relation to operations of our self-operated and distributor-operated stores, including strategic risks, operational risks, financial risks and legal risks. Our risk management policy sets forth procedures to identify, analyze, categorize, mitigate and monitor various risks. Our Board is responsible for overseeing the overall risk management and assessing and updating our risk management policy on an annual basis. Our risk management policy also sets forth a reporting hierarchy of risks identified in our operations.

To manage our extensive business operations, we have established a comprehensive system to maintain strict control over our cash inflows and outflows. Under this system, all cash inflows arising from our stores' operations in each sales region are promptly deposited into certain bank accounts designated by us. These deposited amounts are then transferred directly to accounts managed by our group-level finance team. All cash outflows are cleared through dedicated accounts by our regional financial officers, who are responsible for cash management and budgeting preparation. We generally take the following approaches to managing our cash inflows: (i) for our stores that operate on concessionaire agreements, the stores' sales proceeds are first collected by the department stores, shopping malls or factory outlets and are typically paid to us within 30 days after deduction of the concessionaire fees and other relevant expenses; and (ii) for our stores that operate on lease agreements, the sales proceeds of our stores on lease agreements are paid to us at the time of consumers' purchase by cash, credit card or debit card, and we have adopted strict internal control procedures for handling cash at our stores, such as depositing the cash daily at a designated bank, daily reconciliation of sales recorded by our POS system, sequentially numbering of sales receipts and regular and random checks of cash proceeds against deposit records. In connection with our cash outflows, our group-level finance team is responsible for overseeing our cash management, and requires each sales region to prepare an expense budget approximately every ten days. If approved, our group-level finance team will provide only the amount of cash to our dedicated accounts, which are required by the relevant sales region to meet its expenditures for the said period. We believe that, through our cash flows management, we are able to control our capital risks, ensure our capital security, and improve our capital efficiency.

In addition, we have adopted internal audit policies in connection with our financial risk management. Our audit department is responsible for overseeing our financial risk and business process compliance. In connection with our legal and compliance risk management, we have a dedicated in-house legal team responsible for examining our contract terms, reviewing all relevant licenses, approvals and permits required for our business operations, and continuously monitoring our legal compliance status, litigation matters and other legal risks. We also carefully review our documentation with licensors and our authorized third-party retailers and monitor our designs and marketing materials to manage our intellectual property related risks. In connection with our information systems, our information technology department is responsible for ensuring the security of our information technology infrastructure and ensuring that the usage, maintenance and protection of user data is in compliance with our internal policies and applicable laws and regulations.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we have adopted or will continue to adopt, among other things, the following internal control measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. Our Audit Committee consists of three members, namely Mr. IP Koon Wing Ernest, Ms. ZEE Helen and Ms. HU Xiaoling. For the qualifications and experience of these committee members, see the section headed "Directors and Senior Management" in this document;

- adopt various policies to ensure compliance with the Listing Rules, including aspects related to risk management, connected transactions and information disclosure;

- continue to strictly prohibit bribery and corruption in any form and implement anti-corruption policies and procedures to ensure that all of our business operations are conducted ethically and in full accordance with all applicable laws, rules, and regulations; and provide periodic anti-corruption and anti-bribery compliance training to our senior management and employees to enhance their knowledge and compliance with applicable laws, regulations and best practices, and include these policies in our employee handbooks; and

- provide training to our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of the directors and senior management of companies listed in Hong Kong.

You should read the following discussion and analysis in conjunction with our consolidated financial information included in "Appendix I—Accountant's Report" together with the accompanying notes. The Accountant's Report has been prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB").

This discussion contains forward-looking statements that reflect our current view with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section headed "Risk Factors" and elsewhere in this document.

OVERVIEW

We are a leading soft fashion company and the largest fashion footwear company in China based on 2022 retail sales value, according to Frost & Sullivan. We operate a diversified portfolio of 19 core self-owned brands and partner brands, with product categories encompassing footwear, apparel and accessories for women, men and kids. According to Frost & Sullivan, based on 2022 retail sales value, we ranked No. 1 with a 12.3% market share in China's fashion footwear market, compared to the second place company with a 9.1% market share. During each of the Singles' Day and "June 18" shopping festivals during the Track Record Period, our brands consistently made up at least five out of the top ten best-selling women's fashion footwear brands on Tmall based on sales value. Over the decades, we have operated and refined each stage of the full value chain of our footwear business, including fashion trend research, product planning, design and development, merchandise management, production, direct-to-consumer retail, and building customer insights, and built an industry-leading vertically integrated business model according to Frost & Sullivan. We have also expanded into the apparel business, which consists of partner brands and our own brands. We are committed to building the most vibrant brand growth platform for fashion brands across different product categories and catering to the broadest base of consumers in China.

Our revenue decreased by 18.3% from RMB23.5 billion for the year ended February 28, 2022 to RMB19.2 billion for the year ended February 28, 2023, and our net profit decreased by 54.0% from RMB2.7 billion for the year ended February 28, 2022 to RMB1.3 billion for the year ended February 28, 2023. These decreases were attributable to declines in both offline and online sales, primarily due to the COVID-19 pandemic's impact on our business operations. See "Summary—Impact of COVID-19 Outbreaks on Our Business" for more details. Since early 2023, sales have been recovering for both our online and offline channels as the pandemic situation improved. We have also taken additional measures to optimize our expenses and enhance our profitability. As a result, our revenue increased by 12.8% from RMB14.3 billion for the nine months ended November 30, 2022 to RMB16.1 billion for the same period of 2023, and our net profit increased by 92.7% from RMB1.1 billion for the nine months ended November 30, 2022 to RMB2.1 billion for the same period of 2023. Importantly, our net profit margin reached 12.8% for the nine months ended November 30, 2023, which was the highest level during the Track Record Period.

BASIS OF PRESENTATION

Our Company is an investment holding company incorporated on December 15, 2021, for the purpose of holding the companies operating our principal business (the "[**REDACTED**] **Business**") pursuant to the Reorganization. During the Track Record Period and immediately prior to the Reorganization, the [**REDACTED**] Business was operated and managed under certain wholly-owned subsidiaries of Belle International and their subsidiaries. Pursuant to the Reorganization, the [**REDACTED**] Business was transferred to and held by our Company. See "History, Reorganization and Corporate Structure—Reorganization" for more details. Our Company and those companies that were newly established during the Reorganization were not involved in any other business prior to the Reorganization and did not meet the definition of a business under the IFRS Accounting Standards. The Reorganization is merely a recapitalization of the [**REDACTED**] Business with no change in management or the ultimate owners of the [**REDACTED**] Business. Accordingly, our Group is regarded as a continuation of the [**REDACTED**] Business under Belle International. Our consolidated financial statements set out in "Appendix I—Accountant's Report" to this document have been prepared and presented as a continuation of the consolidated financial statements of Belle International and its subsidiaries, with the assets and liabilities of our Group recognized and measured at the carrying amounts of the [**REDACTED**] Business under the consolidated financial statements of Belle International for all periods presented.

Our consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards issued by the IASB. Our consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value. We have adopted and consistently applied throughout the Track Record Period all of the relevant standards, amendments, and interpretations to the existing standards that were effective during the Track Record Period.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition during the Track Record Period were materially and adversely affected by the COVID-19 outbreaks. See "Summary—Impact of COVID-19 Outbreaks on Our Business" for more details. In addition, our results of operations and financial condition have been and will continue to be affected by a number of factors, mainly including:

Growth of China's Economy and Consumers' Disposable Income and Spending

Substantially all of our business operations are in China and substantially all of our revenue is generated from China. As such, our results of operations are affected by China's economic growth, which in turn affects consumer demand and consumption patterns for our footwear and apparel products. China's nominal GDP increased at a CAGR of 7.1% from 2018 to 2022, and is expected to further grow at a CAGR of 5.0% from 2022 to 2027, according to Frost & Sullivan.

China's economic growth in recent years has driven greater urbanization and Chinese consumers' disposable income and spending. According to Frost & Sullivan, per capita annual disposable income of urban residents and total consumption expenditures in China increased at CAGRs of 5.9% and 3.9%, respectively, from 2018 to 2022, and are expected to further increase at CAGRs of 3.6% and 3.4%, respectively, from 2022 to 2027. According to the same source, driven by the increasing consumer spending power, growth of China's soft fashion industries, and the rapid development of online shopping, Chinese consumers' per capita annual spending on fashion footwear and apparel is expected to increase at CAGRs of 4.0% and 3.1%, respectively, from 2022 to 2027. We expect that our results of operations will continue to be affected by the growth of China's economy, per capita disposable income and consumer spending and the growth of China's fashion footwear and apparel industries.

Attractiveness of Our Brand Portfolio and Product Offering

We currently operate a diversified portfolio of 19 core brands, including 12 of our own brands and seven partner brands (including licensed brands and distributed brands). These brands collectively cover a wide range of price points and styles and cater to a variety of consumers and functions to meet consumers' diverse fashion needs. Our broad portfolio of brands allows us to capture business opportunities among different consumer groups in China's fashion footwear and apparel industries and flexibly adapt to market changes and consumer demands. Each of our brands has its own brand concept and positioning, targeted customer base, pricing and marketing strategies. We continuously optimize our brand portfolio to increase the diversity and differentiation among our brands, which in turn can increase their appeal to a larger consumer base. We also constantly monitor the latest fashion trends and, from time to time, add promising new brands to our brand portfolio through distribution or license agreements, acquisitions or investments.

We monitor fashion trends closely and adjust our product offerings based on these trends and the evolving consumer preferences. For example, over the years, we have seen a gradual yet significant shift in consumer preference from formal to athleisure styles and have adjusted our product offerings accordingly. We also have expanded and will continue to expand our product categories.

The attractiveness of our brand portfolio and product offerings directly impacts our product sales, which in turn affects our operating results and financial performance.

Our Direct-to-Consumer Sales Channels

Substantially all of our revenue is generated from direct sales to consumers, either from our nationwide offline retail network or through online channels. As of November 30, 2023, our retail network consisted of 8,361 directly-operated stores in China. Our nationwide directly-operated store network is an indispensable asset that not only drives our business growth, but also allows us to gain insights into the latest consumer preference through direct, continuous and frequent interactions with a large number of consumers. Among our retail channels, department stores, which are traditionally the go-to shopping venues in cities across China, remain important partners for us. At the same time, China's shopping malls, which integrate shopping, entertainment and social networking functions, and factory outlets, have attracted increasing consumer traffic in recent years. In response to this trend, we have adjusted our offline channels to increase the proportion of shopping mall stores and other locations such as factory outlets in our offline network. In addition to optimizing our channel mix, we continually open new stores in promising locations, upgrade well-performing stores by increasing store size and product categories as well as enhancing store designs, and close under-performing stores.

We have devoted significant resources to developing our online sales channels. We sell directly to consumers on major e-commerce platforms such as Tmall, VIP.com, and JD.com as well as social media platforms such as Douyin. Our revenue from sales through online channels accounted for 23.6%, 27.1% and 27.7% of our total revenue for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively.

The penetration and the effectiveness of our direct-to-consumer sales channels will continue to impact our results of operations and financial performance.

Lease-Related Expenses

Our lease-related expenses consist of lease expenses (mainly including concessionaire fees), depreciation and amortization of right-of-use assets in relation to our stores, and property management fees. We operate our stores in department stores and shopping malls primarily under concessionaire agreements or lease agreements. Our concessionaire expenses are typically a percentage of sales generated from these stores. Our lease expenses under lease agreements are fixed, or a percentage of our sales, or a combination of both. Collectively, concessionaire and lease expenses represent a significant portion of our operating expenses.

For the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our lease-related expenses in relation to our stores amounted to RMB3,277.9 million, RMB2,752.1 million and RMB2,086.5 million, respectively, representing 18.2%, 19.6% and 17.9% of our revenue from offline sales for these respective periods. Changes in our lease-related expenses as a percentage of our revenue from offline sales will continue to affect our results of operations.

Staff Costs

Our staff costs primarily consist of wages, salaries and bonuses, pension costs, welfare and other expenses for our store, manufacturing, administrative and other personnel. Our total staff costs were RMB4,853.5 million, RMB4,527.6 million and RMB3,163.5 million for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively, accounting for 20.6%, 23.6% and 19.6% of our revenue for these respective periods. Since our staff costs account for a meaningful portion of our total revenue, our cost structure and profitability were affected by our headcount adjustment and resource reallocations during the Track Record Period and will be affected by the general trend of wage changes in China.

Product Procurement and Raw Material Costs

Our product procurement costs represented primarily costs of finished goods procured both from our manufacturing partners and brand partners, adjusted for changes in inventory provisions. For the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our product procurement costs accounted for 25.0%, 28.0% and 27.6% of our revenue, respectively. Our raw material costs consisted primarily of raw materials for the footwear products that we manufactured in-house, adjusted for changes in inventory provisions. For the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our raw material costs represented 6.2%, 5.1% and 3.4% of our revenue, respectively.

Our product procurement and raw material costs generally fluctuate according to market conditions, changes in commodity prices and our bargaining power against suppliers. We believe that our results of operations will continue to be influenced by fluctuations in these factors and our ability to identify and manage qualified manufacturing partners and raw material suppliers who meet our standards and offer commercially acceptable terms.

Seasonality

Our results of operations are subject to seasonal fluctuations. We generally achieve higher sales during public holidays and holiday seasons in China, such as Christmas and the Chinese New Year, and during major promotion periods, such as China's June 18 and Singles' Day shopping festivals. In addition, our autumn and winter products typically have higher selling prices than our spring and summer products, as the materials for producing our autumn and winter products are comparatively more costly. Our business is also susceptible to extreme or unexpected changes in weather conditions. For example, extended periods of unusually warm temperatures during the winter season can render a portion of our inventory obsolete, particularly seasonal products. As a result of these types of fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different years, are not necessarily meaningful and should not be relied upon as an indicator of our performance.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. We continually reevaluate these estimates and judgments based on historical experience and other factors, including industry practices and our expectations of future events that we believe to be reasonable under the circumstances. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Revenue and Income Recognition – Sale of Goods

We recognize revenue from sale of goods when control of the products has been transferred, as the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or we have objective evidence that all criteria for acceptance have been satisfied.

We recognize our sale of goods to the retail customers when control of the goods is transferred, which is when the retail customer purchases the goods at the retail store. Our sale of goods to end customers through e-commerce platforms and to wholesalers are recognized when control of the products is transferred, which is when the products are delivered to the customers.

We recognize revenue from sale of goods based on the price specified in the contract, net of discounts, return of goods and value added taxes. We use our accumulative experience to estimate future return of goods at the time of sale at a portfolio level (expected value method), and the amount of returned goods has been insignificant based on our past experience.

Inventories

We state our inventories, which comprise raw materials, work-in-progress, finished goods and consumables, at the lower of cost and net realizable value. We determine our cost based on the weighted average method. The cost of finished goods and work-in progress comprises raw materials, direct labor costs, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is based on the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Trade receivables

Trade receivables are amounts due from sale of goods or services performed in the ordinary course of business. If collection of trade receivables is expected within one year or less (or any 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.

We recognize trade receivables initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case we recognize them at fair value. We hold our trade receivables with the objective of collecting the contractual cash flows and therefore we measure them subsequently at amortized cost using the effective interest method.

Accounting for Leases – Our Group as Lessee

We assess whether a contract is or contains a lease at the inception of the contract. We recognize a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which we are the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these exceptions, we recognize the lease payments on a straight-line basis as an expense in profit or loss over the term of the lease.

We initially measure lease liabilities at the present value of the lease payments that have not yet been paid at the commencement date, discounted by using the interest rate implicit in the relevant lease. If this interest rate cannot be readily determined, we use our incremental borrowing rate specific to the country, term and currency of the lease. In addition, we consider our recent borrowings as well as publicly available data for instruments with similar characteristics when calculating the incremental borrowing rates.

Lease payments included in the measurement of the lease liability comprise fixed lease payments, less any lease incentives; variable lease payments that depend on an index or rate, which are initially measured using the index or rate at the commencement date; the amount expected to be payable by the lessee under residual value guarantees; and purchase option or extension option payments, provided that we have enforceable rights to exercise the relevant purchase options or extension options and we are reasonably certain to exercise these options.

Lease liabilities are presented as a separate line item in our consolidated balance sheets. Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest accrued on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments already made.

We remeasure lease liabilities upon a change in the lease term, changes in an index or rate used to determine the lease payments, or reassessment of exercise of a purchase or extension option. We make corresponding adjustment to the related right-of-use asset.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, initial direct costs (if any) and restoration costs. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. The right-of-use assets are presented as a separate line item in our consolidated balance sheets.

We apply IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired, and we account for any identified impairment loss as described in Note 3.2.5 to the Accountant's Report included in Appendix I to this document.

Variable lease payments that do not depend on an index or rate are not included in the measurement of lease liabilities and right-of-use assets. We recognize the related payments as an expense in the period in which the event or condition that triggers these payments occurs, and they are included in the lease expenses in our consolidated statements of profit or loss.

Intangible Assets

Goodwill

Goodwill arises on our acquisition of subsidiaries, which represents the excess of the consideration transferred over our interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, we allocate goodwill acquired in a business combination to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. We monitor goodwill at the operating segment level.

Goodwill is not amortized. We conduct impairment reviews annually or more frequently if events or changes in circumstances indicate a potential impairment. We compare the carrying value of goodwill to the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. We recognize any impairment immediately as an expense and it is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Acquired trademarks

We carry separately acquired trademarks at cost less accumulated amortization and accumulated impairment losses, if any. Trademarks acquired in a business combination are initially recognized at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and accumulated impairment losses, if any. We calculate amortization of trademarks that have definite useful lives using the straight-line method to allocate the costs of acquired trademarks over their estimated useful lives of 20 years, which we determined based on the historical performance of the acquired trademarks and our management's industry knowledge and experience.

Fair Value Estimation

We measure our financial instruments in the consolidated balance sheets according to the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- 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).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

We determine the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required for the fair value of an instrument are observable, the instrument is included in level 2. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves, and the fair value of foreign exchange forward contracts is determined using forward exchange rates at the end of the reporting period.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques we use to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments; and

– Other techniques, such as discounted cash flow analysis and recent comparable transaction, are used to determine fair value for the remaining financial instruments.

As of February 28, 2022 and 2023 and November 30, 2023, our financial assets measured at level 3 fair value comprised unlisted investments classified as financial assets at fair value through profit or loss of RMB84.0 million, RMB75.6 million and RMB78.9 million, respectively. These unlisted investments represent our investment in the brand companies for 7or9, Beaster and BaixiaoT for an aggregate consideration of RMB84.0 million, with none of these investments exceeding US$5 million. We acquired less than 20% of the equity interest in each of these brands.

The following table presents the changes in our level 3 financial instruments during the Track Record Period:

	Year ended February 28,		Nine months ended November 30,
	2022	**2023**	**2023**
	RMB million	*RMB million*	*RMB million*
			(Unaudited)
Unlisted investments			
At beginning of the year	–	84.0	75.6
Additions	84.0	–	–
Fair value change	–	(8.4)	3.3
At end of the year	84.0	75.6	78.9

We adopted the market approach to measure the fair value of our unlisted investments. As at February 28, 2022, the significant unobservable input to fair value measurement is the recent transaction prices. As at February 28, 2023 and November 30, 2023, the significant unobservable inputs included (i) market multiple (price/sales) of 1.2X to 1.7X and 1.4X to 2.4X, respectively, and (ii) marketability discount of 24% to 27% and 20% to 30%, respectively. A sensitivity analysis of these significant unobservable inputs is set forth in the table below.

Level 3 instruments	Valuation approach	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitively analysis, as of February 28, 2022	February 28, 2023	November 30, 2023 *(Unaudited)*
		Recent transaction price	Directly linked to the fair value	If the recent transaction price increased or decreased by 10%, fair value would have increased or decreased by RMB8.4 million	N/A	N/A
Unlisted investments	Market approach	Market multiple	Directly linked to the fair value	N/A	If the market multiple increased or decreased by 10%, fair value would have increased or decreased by RMB7.6 million	If the market multiple increased or decreased by 10%, fair value would have increased or decreased by RMB7.9 million
		Marketability discount	Directly linked to the fair value	N/A	If the marketability discount increased or decreased by 10%, fair value would have increased or decreased by RMB2.5 million	If the marketability discount increased or decreased by 10%, fair value would have increased or decreased by RMB2.5 million

There was no transfer between levels 1, 2 and 3 during the Track Record Period. See also Note 4.2 to the Accountant's Report included in Appendix I to this document.

Our management established the fair value of our financial assets as of February 28, 2022, measured at level 3 fair value measurement using the market approach with reference to recent transaction prices, because the relevant transactions had been completed a short while ago. Taking into account the valuation techniques and various assumptions of unobservable inputs, our management reviewed the underlying transactional documents, conducted fair value measurement of our level 3 financial instruments, determined whether the fair value measurement was in compliance with the applicable IFRSs, and reported to our Directors. For the financial assets as of February 28, 2023 and November 30, 2023, considering the changes in market conditions and the relatively long period since completion of the relevant transactions, we engaged an independent third party valuer to evaluate the fair value of our financial assets measured at level 3 fair value measurement and provided them with all underlying documents used for the valuation. Our Directors reviewed the valuation report prepared by the valuer and carefully considered, among others, the following factors: (i) available market information of the target companies as well as comparable companies, and their respective financial information; (ii) the discount for lack of marketability of the investments; and (iii) applicable assumptions, methodology and valuation techniques applied in determining the valuation of the investments. Based on the above, our Directors are of the view that the valuation of our level 3 financial instruments is fair and reasonable.

Details of the fair value measurement of financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, are provided in Note 4.2 to the Accountant's Report included in Appendix I to this document, which was issued by the Reporting Accountant in accordance with the 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 our Group for the Track Record Period is set out on page I-2 of Appendix I to this document.

In relation to the valuation of the financial assets classified within level 3 of the fair value measurement, the Joint Sponsors have undertaken the following key due diligence steps: (1) discussed with the management of the Company the nature and details of the financial assets, including the non-market related information which required management assessment and estimate; (2) discussed with the Company the key bases, assumptions and methodologies for the valuation of the financial assets at fair value through profit or loss; (3) discussed with the management of the Company their assessment of the valuation of the financial assets at fair value through profit or loss; (4) reviewed the valuation report prepared by the valuer; and (5) discussed with the Reporting Accountant on the audit procedures performed in accordance with the relevant auditing standards and reviewed the relevant notes in the Accountant's Report as contained in Appendix I to the document. Based on the due diligence conducted described above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the fair value measurement of the relevant financial assets.

Government Incentives

We recognize incentives from the government at their fair value where there is a reasonable assurance that the incentives will be received and we will comply with all attached conditions.

We defer government incentives relating to costs and recognize them in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

We include government incentives relating to purchase of property, plant and equipment and projects in non-current liabilities as deferred income and credit them to profit or loss on a straight-line basis over the expected lives of the related assets and projects.

OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth our consolidated statements of profit or loss in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended February 28,				Nine months ended November 30,			
	2022		2023		2022		2023	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*
					(Unaudited)			
Revenue	23,509.7	100.0	19,210.3	100.0	14,286.7	100.0	16,112.0	100.0
Cost of sales	(8,216.4)	(34.9)	(7,058.5)	(36.7)	(5,060.8)	(35.4)	(5,578.0)	(34.6)
Gross profit	15,293.3	65.1	12,151.8	63.3	9,225.9	64.6	10,534.0	65.4
Selling and marketing expenses	(9,718.9)	(41.3)	(8,613.0)	(44.8)	(6,480.0)	(45.4)	(6,485.2)	(40.3)
General and administrative expenses	(2,556.0)	(10.9)	(2,249.7)	(11.7)	(1,584.2)	(11.1)	(1,522.8)	(9.5)
Other income and other gains, net	591.0	2.5	439.4	2.3	332.4	2.3	209.6	1.3
(Provision for)/reversal of impairment of trade receivables	(0.6)	(0.0)	5.8	0.0	(2.1)	(0.0)	(0.6)	(0.0)
Operating profit	3,608.8	15.4	1,734.3	9.0	1,492.0	10.4	2,735.0	17.0
Finance income	83.8	0.4	58.1	0.3	41.9	0.3	48.3	0.3
Finance costs	(113.2)	(0.5)	(166.7)	(0.9)	(115.0)	(0.8)	(164.6)	(1.0)
Finance costs, net	(29.4)	(0.1)	(108.6)	(0.6)	(73.1)	(0.5)	(116.3)	(0.7)
Share of results of associates	28.3	0.1	24.8	0.1	18.4	0.1	20.3	0.1
Profit before income tax	3,607.7	15.3	1,650.5	8.6	1,437.3	10.1	2,639.0	16.4
Income tax expense	(872.9)	(3.7)	(393.1)	(2.0)	(369.3)	(2.6)	(581.1)	(3.6)
Profit for the year/period	2,734.8	11.6	1,257.4	6.5	1,068.0	7.5	2,057.9	12.8

	Year ended February 28,				Nine months ended November 30,			
	2022		2023		2022		2023	
	RMB million	%	*RMB million*	%	*RMB million*	%	*RMB million*	%
					(Unaudited)			
Attributable to								
Equity holders of the Company	2,775.7	11.8	1,340.3	7.0	1,133.8	7.9	2,029.6	12.6
Non-controlling interests	(40.9)	(0.2)	(82.9)	(0.4)	(65.8)	(0.5)	28.3	0.2
	2,734.8	**11.6**	**1,257.4**	**6.5**	**1,068.0**	**7.5**	**2,057.9**	**12.8**
Earnings per share for profit attributable to equity holders of the Company								
Basic and diluted earnings per share *(RMB per Share)*	0.53		0.25		0.22		0.39	

DESCRIPTION OF SELECTED PROFIT OR LOSS STATEMENT LINE ITEMS

Revenue

During the Track Record Period, we generated revenue from two business segments: (i) our footwear segment, representing our footwear and related operation, and (ii) our apparel segment, representing our apparel and related operation.

Revenue by Segment

The following table sets forth a breakdown of our revenue by segment in absolute amounts and as a percentage of our total revenue for the periods indicated:

	Year ended February 28,				Nine months ended November 30,			
	2022		2023		2022		2023	
	RMB million	%	*RMB million*	%	*RMB million*	%	*RMB million*	%
					(Unaudited)			
Segment:								
Footwear	20,224.1	86.0	16,530.1	86.0	12,319.2	86.2	14,021.2	87.0
Apparel	3,285.6	14.0	2,680.2	14.0	1,967.5	13.8	2,090.8	13.0
Total	23,509.7	100.0	19,210.3	100.0	14,286.7	100.0	16,112.0	100.0

Revenue from our footwear segment decreased by 18.3% from RMB20,224.1 million for the year ended February 28, 2022 to RMB16,530.1 million for the year ended February 28, 2023. Revenue from our footwear segment increased by 13.8% from RMB12,319.2 million for the nine months ended November 30, 2022 to RMB14,021.2 million for the same period of 2023.

Revenue from our apparel segment decreased by 18.4% from RMB3,285.6 million for the year ended February 28, 2022 to RMB2,680.2 million for the year ended February 28, 2023. Revenue from our apparel segment increased by 6.3% from RMB1,967.5 million for the nine months ended November 30, 2022 to RMB2,090.8 million for the same period of 2023.

Revenue by Sales Channel

During the Track Record Period, we generated revenue primarily from offline channels, substantially all of which were from sales through our directly-operated stores. We also generated an increasing proportion of our revenue from online channels. The following table sets forth a breakdown of our revenue by segment and sales channel in absolute amounts and as a percentage of our total revenue from our footwear segment and apparel segment, respectively, for the periods indicated:

	Year ended February 28,				Nine months ended November 30,			
	2022		2023		2022		2023	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*
					(Unaudited)			
Footwear								
Offline channels	15,324.9	75.8	11,843.9	71.7	8,667.6	70.4	10,025.0	71.5
Online channels	4,899.2	24.2	4,686.2	28.3	3,651.6	29.6	3,996.2	28.5
Subtotal	20,224.1	100.0	16,530.1	100.0	12,319.2	100.0	14,021.2	100.0
Apparel								
Offline channels	2,648.2	80.6	2,163.1	80.7	1,553.7	79.0	1,626.9	77.8
Online channels	637.4	19.4	517.1	19.3	413.8	21.0	463.9	22.2
Subtotal	3,285.6	100.0	2,680.2	100.0	1,967.5	100.0	2,090.8	100.0
Total	23,509.7		19,210.3		14,286.7		16,112.0	

During the Track Record Period, offline sales remained as the major contributor to our revenue for both the footwear and apparel segments, while online sales gradually increased as a percentage of our total revenue. For the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our revenue from online sales accounted for 24.2%, 28.3% and 28.5% of our footwear segment's revenue, respectively. For these same respective periods, our revenue from online sales accounted for 19.4%, 19.3% and 22.2% of our apparel segments' revenue.

Cost of Sales

Our cost of sales primarily consisted of (i) product procurement costs, including finished goods procured both from our manufacturing partners and from our brand partners, adjusted for changes in inventory provisions, (ii) raw material costs, including raw material costs for footwear products manufactured in-house, adjusted for changes in inventory provisions, (iii) direct labor costs, representing costs of personnel engaged in our product manufacturing, and (iv) other manufacturing overheads, such as utility charges as well as depreciation and amortization of property and equipment in relation to our product manufacturing.

The following table sets forth a breakdown of our cost of sales by nature in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended February 28,				Nine months ended November 30,			
	2022		2023		2022		2023	
	RMB million	*% of total revenue*	*RMB million*	*% of total revenue*	*RMB million*	*% of total revenue*	*RMB million*	*% of total revenue*
					(Unaudited)			
Product procurement costs	5,866.2	25.0	5,376.1	28.0	4,041.9	28.3	4,446.1	27.6
Raw material costs	1,466.2	6.2	973.5	5.1	461.6	3.2	553.2	3.4
Direct labor costs	516.7	2.2	516.0	2.7	405.3	2.8	391.9	2.4
Other manufacturing overheads	367.3	1.6	192.9	1.0	152.0	1.1	186.8	1.2
Total	8,216.4	34.9	7,058.5	36.7	5,060.8	35.4	5,578.0	34.6

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the periods indicated:

	Year ended February 28,				Nine months ended November 30,			
	2022		2023		2022		2023	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*
					(Unaudited)			
Footwear	13,336.8	65.9	10,628.6	64.3	8,039.1	65.3	9,223.1	65.8
Apparel	1,956.5	59.5	1,523.2	56.8	1,186.8	60.3	1,310.9	62.7
Total	15,293.3	65.1	12,151.8	63.3	9,225.9	64.6	10,534.0	65.4

Selling and Marketing Expenses

Our selling and marketing expenses were RMB9,718.9 million, RMB8,613.0 million and RMB6,485.2 million for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively, accounting for 41.3%, 44.8% and 40.3% of our revenue for these respective periods. Our selling and marketing expenses comprised (i) lease related expenses, including lease expenses (mainly including concessionaire fees) and depreciation and amortization of right-of-use assets in relation to our stores, and property management fees, (ii) staff costs in relation to our store personnel and our sales and marketing personnel, (iii) promotion and advertising expenses, (iv) logistics service fees for warehousing and delivery of our products, (v) online platform service fees paid to third-party online sales platforms, (vi) depreciation of property and equipment resulting from our opening of new stores and upgrading of our existing stores, and (vii) others, including impairment of right-of-use assets in relation to our stores and miscellaneous expenses.

The following table sets forth a breakdown of our selling and marketing expenses in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended February 28,				**Nine months ended November 30,**			
	2022		**2023**		**2022**		**2023**	
	RMB million	*% of total revenue*	*RMB million*	*% of total revenue*	*RMB million*	*% of total revenue*	*RMB million*	*% of total revenue*
					(Unaudited)			
Lease related expenses	3,277.9	13.9	2,752.1	14.3	2,141.1	15.0	2,086.5	12.9
Staff costs	2,726.1	11.6	2,544.1	13.2	1,885.8	13.2	1,881.5	11.7
Promotion and advertising expenses	1,235.0	5.3	1,063.4	5.5	797.6	5.6	894.2	5.5
Logistics service fees	853.9	3.6	710.9	3.7	545.4	3.8	526.2	3.3
Online platform service fees	489.0	2.1	477.7	2.5	354.4	2.5	383.1	2.4
Depreciation	457.4	1.9	518.0	2.7	376.3	2.6	332.1	2.1
Others	679.6	2.9	546.8	2.8	379.4	2.7	381.6	2.4
Total	9,718.9	41.3	8,613.0	44.8	6,480.0	45.4	6,485.2	40.3

General and Administrative Expenses

Our general and administrative expenses were RMB2,556.0 million, RMB2,249.7 million and RMB1,522.8 million for the years ended February 28, 2022 and 2023 and nine months ended November 30, 2023, respectively, accounting for 10.9%, 11.7% and 9.5% of our revenue for these respective periods. Our general and administrative expenses comprised (i) staff costs in relation to our administrative staff, (ii) depreciation and amortization in relation to property, plant and equipment, land use rights and intangible assets, (iii) lease related expenses, including lease expenses and depreciation and amortization of right-of-use assets in relation to our office properties, and property management fees, (iv) other tax expenses, such as city construction tax, education related and other surcharges, (v) [**REDACTED**], and (vi) others, including research and development expenses, transportation and travelling expenses, and miscellaneous expenses.

The following table sets forth a breakdown of our general and administrative expenses in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended February 28,				**Nine months ended November 30,**			
	2022		**2023**		**2022**		**2023**	
	RMB million	*% of total revenue*	*RMB million*	*% of total revenue*	*RMB million*	*% of total revenue*	*RMB million*	*% of total revenue*
					(Unaudited)			
Staff costs	1,610.7	6.9	1,467.5	7.6	1,049.0	7.3	890.1	5.5
Depreciation and amortization	118.2	0.5	135.3	0.7	96.9	0.7	107.9	0.7
Lease related expenses	170.6	0.7	147.5	0.8	102.8	0.7	119.3	0.7
Other tax expenses	162.8	0.7	128.8	0.7	91.3	0.6	110.3	0.7
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	437.0	1.9	362.4	1.9	236.0	1.7	295.2	1.8
Total	2,556.0	10.9	2,249.7	11.7	1,584.2	11.1	1,522.8	9.5

Other Income and Other Gains/(Losses), Net

Our net other income comprised (i) government incentives, which represented subsidies provided by various PRC local governmental authorities in recognition of our contribution to the development of local economies, (ii) other income primarily from a related party, to whom we provided certain e-commerce service during the Track Record Period; we had ceased to provide this service by the end of 2021, and (iii) rental income from related parties and Independent Third Parties who historically leased our properties as office premises and for warehousing purposes. Our net other gains/(losses) consisted of gain or loss on disposal of subsidiaries, net foreign exchange gains or losses and changes in fair value of unlisted investments. Our net other income was RMB533.6 million, RMB456.4 million and RMB233.5 million for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively. We recorded net other gains of RMB57.4 million for the year ended February 28, 2022, and net other losses of RMB17.0 million for the year ended February 28, 2023 and RMB23.9 million for the nine months ended November 30, 2023.

The following table sets forth a breakdown of our net other income and other gains/(losses) for the periods indicated:

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million*	*RMB million*
			(Unaudited)	
Government incentives	423.1	402.4	314.1	194.2
E-commerce service fee income	66.0	–	–	–
Rental income	44.5	54.0	42.9	39.3
Other income	533.6	456.4	357.0	233.5
Gain/(loss) on disposal of subsidiaries	52.0	–	–	(3.2)
Net foreign exchange (losses)/gains	5.4	(8.6)	(16.2)	(24.0)
Change in fair value of unlisted investments	–	(8.4)	(8.4)	3.3
Other gains/(losses), net	57.4	(17.0)	(24.6)	(23.9)
Total	**591.0**	**439.4**	**332.4**	**209.6**

Impairment of Trade Receivables

Our impairment of trade receivables was related to trade receivables under certain concessionaire arrangements for our offline retail network. We recorded provision for impairment loss on trade receivables of RMB0.6 million for the year ended February 28, 2022, reversal of impairment loss on trade receivables of RMB5.8 million for the year ended February 28, 2023, and provision for impairment loss on trade receivables of RMB0.6 million for the nine months ended November 30, 2023.

Finance Costs, Net

Our finance income was interest income from bank and other deposits, and our finance costs comprised interest expense on bank borrowings and interest expense on lease liabilities. Our finance income amounted to RMB83.8 million, RMB58.1 million and RMB48.3 million for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively. Our finance costs were RMB113.2 million, RMB166.7 million and RMB164.6 million in these respective periods.

The following table sets forth a breakdown of our net finance costs for the periods indicated:

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million* *(Unaudited)*	*RMB million*
Finance income				
Interest income from bank and other deposits	83.8	58.1	41.9	48.3
Finance costs				
Interest expense on bank borrowings	(29.1)	(98.7)	(61.8)	(120.6)
Interest expense on lease liabilities	(84.1)	(68.0)	(53.2)	(44.0)
Finance costs, net	(29.4)	(108.6)	(73.1)	(116.3)

Income Tax Expense

Our income tax included current income tax and deferred income tax. Our income tax expense was RMB872.9 million, RMB393.1 million and RMB581.1 million for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively. Our effective income tax rate was 24.2%, 23.8% and 22.0% in these respective periods.

Cayman Islands and British Virgin Islands (the "BVI")

Under the current laws of the Cayman Islands and the BVI, our Company and our subsidiaries incorporated in the BVI are not subject to tax on income or capital gains.

Hong Kong and Macau

Our subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax. Under the two-tiered profits tax rates regime, the first HK$2.0 million of profits of our qualifying group entities will be taxed at 8.25%, and profits above HK$2.0 million will be taxed at 16.5%. The profits of our group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate 16.5%.

Our subsidiaries incorporated in Macau are subject to Macau complementary tax levied at progressive rates ranging from 3% to 12%.

PRC

During the Track Record Period, most of our subsidiaries established in the PRC were subject to the PRC enterprise income tax at the rate of 25.0%, except that some of our subsidiaries were entitled to certain preferential tax rates up to 15.0% and enjoyed certain other preferential tax treatments.

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to a foreign investor are generally subject to a 10.0% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between Mainland China and Hong Kong, the withholding tax rate applicable to us will be reduced from 10% to 5% subject to the fulfillment of certain conditions.

PERIOD-TO-PERIOD COMPARISONS OF RESULTS OF OPERATIONS

Period Ended November 30, 2023 Compared with Period Ended November 30, 2022

Revenue

Our revenue increased by 12.8% from RMB14,286.7 million for the nine months ended November 30, 2022 to RMB16,112.0 million for the same period of 2023. Our revenue from the footwear segment increased by 13.8% from RMB12,319.2 million for the nine months ended November 30, 2022 to RMB14,021.2 million for the same period of 2023. Our revenue from the apparel segment increased by 6.3% from RMB1,967.5 million for the nine months ended November 30, 2022 to RMB2,090.8 million for the same period of 2023. Such increases were primarily attributable to (i) recovery in consumer traffic and spending as the pandemic situation improved, and our continued efforts in branding and retail channel optimization, which led to a 14.0% increase in our offline sales, and (ii) our improving online operations and increasing online penetration, which led to a 9.7% increase in our online sales.

Cost of Sales

Our cost of sales increased by 10.2% from RMB5,060.8 million for the nine months ended November 30, 2022 to RMB5,578.0 million for the same period of 2023, primarily due to an RMB404.2 million increase in product procurement costs and an RMB91.6 million increase in raw material costs to support our revenue growth.

Gross Profit and Gross Profit Margin

Our gross profit increased by 14.2% from RMB9,225.9 million for the nine months ended November 30, 2022 to RMB10,534.0 million for the same period of 2023. Our overall gross profit margin increased from 64.6% for the nine months ended November 30, 2022 to 65.4% for the same period of 2023.

The gross profit margin of our footwear segment increased from 65.3% for the nine months ended November 30, 2022 to 65.8% for the same period of 2023. The gross profit margin of our apparel segment increased from 60.3% for the nine months ended November 30, 2022 to 62.7% for the same period of 2023. These increases were primarily because we offered less promotional discounts as the pandemic situation improved.

Selling and Marketing Expenses

Our selling and marketing expenses remained relatively stable at RMB6,480.0 million for the nine months ended November 30, 2022 and RMB6,485.2 million for the same period of 2023. Our selling and marketing expenses as a percentage of our revenue decreased from 45.4% for the nine months ended November 30, 2022 to 40.3% for the same period of 2023, primarily attributable to closures of low-performing offline directly-operated stores and an increase in average sales per store, which led to a decrease in lease-related expenses and staff costs as a percentage of revenue.

General and Administrative Expenses

Our general and administrative expenses decreased by 3.9% from RMB1,584.2 million for the nine months ended November 30, 2022 to RMB1,522.8 million for the same period of 2023, primarily due to an RMB158.9 million decrease in staff costs, as we streamlined our personnel to improve our operating efficiency. Our general and administrative expenses as a percentage of our total revenue decreased from 11.1% for the nine months ended November 30, 2022 to 9.5% for the same period of 2023.

Other Income and Other Gains, Net

Our net other income and other gains decreased by 36.9% from RMB332.4 million for the nine months ended November 30, 2022 to RMB209.6 million for the same period of 2023, primarily attributable to an RMB119.9 million decrease in government subsidies we received, which were related to our lower contribution to the development of local economies in the previous year as a result of the significant drop in our profitability.

Impairment of Trade Receivables

We recorded impairment on trade receivables of RMB2.1 million and RMB0.6 million for the nine months ended November 30, 2022 and 2023, respectively, which were related to trade receivables under certain concessionaire arrangements for our offline retail network.

Finance Costs, Net

Our net finance costs increased by 59.1% from RMB73.1 million for the nine months ended November 30, 2022 to RMB116.3 million for the same period of 2023, primarily due to an increase in interest expense on bank borrowings resulting from higher interest rates offshore.

Share of Results of Associates

Our share of results of associates increased slightly from RMB18.4 million for the nine months ended November 30, 2022 to RMB20.3 million for the same period of 2023, reflecting the results of operations of our associate companies in these respective periods.

Income Tax Expense

Our income tax expense increased by 57.4% from RMB369.3 million for the nine months ended November 30, 2022 to RMB581.1 million for the same period of 2023. Our effective tax rate, which represents income tax expense as a percentage of profit before income tax, decreased from 25.7% for the nine months ended November 30, 2022 to 22.0% for the same period of 2023, primarily because of an increase in profit before tax from subsidiaries with preferential tax treatment.

Profit for the Period and Net Profit Margin

As a result of the foregoing, our profit for the period increased by 92.7% from RMB1,068.0 million for the nine months ended November 30, 2022 to RMB2,057.9 million for the same period of 2023. Our net profit margin increased from 7.5% for the nine months ended November 30, 2022 to 12.8% for the same period of 2023, primarily due to an increase in gross profit margin and decreases in our selling and marketing expenses and general administrative expenses as a percentage of revenue, partially offset by a decrease in net other income and gains.

Year Ended February 28, 2023 Compared with Year Ended February 28, 2022

Revenue

Our revenue decreased by 18.3% from RMB23,509.7 million for the year ended February 28, 2022 to RMB19,210.3 million for the year ended February 28, 2023. Revenue from our footwear segment decreased by 18.3% from RMB20,224.1 million for the year ended February 28, 2022 to RMB16,530.1 million for the year ended February 28, 2023. Revenue from our apparel segment decreased by 18.4% from RMB3,285.6 million for the year ended February 28, 2022 to RMB2,680.2 million for the year ended February 28, 2023. These decreases were attributable to decreases in both offline and online sales, primarily as a result of COVID-19 outbreaks for the most part of 2022 and early 2023.

Cost of Sales

Our cost of sales decreased by 14.1% from RMB8,216.4 million for the year ended February 28, 2022 to RMB7,058.5 million for the year ended February 28, 2023, primarily due to an RMB492.7 million decrease in raw material costs and an RMB490.1 million decrease in product procurement costs, both of which were primarily a result of our lower levels of sales.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 20.5% from RMB15,293.3 million for the year ended February 28, 2022 to RMB12,151.8 million for the year ended February 28, 2023. Our overall gross profit margin decreased from 65.1% for the year ended February 28, 2022 to 63.3% for the year ended February 28, 2023.

The gross profit margin of our footwear segment decreased from 65.9% for the year ended February 28, 2022 to 64.3% for the year ended February 28, 2023, and the gross profit margin of our apparel segment decreased from 59.5% for the year ended February 28, 2022 to 56.8% for the year ended February 28, 2023. These decreases were primarily attributable to promotional discounts during outbreaks of the COVID-19 pandemic.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 11.4% from RMB9,718.9 million for the year ended February 28, 2022 to RMB8,613.0 million for the year ended February 28, 2023, primarily due to an RMB525.8 million decrease in lease-related expenses and an RMB182.0 million decrease in staff costs due to the closure of low-performing stores, an RMB171.6 million decrease in promotion and advertising expenses due to reduced branding activities and an RMB143.0 million decrease in logistics service fees due to the decline in our sales. As a result, our selling and marketing expenses as a percentage of our revenue increased from 41.3% for the year ended February 28, 2022 to 44.8% for the year ended February 28, 2023.

General and Administrative Expenses

Our general and administrative expenses decreased by 12.0% from RMB2,556.0 million for the year ended February 28, 2022 to RMB2,249.7 million for the year ended February 28, 2023, primarily due to an RMB143.2 million decrease in staff costs as a result of a reduction in our headquarters' managerial and administrative staff headcount. Our general and administrative expenses as a percentage of our total revenue increased from 10.9% for the year ended February 28, 2022 to 11.7% for the year ended February 28, 2023 as a result of a larger percentage drop in our revenue for the period.

Other Income and Other Gains, Net

Our net other income and other gains decreased by 25.7% from RMB591.0 million for the year ended February 28, 2022 to RMB439.4 million for the year ended February 28, 2023, primarily because (i) we had e-commerce service fee income of RMB66.0 million for the year ended February 28, 2022 but not for subsequent periods, because we had ceased to provide e-commerce service by the end of 2021, (ii) we had RMB52.0 million in gain on disposal of subsidiaries for the year ended February 28, 2022, while we did not have this item for the subsequent fiscal year, and (iii) we received less government subsidies for the year ended February 28, 2023 compared to the prior fiscal year.

Reversal of Impairment of Trade Receivables

We recorded provision for impairment loss on trade receivables of RMB0.6 million for the year ended February 28, 2022, and reversal of previous impairment on trade receivables of RMB5.8 million for the year ended February 28, 2023. This change was primarily attributable to improvement in the aging profile of our trade receivables related to certain concessionaire arrangements for our offline retail network.

Finance Costs, Net

Our net finance costs increased significantly from RMB29.4 million for the year ended February 28, 2022 to RMB108.6 million for the year ended February 28, 2023, primarily due to an increase in interest expense on bank borrowings resulting primarily from increased average balance of bank borrowings and higher interest rates and a decrease in interest income as our average level of bank and other deposits was lower.

Share of Results of Associates

Our share of results of associates decreased by 12.4% from RMB28.3 million for the year ended February 28, 2022 to RMB24.8 million for the year ended February 28, 2023, reflecting the results of operations of our associate companies in these respective years.

Income Tax Expense

Our income tax expense decreased by 55.0% from RMB872.9 million for the year ended February 28, 2022 to RMB393.1 million for the year ended February 28, 2023. Our effective tax rate, which represents income tax expense as a percentage of profit before income tax, remained relatively stable at 24.2% for the year ended February 28, 2022 and 23.8% for the year ended February 28, 2023.

Profit for the Year and Net Profit Margin

As a result of the factors discussed above, our profit for the year decreased by 54.0% from RMB2,734.8 million for the year ended February 28, 2022 to RMB1,257.4 million for the year ended February 28, 2023. Our net profit margin decreased from 11.6% for the year ended February 28, 2022 to 6.5% for the year ended February 28, 2023, primarily due to decreases in gross profit margin and net other income and gains, and an increase in our selling and marketing expenses and general administrative expenses as a percentage of revenue.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Non-Current Assets and Liabilities

The following table sets forth our non-current assets and liabilities as of the dates indicated:

	As of February 28,		As of November 30,
	2022	**2023**	**2023**
	RMB million	*RMB million*	*RMB million*
			(Unaudited)
Non-current assets:			
Property, plant and equipment	1,800.1	1,609.4	1,360.1
Right-of-use assets	1,391.9	975.9	1,033.3
Land use rights	153.0	149.2	146.4
Intangible assets	331.1	370.9	377.6
Interests in associates	162.7	180.5	200.8
Financial assets at fair value through profit or loss	84.0	75.6	78.9
Long-term deposits and prepayments	184.4	194.5	162.4
Pledged term deposits	1,000.0	–	–
Deferred income tax assets	284.9	286.5	341.8
Total non-current assets	5,392.1	3,842.5	3,701.3

	As of February 28,		As of November 30,
	2022	**2023**	**2023**
	RMB million	*RMB million*	*RMB million*
			(Unaudited)
Non-current liabilities:			
Lease liabilities	678.0	449.4	442.4
Put option liabilities on non-controlling interests	405.9	458.0	38.5
Long-term borrowings	–	1,779.4	918.7
Deferred income	16.3	10.6	6.2
Deferred income tax liabilities	147.3	144.1	153.7
Total non-current liabilities	1,247.5	2,841.5	1,559.5

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of buildings, leasehold improvements, plant and equipment, furniture and fixtures and other equipment.

Our property, plant and equipment decreased by 10.6% from RMB1,800.1 million as of February 28, 2022 to RMB1,609.4 million as of February 28, 2023, primarily as a result of depreciation charge for the year of RMB659.7 million, offset in part by new leasehold improvements for our stores.

Our property, plant and equipment decreased by 15.5% from RMB1,609.4 million as of February 28, 2023 to RMB1,360.1 million as of November 30, 2023, primarily due to depreciation charge of RMB438.6 million, offset in part by new leasehold improvements for our stores.

Right-of-Use Assets

We recognize right-of-use assets with respect to lease agreements in which we are the lessee, except for short-term leases and leases of low-value assets. These right-of-use assets are initially measured at the corresponding lease liabilities of these leases which is measured based on the present value of the future fixed lease payment amount or minimum lease payment amount, lease payments made at or before these leases' commencement dates, initial direct costs (if any), and restoration costs.

Our right-of-use assets decreased by 29.9% from RMB1,391.9 million as of February 28, 2022 to RMB975.9 million as of February 28, 2023, primarily because we had fewer stores under lease agreements as of February 28, 2023, as we slowed down new store opening.

Our right-of-use assets increased by 5.9% from RMB975.9 million as of February 28, 2023 to RMB1,033.3 million as of November 30, 2023, primarily due to the opening of new stores and the renewal of existing stores under lease agreements.

Intangible Assets

Our intangible assets consisted of goodwill, acquired distribution and license contracts, acquired trademarks and computer software.

Our intangible assets increased by 12.0% from RMB331.1 million as of February 28, 2022 to RMB370.9 million as of February 28, 2023, primarily related to our acquisition of controlling interest in the OGR footwear brand. See Note 31(d) to the Accountants' Report included in Appendix I to this document for more information on this acquisition. Our intangible assets remained relatively stable at RMB377.6 million as of November 30, 2023, compared to those at February 28, 2023.

Goodwill attributable to our footwear segment represented primarily brands we acquired prior to the Track Record Period, mainly the 73Hours footwear brand. We also acquired the OGR footwear brand in January 2023 and recognized a relatively small amount of goodwill for this brand. Our management conducted impairment review on our goodwill as of the end of the reporting period according to IAS 36 "Impairment of Assets." For the purposes of the impairment reviews, we determine the recoverable amount of goodwill based on the higher amount of the fair value less cost of disposal and value-in-use calculations. For details of the impairment testing for goodwill, see "—Significant Accounting Policies, Judgments and Estimates—Intangible Assets—Goodwill."

For the purposes of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate of not more than 3%. The growth rates used do not exceed the industry growth forecast for the market in which we operate. Other key assumptions, as stated below, used for value-in-use calculations for impairment review purpose including revenue growth rate, gross profit margin and discount rate, which is pre-tax and reflect market assessments of the time value and the specific risks relating to the industry. The budgeted gross profit margin was determined based on past performance and our expectation for market development.

	Year ended February 28,		**Nine months ended November 30,**
	2022	**2023**	**2023**
			(Unaudited)
5-year revenue growth	30%	29%	15%
5-year average gross profit margin	65%	65%	70%
Discount rate	19%	19%	19%

As of February 28, 2022 and 2023 and November 30, 2023, no impairment was required based on our impairment review.

As of November 30, 2023, the impairment assessment resulted in headroom of more than RMB300.0 million over the carrying amount of our goodwill. Based on reasonably possible changes in these key assumptions, including 5-year revenue growth reduced to 10%, 5-year average gross profit margin reduced to 65% or discount rate increased to 24%, with all other variables held constant, there is no significant shortfall of the recoverable amount against its carrying amount. Accordingly, management has not identified any reasonably possible change in key assumptions that could cause any significant impairment on goodwill.

Current Assets and Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of February 28, 2022	As of February 28, 2023	As of November 30, 2023	As of January 31, 2024
	RMB million	*RMB million*	*RMB million*	*RMB million*
			(Unaudited)	
Current assets:				
Inventories	4,067.4	3,599.9	4,370.0	4,334.9
Trade receivables	1,439.2	1,405.0	1,755.3	1,699.3
Deposits, prepayments and other receivables	789.0	878.7	664.6	731.6
Pledged term deposits	–	1,525.5	680.0	603.0
Bank balances and cash	1,664.2	2,038.1	2,121.3	2,256.4
Total current assets	7,959.8	9,447.2	9,591.2	9,625.2
Current liabilities:				
Trade payables	1,631.2	1,133.6	2,111.1	1,820.4
Other payables, accruals and other liabilities	1,760.3	1,764.1	1,484.6	1,454.3
Short-term borrowings	3,076.8	2,675.0	3,137.2	2,507.6
Lease liabilities	682.2	636.3	693.3	624.8
Put option liabilities on non-controlling interests	–	–	250.6	251.3
Amounts due to related companies	1,036.9	1,812.6	1,506.1	551.6
Current income tax liabilities	906.6	385.2	405.4	401.6
Total current liabilities	9,094.0	8,406.8	9,588.3	7,611.6
Net current (liabilities)/assets	(1,134.2)	1,040.4	2.9	2,013.6

We recorded net current liabilities of RMB1,134.2 million as of February 28, 2022, compared to net current assets of RMB1,040.4 million as of February 28, 2023. This change in our liquidity position was primarily due to (i) the reclassification of our long-term pledged term deposits of RMB1,000.0 million as of February 28, 2022 into current assets as of February 28, 2023 and our replacement of an additional short-term pledged deposit of RMB525.5 million, (ii) an RMB521.4 million decrease in current income tax liabilities, and (iii) an RMB401.8 million decrease in short-term borrowings as we paid down part of these borrowings based on our working capital needs. These factors were offset in part by an RMB775.7 million increase in our amounts due to related companies, which was related to dividends payable to Belle Brands. We had settled these dividends by May 2023.

Our net current assets decreased from RMB1,040.4 million as of February 28, 2023 to RMB2.9 million as of November 30, 2023, primarily attributable to (i) an RMB462.2 million increase in short-term borrowings to pay down our long-term borrowings, (ii) our use of part of the proceeds from maturity of pledged term deposits to pay down our long-term borrowings, and (iii) our reclassification of RMB250.6 million in put option liabilities on non-controlling interests from non-current liabilities to current liabilities, because the put option in relation to the 73Hours brand would become exercisable in the 12 months from November 30, 2023. See "—Indebtedness—Put Option Liabilities on Non-controlling Interests" for more information.

Our net current assets increased substantially from RMB2.9 million as of November 30, 2023 to RMB2,013.6 million as of January 31, 2024, primarily due to (i) an RMB954.5 million decrease in amounts due to related companies, which we had paid down, and (ii) an RMB629.6 million decrease in short-term borrowings, which we refinanced with long-term bank loans.

Inventories

Our inventories consisted of raw materials, work in progress, finished goods and consumables. Our raw materials included raw materials we procured for our in-house manufacturing and those we provided to our manufacturing partners. Our work in progress refers to work in progress during our in-house manufacturing process.

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of February 28,		As of November 30,
	2022	**2023**	**2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*
Finished goods	4,124.3	3,656.9	4,475.9
Raw materials	149.7	131.4	160.5
Work in progress	55.9	80.3	33.5
Consumables	7.6	6.1	7.7
Sub-total	4,337.5	3,874.7	4,677.6
Less: provision for impairment losses	(270.1)	(274.8)	(307.6)
Total	4,067.4	3,599.9	4,370.0

Our inventories decreased by 11.5% from RMB4,067.4 million as of February 28, 2022 to RMB3,599.9 million as of February 28, 2023, given the decline in our sales.

Our inventories increased by 21.4% from RMB3,599.9 million as of February 28, 2023 to RMB4,370.0 million as of November 30, 2023, primarily due to the recovery in sales and increase in our finished goods to prepare for the winter season.

We estimate and recognize a provision of each product collection during its life cycle based on the comparison between the product's cost and net realizable value, which is determined by considering the actual sales for the past season and anticipated future sales of such collection as well as actual wear and tear. We reassess our inventory at each balance sheet date and make any necessary write-back or write-down when the products are sold or disposed of. Our provision for impairment losses was RMB270.1 million, RMB274.8 million and RMB307.6 million as of February 28, 2022 and 2023 and November 30, 2023, respectively. These provisions for impairment losses were primarily for unsold off-season inventories. In-season defective products did not have any material impact on our financial position or results of operations during the Track Record Period.

The following table sets forth our inventory turnover days during the periods indicated:

	Year ended February 28,		Nine months ended November 30,
	2022	**2023**	**2023**
			(Unaudited)
Inventory turnover days[1]	171.8	198.2	195.7

Note:

(1) Inventory turnover days for each one-year period equals the average inventories at the beginning and the end of the financial year divided by cost of sales for that year and multiplied by 365 days. Inventory turnover days for a nine-month period equals the average inventories at the beginning and the end of the period divided by cost of sales for that period and multiplied by 274 days.

Our inventory turnover days increased from 171.8 days for the year ended February 28, 2022 to 198.2 days for the year ended February 28, 2023, primarily due to the decline in our sales. Our inventory turnover days remained relatively stable at 195.7 days for the nine months ended November 30, 2023, primarily attributable to our relatively high inventory level as of November 30, 2023 as a result of the recovery in sales and increase in our finished goods to prepare for the winter season. We have adopted a flexible "order, replenish and redesign" merchandise model and put in place a number of measures to manage our inventory levels effectively, including maintaining a healthy inventory-to-sales ratio, which represents the average level of inventory held compared with sales revenue within a particular period, as well as integrating our online and offline inventories. Our merchandise management systems provide us with inventory level information for each of our online channels and offline stores in real time and allow us to effectively allocate inventory among our stores. See "Business—Our Agile Supply Chain System" for more details of our "ordering, replenishment and redesign" merchandise model and "Business—Inventory Control" for further details of management of inventory levels, inventory age and inventory composition.

As of January 31, 2024, RMB1,472.8 million, or 32.9%, of our inventories as of November 30, 2023 had been sold or utilized. We have not experienced any noticeable decreases in selling prices, and inventories aged one year or above only accounted for a small portion of our inventories as of November 30, 2023. Considering these factors, market developments and our business plan, we believe that sufficient provision had been made against our inventories as of November 30, 2023.

Trade Receivables

Our trade receivables are primarily related to our concessionaire sales through department stores, as well as our sales through third-party e-commerce platforms. Our trade receivables are generally collectible within 30 days from the invoice date.

Our trade receivables remained relatively stable at RMB1,439.2 million and RMB1,405.0 million as of February 28, 2022 and 2023, respectively. Our trade receivables increased by 24.9% from RMB1,405.0 million as of February 28, 2023 to RMB1,755.3 million as of November 30, 2023 primarily due to our relatively higher sales level during shopping festivals in November 2023.

The following table sets forth the aging analysis, based on the invoice date, of our trade receivables as of the dates indicated:

	As of February 28,		**As of November 30,**
	2022	**2023**	**2023**
	RMB million	*RMB million*	*RMB million* *(Unaudited)*
0 to 30 days	1,355.6	1,367.7	1,702.6
31 to 60 days	46.2	17.4	31.4
61 to 90 days	15.8	12.0	6.2
Over 90 days	43.0	20.9	28.5
Total	1,460.6	1,418.0	1,768.7

During the Track Record Period, a substantial majority of our trade receivables were aged within 30 days. Our loss allowance for trade receivables was RMB21.4 million, RMB13.0 million and RMB13.4 million as of February 28, 2022 and 2023 and November 30, 2023, respectively. These loss allowances were primarily for trade receivables uncollected for over 90 days.

The following table sets forth the movements of our loss allowance for trade receivables for the periods indicated:

	Year ended February 28,		Nine months ended November 30,
	2022	**2023**	**2023**
	RMB million	*RMB million*	*RMB million*
			(Unaudited)
At beginning of the year	21.4	21.4	13.0
Increase/(decrease) in loss allowance	0.6	(5.8)	0.6
Written-off as uncollectible	(0.6)	(2.6)	(0.2)
At end of the year	21.4	13.0	13.4

The table below sets forth our trade receivables turnover days for the periods indicated:

	Year ended February 28,		Nine months ended November 30,
	2022	**2023**	**2023**
			(Unaudited)
Trade receivables turnover days[1]	26.2	27.0	26.9

Note:

(1) Trade receivables turnover days for each one-year period equals the average trade receivables at the beginning and the end of the financial year divided by revenue for that year and multiplied by 365 days. Trade receivables turnover days for a nine-month period equals the average trade receivables at the beginning and the end of the period divided by revenue for that period and multiplied by 274 days.

Our trade receivables turnover days remained relatively stable at 26.2 days, 27.0 days and 26.9 days for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, respectively, which were generally in line with the credit period of our trade receivables.

As of January 31, 2024, we had collected RMB1,734.1 million, or 98.0%, of the outstanding balance amount of our trade receivables as of November 30, 2023.

Deposits, Prepayments and Other Receivables

The current portion of our deposits, prepayments and other receivables consisted primarily of (i) rental deposits, (ii) value-added tax ("VAT") recoverable, (iii) prepayment for purchases, (iv) interest receivables from bank deposits, and (v) other receivables and prepayments, which mainly include other deposits and amounts due from our employees. Our product sales are subject to VAT in China. Under the PRC law, input VAT on purchases can be deducted from output VAT payable. Our VAT recoverable as of a specified date is the difference between output VAT and deductible input VAT.

The following table sets forth the current portion of our deposits, prepayments and other receivables as of the dates indicated:

	As of February 28,		As of November 30,
	2022	**2023**	**2023**
	RMB million	*RMB million*	*RMB million*
			(Unaudited)
Rental deposits	287.8	276.8	257.3
VAT recoverable	81.1	12.2	22.9
Prepayments for purchases and expenses	119.0	130.6	73.3
Interest receivables	58.3	96.0	–
Other receivables and deposits	242.8	363.1	311.1
Total	789.0	878.7	664.6

The current portion of our deposits, prepayments and other receivables increased by 11.4% from RMB789.0 million as of February 28, 2022 to RMB878.7 million as of February 28, 2023, primarily due to an increase in other receivables and deposits, and prepayments for purchases and expenses in support of our business operations.

The current portion of our deposits, prepayments and other receivables decreased by 24.4% from RMB878.7 million as of February 28, 2023 to RMB664.6 million as of November 30, 2023, primarily due to declines in interest receivables, prepayments for purchases and expenses, and other receivables and deposits, as a result of the settlement of our bank interest receivable and other receivables from certain customers and utilisation of our prepayments for purchases and expenses.

Trade Payables

Our trade payables primarily consisted of payment for purchases of raw materials and payment for finished goods from manufacturing partners and brand partners. Our trade payables are generally non-interest-bearing, and generally had a credit period of within 60 days from the invoice date or after we have reconciled the details of goods purchased from the suppliers.

Our trade payables decreased by 30.5% from RMB1,631.2 million as of February 28, 2022 to RMB1,133.6 million as of February 28, 2023, primarily because we reduced product procurement as a result of the decline in our sales. Our trade payables increased by 86.2% from RMB1,133.6 million as of February 28, 2023 to RMB2,111.1 million as of November 30, 2023, primarily due to our relatively high procurement amounts of products at the end of November to prepare for the winter season and our typically low procurement amounts in January and February.

The following table sets forth an aging analysis of our trade payables, based on the invoice dates, as of the dates indicated:

	As of February 28,		**As of November 30,**
	2022	**2023**	**2023**
	RMB million	*RMB million*	*RMB million*
			(Unaudited)
0 to 30 days	1,198.6	669.1	1,636.9
31 to 60 days	117.0	82.6	50.7
Over 60 days	315.6	381.9	423.5
Total	1,631.2	1,133.6	2,111.1

The following table sets forth our trade payables turnover days for the periods indicated:

	Years ended February 28,		**Nine months ended November 30,**
	2022	**2023**	**2023**
			(Unaudited)
Trade payables turnover days(1)	66.9	71.5	79.7

Note:

(1) Trade payables turnover days for each one-year period equals the average trade payables at the beginning and at the end of the financial year divided by cost of sales for that year and multiplied by 365 days. Trade payables turnover days for a nine-month period equals the average trade payables at the beginning and the end of the period divided by cost of sales for that period and multiplied by 274 days.

Our trade payables turnover days remained relatively stable at 66.9 days and 71.5 days for the years ended February 28, 2022 and 2023. Our trade payables turnover days increased to 79.7 days for the nine months ended November 30, 2023, primarily due to our relatively high procurement of products at the end of November to prepare for the winter season and our typically low procurement in January and February.

As of January 31, 2024, we had settled RMB1,512.7 million, or 71.7%, of the outstanding balance amount of our trade payables as of November 30, 2023.

Other Payables, Accruals and Other Liabilities

Our other payables, accruals and other liabilities primarily consisted of (i) accrued wages, salaries, bonuses and staff welfare, (ii) accrued expenses, mainly including accrued operating expenses, (iii) VAT, business tax and other taxes payables, (iv) deposits received and other payables, such as customers' deposits, and (v) contract liabilities, representing membership reward points not yet redeemed by our customers and advance payments from our customers.

The following table sets forth a breakdown of our other payables, accruals and other liabilities as of the dates indicated:

	As of February 28,		**As of November 30,**
	2022	**2023**	**2023**
	RMB million	*RMB million*	*RMB million*
			(Unaudited)
Accrued wages, salaries, bonuses and staff welfare	616.5	547.3	496.9
Accrued expenses	473.5	531.9	411.7
VAT, business tax and other taxes payables	300.4	197.1	126.6
Deposits received and other payables	251.6	321.0	260.3
Contract liabilities	118.3	166.8	189.1
Total	1,760.3	1,764.1	1,484.6

Our other payables, accruals and other liabilities remained relatively stable at RMB1,760.3 million and RMB1,764.1 million as of February 28, 2022 and 2023, respectively. Our other payables, accruals and other liabilities decreased by 15.8% from RMB1,764.1 million as of February 28, 2023 to RMB1,484.6 million as of November 30, 2023, primarily because we typically incur higher sales related expenses in the fourth quarter of a fiscal year and have accruals of year-end bonuses as of the end of February, and therefore higher other payables, accruals and other liabilities as of the end of February compared to the end of November.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of and for the year ended February 28,		For the nine months ended November 30,	As of and for the nine months ended November 30,
	2022	2023	2022	2023
			(Unaudited)	
Profitability ratios				
Operating profit margin[(1)]	15.4%	9.0%	10.4%	17.0%
Net profit margin[(2)]	11.6%	6.5%	7.5%	12.8%
Return on assets[(3)]	18.6%	9.4%	N/A	20.6%
Liquidity ratio				
Current ratio[(4)]	0.9	1.1	N/A	1.0

Notes:

(1) Operating profit margin represents operating profit for the period divided by revenue and multiplied by 100%.

(2) Net profit margin represents profit for the period divided by revenue and multiplied by 100%.

(3) Return on assets represents profit for the period divided by the average of the beginning and ending total assets for that period and multiplied by 100%. Return on assets for the nine months ended November 30, 2023 was annualized.

(4) Current ratio represents total current assets divided by total current liabilities as of the end of the period.

See "—Period-to-Period Comparisons of Results of Operations" for a discussion of the factors affecting our net profit margin during the relevant periods.

Operating Profit Margin

Our operating profit margin decreased from 15.4% for the year ended February 28, 2022 to 9.0% for the year ended February 28, 2023, primarily due to decreases in our revenue and gross profit margin and net other income and gains and increases in our selling and marketing expenses and general administrative expenses as a percentage of revenue. Our operating profit margin increased from 10.4% for the nine months ended November 30, 2022 to 17.0% for the same period of 2023, primarily due to an increase in our gross profit margin and decreases in our selling and marketing expenses and general administrative expenses as a percentage of revenue, partially offset by a decrease in net other income and gains.

Return on Assets

Our return on assets decreased from 18.6% for the year ended February 28, 2022 to 9.4% for the year ended February 28, 2023, mainly because we had lower net profit for the year ended February 28, 2023. Our return on assets increased to 20.6% for the nine months ended November 30, 2023, primarily due to an increase in our net profit for the nine months ended November 30, 2023 compared to the same period of the prior year.

Current Ratio

Our current ratio remained relatively stable at 0.9, 1.1 and 1.0 as of February 28, 2022 and 2023 and November 30, 2023, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash during the Track Record Period were for purchases of inventories, staff costs, lease expenses (mainly include concessionaire fees), payments for purchases of property, plant and equipment, payment of dividends to equity holders, and interest payment. We financed our liquidity requirements mainly through cash generated from our operating activities.

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended February 28,		**Nine months ended November 30,**	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million*	*RMB million*
			(Unaudited)	
Net cash generated from operating activities	4,519.6	2,553.1	1,484.4	2,883.6
Net cash (used in)/ generated from investing activities	(662.1)	(1,064.7)	(509.7)	775.1
Net cash used in financing activities	(5,337.7)	(1,138.5)	(623.1)	(3,586.1)

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million*	*RMB million*
			(Unaudited)	
Net (decrease)/increase in cash and cash equivalents	(1,480.2)	349.9	351.6	72.6
Cash and cash equivalents at beginning of the year/period	3,138.1	1,664.2	1,664.2	2,038.1
Exchange gains/(losses) on cash and cash equivalents	6.3	24.0	56.7	10.6
Cash and cash equivalents at end of the year/period	1,664.2	2,038.1	2,072.5	2,121.3

Cash Flow Generated from Operating Activities

For the year ended February 28, 2022, we had net cash generated from operating activities of RMB4,519.6 million, consisting of RMB5,206.0 million in net cash generated from operating activities before changes in working capital, net cash inflows of RMB64.3 million relating to changes in working capital and income tax paid of RMB750.7 million. Our net cash generated from operating activities before changes in working capital were primarily attributable to our profit before income tax of RMB3,607.7 million, as adjusted by non-cash items, which primarily include to add back depreciation on right-of-use assets of RMB1,040.5 million, depreciation on property, plant and equipment of RMB588.1 million and impairment of right-of-use assets of RMB67.9 million. Our net cash inflows relating to changes in working capital were primarily attributable to a decrease in trade receivables of RMB497.2 million and an increase in trade payables of RMB250.1 million, which were offset in part by an increase in inventories of RMB324.9 million, an RMB321.5 million decrease in balance with related companies, and an RMB69.2 million increase in other receivables, deposits and prepayments.

For the year ended February 28, 2023, we had net cash generated from operating activities of RMB2,553.1 million, consisting of RMB3,399.6 million in net cash generated from operating activities before changes in working capital, net cash inflows of RMB72.8 million relating to changes in working capital and income tax paid of RMB919.3 million. Our net cash generated from operating activities before changes in working capital were primarily attributable to our profit before income tax of RMB1,650.5 million, as adjusted by non-cash items, which primarily include depreciation on right-of-use assets of RMB926.7 million and depreciation on property, plant and equipment of RMB659.7 million. Our net cash inflows relating to changes in working capital were primarily attributable to an RMB489.4 million decrease in inventories, offset in part by an RMB497.6 million decrease in trade payables.

For the nine months ended November 30, 2023, we had net cash generated from operating activities of RMB2,883.6 million, consisting of RMB3,843.9 million in net cash generated from operating activities before changes in working capital, net cash outflows of RMB353.7 million relating to changes in working capital and income tax paid of RMB606.6 million. Our net cash generated from operating activities before changes in working capital were primarily attributable to our profit before income tax of RMB2,639.0 million, as adjusted by non-cash items, which primarily include depreciation on right-of-use assets of RMB562.8 million and depreciation on property, plant and equipment of RMB438.6 million. Our net cash outflows relating to changes in working capital were primarily attributable to an RMB802.9 million increase in inventories, an RMB350.9 million increase in trade receivables, and an RMB279.9 million decrease in other payables, accruals and other liabilities, which were offset in part by an RMB977.5 million increase in trade payables and an RMB100.4 million decrease in other receivables, deposits and prepayments.

Cash Flow Used in/Generated from Investing Activities

For the year ended February 28, 2022, our net cash flows used in investing activities were RMB662.1 million. This was mainly attributable to our payments for purchase of property, plant and equipment and intangible assets of RMB803.7 million, as well as payments for purchase of financial assets at fair value through profit or loss of RMB84.0 million, partially offset by RMB175.3 million in proceeds from disposal of subsidiaries (net of cash disposed of) and RMB40.5 million in interest received.

For the year ended February 28, 2023, our net cash flows used in investing activities were RMB1,064.7 million. This was mainly attributable to our placement of pledged term deposits of RMB525.5 million and payments for purchase of property, plant and equipment and intangible assets of RMB517.2 million.

For the nine months ended November 30, 2023, our net cash flows generated from investing activities were RMB775.1 million. This was mainly attributable to our proceeds from maturity of pledged term deposits of RMB1,285.5 million, partially offset by our placement of pledged term deposits of RMB440.0 million and payments for purchase of property, plant and equipment and intangible assets of RMB216.2 million.

Cash Flow Used in Financing Activities

For the year ended February 28, 2022, our net cash flows used in financing activities were RMB5,337.7 million. This was mainly attributable to changes in balances with related companies (including dividends paid) of RMB6,210.2 million, repayments of borrowings of RMB1,000.0 million and payment for lease liabilities (including interest) of RMB1,178.6 million, which was partially offset by RMB3,076.8 million in proceeds from borrowings.

For the year ended February 28, 2023, our net cash flows used in financing activities were RMB1,138.5 million. This was mainly attributable to our repayments of borrowings of RMB3,428.8 million, changes in balances with related companies (including dividends paid) of RMB1,311.6 million and payments for lease liabilities (including lease interest) of RMB910.7 million, partially offset by RMB4,611.3 million in proceeds from borrowings.

For the nine months ended November 30, 2023, our net cash flows used in financing activities were RMB3,586.1 million. This was mainly attributable to our repayments of borrowings of RMB4,009.7 million, changes in balances with related companies (including dividends paid) of RMB2,276.5 million, and payments for lease liabilities (including lease interest) of RMB679.9 million, partially offset by RMB3,556.0 million in proceeds from borrowings.

INDEBTEDNESS

Bank Borrowings

	As of February 28,		**As of November 30,**	**As of January 31,**
	2022	**2023**	**2023**	**2024**
	RMB million	*RMB million*	*RMB million*	*RMB million*
			(Unaudited)	
Short-term RMB bank loans	971.7	2,675.0	2,540.0	1,910.0
Short-term HK$ bank loans	2,105.1	–	597.2	597.6
Long-term bank loans	–	1,779.4	918.7	2,290.7
Total	3,076.8	4,454.4	4,055.9	4,798.3

As of February 28, 2022 and 2023, November 30, 2023 and January 31, 2024, our short-term bank loans were RMB3,076.8 million, RMB2,675.0 million, RMB3,137.2 million and RMB2,507.6 million, respectively, and our long-term bank loans were nil, RMB1,779.4 million, RMB918.7 million and RMB2,290.7 million, respectively.

Our short-term RMB bank loans carried interest at rates per annum ranging from 2.8% to 3.5% as of February 28, 2022, 1.5% to 2.6% as of February 28, 2023, 1.6% to 2.1% as of November 30, 2023 and 1.2% to 1.9% as of January 31, 2024. The secured portion of our short-term RMB bank loans amounted to RMB971.7 million, RMB2,475.0 million, RMB2,180.0 million and RMB1,690.0 million, respectively, as of February 28, 2022 and 2023, November 30, 2023 and January 31, 2024. These loans were secured by pledged term deposits, which carried interest at rates ranging from 1.3% to 3.6% per annum. Our short-term HK$ bank loans were unsecured and carried interest at floating rates of 1-month HIBOR plus margins ranging from 1.3% to 1.5% as of February 28, 2022 and 1.2% to 1.5% as of November 30, 2023 and as of January 31, 2024. As of February 28, 2022, November 30, 2023 and January 31, 2024, our short-term HK$ bank loans to the extent of RMB1,295.4 million, RMB91.9 million and RMB91.9 million, respectively, were guaranteed by Belle International. The guarantee provided by Belle International related to our short-term HK$ bank loans as of January 31, 2024 will be released upon [**REDACTED**].

Our long-term bank loans as of February 28, 2023 and November 30, 2023 were secured and carried interest at a floating rate of 1-month HIBOR plus a margin of 1.8%. Our long-term bank loans as of January 31, 2024 were unsecured and carried interest at a floating rate of Loan Prime Rate plus 1.2% or HIBOR plus 1.4%. These loans were drawn down from a facility agreement that we entered into in January 2024 and were used primarily to refinance our existing short-term and long-term bank loans. See Note 28 (Borrowings) of the Accountant's Report in Appendix I to this document for more information on our borrowings.

We are subject to certain financial covenants and other covenants under our bank borrowings. As of the Latest Practicable Date, we were in compliance with these covenants. During the Track Record Period and up to the Latest Practicable Date, we did not have any material default on our bank borrowings.

As of February 28, 2022, unused banking facilities of HK$230.7 million (equivalent to approximately RMB186.7 million) available to us were guaranteed by Belle International.

As of February 28, 2023, unused banking facilities of HK$530.7 million (equivalent to approximately RMB472.1 million) available to us were guaranteed by Belle International.

As of November 30, 2023, unused banking facilities of HK$1,100.0 million (equivalent to approximately RMB1,010.5 million) were available to us, of which HK$400.0 million (equivalent to approximately RMB367.5 million) were guaranteed by Belle International.

As of January 31, 2024, we had banking facilities of HK$1,750.0 million, of which HK$1,100.0 million was unutilized.

Lease Liabilities

The following table sets forth our lease liabilities as of the dates indicated:

	As of February 28,		As of November 30,	As of January 31,
	2022	**2023**	**2023**	**2024**
	RMB million	*RMB million*	*RMB million*	*RMB million*
			(Unaudited)	
Lease liabilities:				
Non-current	678.0	449.4	442.4	372.9
Current	682.2	636.3	693.3	624.8
Total	1,360.2	1,085.7	1,135.7	997.7

As of February 28, 2022 and 2023, November 30, 2023 and January 31, 2024, our lease liabilities were RMB1,360.2 million, RMB1,085.7 million, RMB1,135.7 million and RMB997.7 million, respectively. These lease liabilities were primarily related to our stores under lease agreements, as well as leases for our office premises.

Amounts Due to Related Companies

The following table sets forth our amounts due to related companies as of the dates indicated:

	As of February 28,		As of November 30,	As of January 31,
	2022	**2023**	**2023**	**2024**
	RMB million	*RMB million*	*RMB million*	*RMB million*
			(Unaudited)	
Belle International – Non-trade	1,036.9	–	–	–
Belle Brands – Non-trade	–	1,725.3	1,448.8	520.3
Fellow subsidiaries – Trade	–	87.3	57.3	31.3
Total	1,036.9	1,812.6	1,506.1	551.6

For more information on our amounts due to related companies, see "—Related Party Transactions".

Put Option Liabilities on Non-controlling Interests

As of February 28, 2022 and 2023, November 30, 2023 and January 31, 2024, our put option liabilities on non-controlling interests were RMB405.9 million, RMB458.0 million, RMB289.1 million and RMB290.1 million, respectively. These put option liabilities on non-controlling interests were related to (i) the non-controlling interests of non-wholly owned subsidiaries that operate the footwear brand, 73Hours, which we acquired in August 2018, and (ii) the non-controlling interest in a subsidiary that operates the footwear brand, OGR, which we acquired in January 2023. See Note 25 to the Accountant's Report included in Appendix I to this document for more details.

Financial Guarantee Contracts

As of February 28, 2022, the entire share capital of certain of our operating subsidiaries were pledged to secure the bank borrowings of our Controlling Shareholder, Belle International. These pledges were released in August 2022. As of February 28, 2023 and November 30, 2023, the entire share capital of our Company and certain of our operating subsidiaries were pledged to a syndicate of banks as security, and guarantee was provided by our Company and Belle Brands, for the bank borrowings of Belle International. The guarantee and share pledges were released in January 2024. See Note 32 to the Accountant's Report included in Appendix I to this document for more information.

Contingent Liabilities

We did not have any material contingent liabilities as of February 28, 2022 or 2023, November 30, 2023 or January 31, 2024.

Indebtedness Statement

As of January 31, 2024, we had short-term bank borrowings of RMB2,507.6 million, long-term bank borrowings of RMB2,290.7 million, lease liabilities of RMB997.7 million, amounts due to related companies (non-trade nature) of RMB520.3 million, and put option liabilities on non-controlling interests of RMB290.1 million. Since the Indebtedness Date, there has been no material adverse change in our indebtedness. As of the Indebtedness Date, save as disclosed above, we did not have any outstanding debt securities, charges, mortgages, or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities, or other banking facilities.

RELATED PARTY TRANSACTIONS

The following table sets forth amounts due from and to related companies as of the dates indicated:

	As of February 28,		As of November 30,
	2022	**2023**	**2023**
	RMB million	*RMB million*	*RMB million*
			(Unaudited)
Amounts due to related companies:			
Belle International (non-trade)	1,036.9	–	–
Belle Brands (non-trade)	–	1,725.3	1,448.8
Fellow subsidiaries (trade)	–	87.3	57.3
Total	1,036.9	1,812.6	1,506.1

We did not have any amounts due from related parties as of February 28, 2022 or 2023 or November 30, 2023.

Our amounts due to Belle International and Belle Brands were non-trade in nature, unsecured, interest-free and repayable on demand, primarily representing dividends payable to them. We had amounts due to Belle International of RMB1,036.9 million as of February 28, 2022, which were settled as of February 28, 2023. We did not have any amount due to Belle Brands as of February 28, 2022, while as of February 28, 2023, we had RMB1,725.3 million in amounts due to Belle Brands, representing dividends payable to it, which were settled by May 2023. We declared dividends of RMB2,000.0 million to our shareholder Belle Brands during the nine months ended November 30, 2023, which were partially settled by November 30, 2023, resulting in an amount due to Belle Brands of RMB1,448.8 million as of that date. This amount was fully settled by the Latest Practicable Date.

Our amounts due to fellow subsidiaries included amounts that were trade in nature and amounts that were non-trade in nature, all of which were unsecured, interest-free and repayable on demand. Our amounts due to fellow subsidiaries included payables for services received from fellow subsidiaries and advances to fellow subsidiaries. We did not have any amount due to fellow subsidiaries as of February 28, 2022. We had amounts due to fellow subsidiaries of RMB87.3 million and RMB57.3 million as of February 28, 2023 and November 30, 2023, respectively.

Our Directors confirm that our related-party transactions during the Track Record Period were entered into on normal commercial terms. We did not have any non-trade nature amounts due to related parties as of the Latest Practicable Date. See "Connected Transactions" and Note 33 to the Accountant's Report included in Appendix I to this document for more information on our related-party transactions.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the periods indicated:

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million* *(Unaudited)*	*RMB million*
Purchases of property, plant and equipment	830.8	499.8	414.8	194.6
Purchases of Land use right	40.2	–	–	–
Purchases of Intangible assets	8.9	7.4	7.3	22.0
Total	879.9	507.2	422.1	216.6

For the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023, our capital expenditures were RMB879.9 million, RMB507.2 million and RMB216.6 million, respectively. Our capital expenditures during the Track Record Period primarily included expenditures for property, plant and equipment, which were related primarily to the costs of leasehold improvement, furniture and fixtures and other equipment that we incurred for opening new stores and upgrading our existing stores, as well as expenditures for land use rights and intangible assets. During the Track Record Period, we financed our capital expenditures mainly with cash flows generated from our operating activities.

CONTRACTUAL OBLIGATIONS

Our contractual obligations primarily relate to the short-term leases and not-yet-commenced leases for our stores. As of February 28, 2022 and 2023 and November 30, 2023, the total future lease payments for our short-term leases amounted to RMB89.3 million, RMB62.0 million and RMB56.9 million, respectively. As of these dates, our leases committed but not yet commenced were insignificant.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any material off-balance sheet transactions.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including foreign exchange risk, cash flow and fair value interest rate risks, credit risk and liquidity risk. Our Directors confirm that, since November 30, 2023, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in "Appendix I—Accountant's Report" to this document.

Foreign Exchange Risk

We mainly operate in the PRC with most of our transactions originally denominated and settled in RMB. We also have retail operations in Hong Kong and Macau, for which foreign exchange risk is considered insignificant. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not our functional currency. We are exposed to foreign exchange risk from fluctuation of various currencies, primarily with respect to Hong Kong dollars.

We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage our exposure against Hong Kong dollars and to mitigate the impact on exchange rate fluctuations. During the Track Record Period, we did not enter into any forward foreign exchange contracts.

As of February 28, 2022 and 2023 and November 30, 2023, the impact of foreign exchange fluctuations was immaterial as we did not have material financial assets or financial liabilities denominated in Hong Kong dollars, and therefore no sensitivity analysis is presented for foreign exchange risk.

Cash Flow and Fair Value Interest Rate Risks

We have no significant interest-bearing assets except for the cash at banks and pledged long-term deposits, details of which have been disclosed in Note 24 to the Accountant's Report included in Appendix I to this document. Our exposure to changes in interest rates is mainly attributable to our short-term borrowings, lease liabilities and put option liabilities on non-controlling interests, details of which have been disclosed in Notes 28, 16 and 25, respectively, to the Accountant's Report included in Appendix I to this document. Borrowings carried at floating rates expose us to cash flow interest rate risk, whereas those carried at fixed rates expose us to fair value interest rate risk.

Our pledged term deposits and short-term borrowings that were carried at fixed rates expose us to fair value interest rate risk. As of February 28, 2022 and 2023 and November 30, 2023, the impact of any potential change in interest rates was not material as we had no material financial assets or financial liabilities that expose us to cash flow interest rate risk and therefore no sensitivity analysis is presented for interest rate risk.

Credit Risk

We have no significant concentrations of credit risk. The carrying amounts of trade receivables, other receivables, amounts due from related companies, cash at banks, and rental deposits included in the consolidated balance sheets represent our maximum exposure to credit risk in relation to our financial assets.

We have policies in place to ensure that sales on credit terms are only made to customers with an appropriate credit history and we perform periodic credit evaluations of our customers. Our trade receivables are generally collectible within 30 days from the invoice date while sales to wholesale customers and sales through the e-commerce platforms are generally on credit terms within 30 days. Normally we do not require collateral from trade debtors.

We measured the impairment on other financial assets at amortized cost as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since the initial recognition. If a significant increase in credit risk of a receivable has occurred since the initial recognition, then impairment is measured as lifetime expected credit losses.

As of February 28, 2022 and 2023 and November 30, 2023, substantially all of our bank balances, as disclosed in Note 24 in "Appendix I—Accountant's Report" to this document, were held in major financial institutions located in the PRC, which our management believes are of high credit quality. We have a policy to limit the amount of credit exposure to any financial institution and our management does not expect any loss arising from non-performance by these counterparties.

We make current and non-current deposits for rental of certain of our retail stores with landlords. We have assessed the credit quality of deposits and other receivables, including amounts due from related companies, with reference to historical information about the counterparties default rates and financial position of the counterparties. Our Directors consider that credit risk associated with deposits and other receivables is low with reference to historical information about the counterparties default rates.

We apply the simplified approach to provide for expected credit losses under IFRS 9, which allows the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, we group our trade receivables with similar risk characteristics and, collectively or individually, assessing them for likelihood of recovery. We categorize our trade receivables, except those individually assessed, based on shared credit risk characteristics and the days past due. The expected credit loss rates are based on the payment profiles of sales over a period of 12 months before the financial reporting date and the corresponding historical credit losses experienced within this 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.

Given the track record of regular repayment of our trade receivables, we are of the opinion that the risk of default by the counterparties is insignificant, taking into account forward-looking information on macroeconomics factors. Therefore, we consider the expected credit loss rate of trade receivables to be insignificant. We assess trade receivables relating to accounts in which there are objective evidence that the debtor faces significant financial difficulties individually for impairment allowance or significant doubt on collectability. We did not have any loss allowance on these trade receivables, provided on individual basis, as of February 28, 2022 or 2023 or November 30, 2023.

Liquidity Risk

We are exposed to liquidity risk. We regularly monitor our current and expected liquidity requirements to ensure that we maintain sufficient cash and cash equivalents and that we have available funding through adequate amount of committed credit facilities to meet our working capital requirements. Our primary cash requirements have been for additions of and upgrades on property, plant and equipment, repayment of borrowings and payment for purchases and operating expenses. We finance our acquisitions and working capital requirements through a combination of internal resources and bank borrowings, as necessary. Our policy is to regularly monitor current and expected liquidity requirements to ensure that we maintain sufficient cash and cash equivalents and have available funding through adequate amounts of committed credit facilities to meet our working capital requirements.

As of February 28, 2022 and 2023 and November 30, 2023, except for our lease liabilities and put option liabilities, our financial liabilities were all due for settlement contractually within 12 months, and the contractual undiscounted cash outflow of our financial liabilities approximates their carrying amounts are included in our consolidated balance sheets. For details of the remaining contractual maturities of our financial liabilities based on the contractual undiscounted cash flows during the Track Record Period, see Note 4.1(d) to the Accountant's Report included in Appendix I to this document.

DIVIDEND POLICY

PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which may differ from generally accepted accounting principles in other jurisdictions, including IFRSs. Some of our subsidiaries in China, which are foreign-invested enterprises, set aside part of their net profit as statutory reserves, in accordance with the requirements of relevant Chinese laws and the provisions of their respective articles of association. These portions of our subsidiaries' net profits 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 and associated companies may enter into in the future. Since we rely on our Chinese subsidiaries' dividends as the source of funds to pay dividends, these restrictions may limit or completely prevent us from paying dividends.

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the Cayman Companies Act. Our Shareholders in general meetings may approve any declaration of dividends, which may not exceed the amount recommended by our Board. No dividend may be declared or paid except out of our profits or reserves set aside from profits in our Directors' discretion. Dividends may also be declared and paid out of our share premium account or any other fund or account that can be authorized for such purpose in accordance with the Cayman Companies Act and our Articles of Association.

For the year ended February 28, 2022, our subsidiaries declared dividends (after elimination of intra-group dividends) of RMB2,000.0 million to their then-shareholder, Belle International, which in turn used substantially all of such dividends received for the purpose of repaying debt incurred in relation to its privatization in 2017. For the year ended February 28, 2023, our Company declared dividends of RMB2,000.0 million to our shareholder Belle Brands, which were settled by May 2023. For the nine months ended November 30, 2023, our Company declared dividends of RMB2,000.0 million to our shareholder Belle Brands, which were partially settled by November 30, 2023 and fully settled by the Latest Practicable Date.

Any future declaration or payment of dividends may or may not reflect our prior practice, and any dividend recommendation will be at the discretion of our Board, subject to the Cayman Companies Act and our Articles of Association. Our Directors may declare dividends after taking into account our results of operations, our financial condition, strategies or needs of future expansions, our capital expenditure needs, dividends paid to us by our subsidiaries, legal and contractual restrictions, and other factors as our Directors may deem relevant at such time. Subject to the above limitations, we expect that we may, from time to time, pay dividends of approximately [75%] of our annual net profit attributable to the equity holders of our Company. We may, however, adjust the dividend amount for one-off or non-cash items impacting our net profit.

WORKING CAPITAL

Our Directors believe that, after taking into account the financial resources available to us, including internally generated funds, our cash and cash equivalents, our available banking facilities and the estimated [**REDACTED**] of the [**REDACTED**], we have sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

After making reasonable enquiries with the Company about its working capital requirements, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to disagree with the Directors' view above.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure required under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the [**REDACTED**] of the Shares [**REDACTED**].

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position of our Group since November 30, 2023 and up to the date of this document.

BOARD OF DIRECTORS

Our Board consists of eight Directors, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. The table below sets forth certain information of each of our Directors:

Name	Age	Position	Time of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. SHENG Fang (盛放)	51	Executive Director, chairman and chief executive officer	2005	December 15, 2021	Responsible for the overall strategic planning of our Group and the management of our Group's business
Mr. KWOK Yiu Tung (郭耀東)	45	Executive Director	2020	January 31, 2022	Responsible for the financial management of our Group, planning and supervision of our Group's financing activities, and the management of our Group's business
Mr. YU Wu (于武)	57	Non-executive Director	2005	January 31, 2022	Responsible for participating in the decision-making of important matters of our Group
Ms. YUNG Josephine Yuen Ching (翁婉菁)	40	Non-executive Director	2022	January 31, 2022	Responsible for participating in the decision-making of important matters of our Group
Ms. HU Xiaoling (胡曉玲)	53	Non-executive Director	2005	January 31, 2022	Responsible for participating in the decision-making of important matters of our Group

Name	Age	Position	Time of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. IP Koon Wing Ernest (葉冠榮)	63	Independent non-executive Director	Date of this document	Date of this document	Responsible for supervising and providing independent judgment to our Board
Ms. ZEE Helen (徐閔)	56	Independent non-executive Director	Date of this document	Date of this document	Responsible for supervising and providing independent judgment to our Board
Ms. CHUA Sui Yee (蔡瑞怡)	48	Independent non-executive Director	Date of this document	Date of this document	Responsible for supervising and providing independent judgment to our Board

Executive Directors

Mr. SHENG Fang (盛放), aged 51, is an executive Director, the chairman of our Board and the chief executive officer of our Company. Mr. Sheng joined our Group in 2005 and was appointed as a Director on December 15, 2021 and further re-designated as an executive Director on February 24, 2022. He has also been the chairman of our Board since October 30, 2023 and the chief executive officer of our Company since February 24, 2022, and is a member of the Remuneration Committee and the Nomination Committee. Mr. Sheng is primarily responsible for the overall strategic planning of our Group and the management of our Group's business. Mr. Sheng also holds directorships in certain subsidiaries of our Company.

Mr. Sheng has more than 20 years of experience in the management of footwear business. He has been primarily responsible for the operation management of Belle International Group's footwear and apparel business, and has been the president of the apparel business and the president of the footwear business of Belle International, all of which now form part of our Group, since November 2015 and July 2017, respectively. Mr. Sheng was appointed as a director of Belle International in May 2011, which was listed on the Main Board of the Stock Exchange until the Privatization in July 2017. He has also been a non-executive director of Baroque Japan Limited (a company listed on the Tokyo Stock Exchange, stock code: 3548) since August 2013 and a non-executive director of Topsports International (a company listed on the Main Board of the Stock Exchange, stock code: 6110) since June 2019.

Mr. KWOK Yiu Tung (郭耀東), aged 45, is an executive Director and the company secretary of our Company. Mr. Kwok joined our Group in December 2020 and was appointed as a Director on January 31, 2022 and further re-designated as an executive Director on February 24, 2022. He was also appointed as the company secretary of our Company on February 24, 2022. Mr. Kwok is primarily responsible for the financial management of our Group, planning and supervision of our Group's financing activities, and the management of our Group's business. Mr. Kwok also holds directorships in certain subsidiaries of our Company.

Mr. Kwok has more than 20 years of experience in accounting, financial management and internal control. Prior to joining our Group, Mr. Kwok held various accounting and finance-related senior positions, including as a manager at PricewaterhouseCoopers Ltd. from September 2002 to March 2010. He then served as the financial controller of Baroque HK Limited from March 2010 to May 2019, chief financial officer of Baroque Japan Limited (a company listed on the Tokyo Stock Exchange, stock code: 3548) from February 2015 to May 2019, and chief financial officer of Tangs Department Stores Limited from March 2019 to October 2020.

Mr. Kwok received his bachelor of business administration degree in accounting and finance from The University of Hong Kong in December 2002. He became a member and fellow of the Hong Kong Institute of Certified Public Accountants in March 2006 and September 2019, respectively. Mr. Kwok was also designated as a Chartered Financial Analyst by the CFA Institute in September 2008.

Non-Executive Directors

Mr. YU Wu (于武), aged 57, is a non-executive Director. Mr. Yu joined our Group in 2005 and was appointed as a Director on January 31, 2022 and further re-designated as a non-executive Director on February 24, 2022. He is primarily responsible for participating in the decision-making of important matters of our Group.

Mr. Yu has more than 27 years of experience in the footwear and sportswear businesses. Since June 2006, Mr. Yu has been responsible for the business of Belle International in the Greater Shandong and Henan Region and was appointed as the president of the sportswear business of Belle International in 2015. In July 2015, he was appointed as a director of Belle International which was listed on the Main Board of the Stock Exchange until the Privatization in July 2017. Mr. Yu has been a director of Topsports International (a company listed on the Main Board of the Stock Exchange, stock code: 6110) since September 2018.

Mr. Yu graduated from Shandong Jianzhu University (山東建築大學) (formerly known as Shandong Institute of Architectural Engineering (山東建築工程學院)) in China in June 1989 with a bachelor of engineering degree in civil engineering.

Ms. YUNG Josephine Yuen Ching (翁婉菁), aged 40, is a non-executive Director. Ms. Yung joined our Group and was appointed as a Director on January 31, 2022 and further re-designated as a non-executive Director on February 24, 2022. She is responsible for participating in the decision-making of important matters of our Group.

Ms. Yung is an associate general counsel at Hillhouse Investment and has more than 10 years of experience in advising on corporate transactions. Prior to joining Hillhouse Investment in 2018, she practised as an attorney at leading international law firms, including Ropes & Gray, Weil, Gotshal & Manges and Linklaters. Ms. Yung has been a non-executive director of Topsports International (a company listed on the Main Board of the Stock Exchange, stock code: 6110) since June 2019.

Ms. Yung received her bachelor of arts degree in economics in October 2008, juris doctor's degree in June 2008 and bachelor of arts degree with honors in business administration in October 2005 from Western University in Canada. She has been admitted to practice as an attorney and counselor at law in all courts of the State of New York in the United States since April 2010.

Ms. HU Xiaoling (胡曉玲), aged 53, is a non-executive Director. Ms. Hu joined our Group in September 2005 and was appointed as a Director on January 31, 2022 and further re-designated as a non-executive Director on February 24, 2022. She is primarily responsible for participating in the decision-making of important matters of our Group. Ms. Hu is a member of the Audit Committee.

Ms. Hu joined CDH Investments in 2002 and is currently a managing director of CDH Investments Management (Xiamen) Limited. Prior to joining CDH Investments, Ms. Hu worked at the direct investment department of China International Capital Corporation Limited and at Arthur Andersen LLP.

Ms. Hu has been a non-executive director of Topsports International (a company listed on the Main Board of the Stock Exchange, stock code: 6110) since June 2019. Ms. Hu is also a director of Hangzhou Beika Industrial Co., Ltd. (杭州白貝殼實業股份有限公司). She previously served as a director of Midea Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000333) from August 2012 to August 2017, Anhui Yingliu Electromechanical Co., Limited (a company listed on the Shanghai Stock Exchange, stock code: 603308) from March 2011 to April 2017, Dali Foods Group Company Limited (a company formerly listed on the Main Board of the Stock Exchange) from May 2015 to October 2023, Baroque Japan Limited (a company listed on the Tokyo Stock Exchange, stock code: 3548) from August 2013 to July 2023, and Belle International (a company formerly listed on the Main Board of the Stock Exchange) from September 2005 to December 2023. Ms. Hu also served as a director of Beijing Motie Book Corporation Company from July 2010 to December 2017.

Ms. Hu graduated from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) in China with a bachelor's degree in economics in July 1992 and master's degree in economics and accounting in March 1995. She is a fellow of the Association of Chartered Certified Accountants.

Independent Non-Executive Directors

Mr. IP Koon Wing Ernest (葉冠榮), aged 63, was appointed as an independent non-executive Director on February 24, 2022 with effect from the date of this document. Mr. Ip is responsible for supervising and providing independent judgment to our Board. Mr. Ip chairs the Audit Committee and the Nomination Committee.

Mr. Ip has more than 35 years of experience in accounting and auditing. Since August 2019, Mr. Ip has been the group chief financial officer of the Fung Group, which comprises, among others, Li & Fung Limited (a company formerly listed on the Main Board of the Stock Exchange), Fung (1937) Management Limited and Convenience Retail Asia Limited (a company listed on the Main Board of the Stock Exchange, stock code: 831). Prior to joining the Fung Group, Mr. Ip was a partner at PricewaterhouseCoopers Limited from 1993 until July 2019.

Mr. Ip currently serves as an independent non-executive director of Media Chinese International Limited (a company dual listed on the Main Board of the Stock Exchange, stock code: 685, and Bursa Malaysia Securities Berhad, stock code: 5090). Mr. Ip also currently serves as an independent non-executive director of OneConnect Financial Technology Co., Ltd. (a company dual listed on the New York Stock Exchange, stock code: OCFT, and the Main Board of the Stock Exchange, stock code: 6638), which is an associate of Ping An Insurance (Group) Company of China, Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 2318). Mr. Ip is also an independent non-executive director of Ping An OneConnect Bank (Hong Kong) Limited, a member of Ping An Group.

Mr. Ip holds several key positions in regulatory authorities and business associations. He is currently a member of the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the SFC, as well as a council member of the Hong Kong Business Accountants. He is also a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference and a vice president of the Council for the Promotion of Guangdong-Hong Kong-Macao Cooperation. He was a member of the Listing Committee of the Stock Exchange from 2003 to 2009 and a member of the Dual Filing Advisory Group of the SFC from 2008 to 2014.

Mr. Ip graduated from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) with a professional diploma in accountancy in November 1984. He has been a fellow of the Association of Chartered Certified Accountants since February 1992, the Hong Kong Institute of Certified Public Accountants since December 1994 and CPA Australia since February 2012.

Ms. ZEE Helen (徐閔), aged 56, was appointed as an independent non-executive Director on February 24, 2022 with effect from the date of this document. Ms. Zee is responsible for supervising and providing independent judgment to our Board. Ms. Zee chairs the Remuneration Committee and is a member of the Audit Committee.

Ms. Zee has almost 20 years of experience in investment banking and corporate finance, and held various senior positions including Deputy Chief Executive and Managing Director of Haitong International Capital Limited from 2013 to 2019. She was a member of the Listing Committee of the Stock Exchange from 2013 to 2019 and a member of the Securities and Futures Appeals Tribunal from 2015 to 2021. She was a member of the Process Review Panel of the SFC from 2020 to 2022. She was also a general committee member of the Chamber of Hong Kong Listed Companies from 2013 to 2020 and served as the vice chairman of the general committee from 2019 to 2020.

Ms. Zee currently serves as an independent non-executive director of Henderson Sunlight Asset Management Limited, the manager of Sunlight Real Estate Investment Trust (a Hong Kong collective investment scheme listed on the Main Board of the Stock Exchange, stock code: 435) and an independent non-executive director of China South City Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1668).

Ms. Zee has also been actively involved in various government and community services in the fund management, financial and education sectors. Within the fund management sector, she is a member of the advisory committee for the Mandatory Provident Fund Schemes. She was the chairman of the investment committee and a board member of the Hong Kong Deposit Protection Board, and a member of the investment committee for Police Children's Education Trust Fund and Police Education & Welfare Trust Fund. She was also a member of the investment advisory committee of the Sir Murray MacLehose Trust Fund, Home Affairs Bureau. Within the education sector, she is currently a member of the University Grants Committee and previously served as a member of the investment committee of the HKSAR Government Scholarship Fund and a member of the investment and steering committee of the Hong Kong Self-financing Post-secondary Scholarship Education Fund.

Ms. Zee received her bachelor of science degree in business administration from the University of California, Berkeley in the United States in December 1988. She was admitted to the American Institute of Certified Public Accountants in December 1992.

Ms. CHUA Sui Yee (蔡瑞怡), aged 48, was appointed as an independent non-executive Director on February 24, 2022 with effect from the date of this document. Ms. Chua is responsible for supervising and providing independent judgment to our Board. She is a member of the Remuneration Committee and the Nomination Committee.

Ms. Chua has been the managing partner and responsible officer of Premia Partners since its inception in 2016. She is also an advisor to the president of the Pacific Pension & Investment Institute and a member of the Listing Committee of the Stock Exchange. Ms. Chua has more than 20 years of experience in the financial services industry. Prior to founding Premia Partners, Ms. Chua had served in roles such as the assistant chief executive of ICBC Credit Suisse Asset Management International Company Limited, a director at BlackRock's portfolio management group in Asia, and the strategy and business development director of the office of the chairman in Asia at Marsh & McLennan Companies. Ms. Chua began her career as a corporate banker at Standard Chartered Bank.

Ms. Chua received her bachelor of business administration degree from the Hong Kong University of Science and Technology in November 1998 and master of business administration degree from Yale University's School of Management in May 2004. She has been a fellow of the Association of Chartered Certified Accountants since September 2007, and was designated as a Chartered Financial Analyst by the CFA Institute in January 2007 and as a Financial Risk Manager by Global Association of Risk Professionals in April 2009.

GENERAL

Save as disclosed above, each of our Directors has confirmed that:

(i) he or she does not and has not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date;

(ii) he or she does not have any relationship with any other Director or senior management of the Company;

(iii) there is no other information in respect of such Director to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and

(iv) there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

None of the Directors has any interests in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

The senior management team of our Group (other than our executive Directors whose details have been set out in the preceding section) and their details of experience are as follows:

Name	Age	Position	Time of joining our Group	Date of appointment	Roles and responsibilities
Mr. Hu Bing (胡兵)	55	Senior vice president	March 2001	May 2021	Responsible for the management of certain brands within our Group's footwear business
Mr. Zhu Guangxian (朱廣賢)	46	Vice president	September 2018	September 2018	Responsible for the management of all brands within our Group's apparel business

Mr. Hu Bing (胡兵), aged 55, joined our Group in March 2001 and was appointed as a senior vice president in May 2021.

Mr. Hu has more than 20 years of experience in the footwear business. He joined the Belle International Group in March 2001 and was responsible for matters related to product research and development of the Belle International Group's brands. He was promoted as general manager in March 2013, further promoted as vice president in July 2015 and as senior vice president in May 2021. Since March 2021, Mr. Hu has been primarily responsible for the management of certain brands within our Group's footwear business.

Mr. Hu received his bachelor's degree in electrical engineering from the Open University of Harbin (哈爾濱開放大學) (formerly known as Harbin Radio and Television University (哈爾濱廣播電視大學)) in China in July 1989.

Mr. Zhu Guangxian (朱廣賢), aged 46, joined our Group in September 2018 and was appointed as a vice president in September 2018. He is primarily responsible for the management of all brands within our Group's apparel business. He also holds directorships in certain subsidiaries of our Company.

Mr. Zhu has close to 20 years of experience in the footwear and apparel industry. Since September 2018, Mr. Zhu has served as a vice president of the apparel division of Belle International which now forms part of our Group. Prior to joining our Group, Mr. Zhu had taken up senior Greater China positions in global footwear and apparel companies, and served at Columbia (Shanghai) Trading Co., Ltd. from December 2015 to September 2018 as vice president-general manager and at Nike Sports (China) Co., Ltd. from October 2002 to January 2016 with his last position held as senior account director.

Mr. Zhu received his bachelor's degree in macromolecular science from Fudan University (復旦大學) in China in July 2000 and master of business administration degree from China Europe International Business School (中歐國際工商學院) in China in August 2019.

COMPANY SECRETARY

Mr. KWOK Yiu Tung (郭耀東), 45, was appointed as the company secretary of our Company on February 24, 2022. Mr. Kwok is also an executive Director of our Company. For further details, please refer to the section headed "—Executive Directors" above.

COMMITTEES UNDER OUR BOARD OF DIRECTORS

We have established the following committees under our Board: Audit Committee, Remuneration Committee and Nomination Committee. The committees operate in accordance with their respective terms of reference established by our Board.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix C1 to the Listing Rules. The Audit Committee consists of Mr. IP Koon Wing Ernest, Ms. ZEE Helen and Ms. HU Xiaoling. The chairperson of the Audit Committee is Mr. IP Koon Wing Ernest.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, review the financial information of our Group and consider issues in relation to the external auditors and their appointment.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix C1 to the Listing Rules. The Remuneration Committee consists of Ms. ZEE Helen, Mr. SHENG Fang and Ms. CHUA Sui Yee. The chairperson of the Remuneration Committee is Ms. ZEE Helen.

The primary duties of the Remuneration Committee are to evaluate and make recommendations to our Board on the remuneration policy covering the Directors and senior management of our Group.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix C1 to the Listing Rules. The Nomination Committee consists of Mr. IP Koon Wing Ernest, Mr. SHENG Fang and Ms. CHUA Sui Yee. The chairperson of the Nomination Committee is Mr. IP Koon Wing Ernest.

The primary duties of the Nomination Committee are to identify, screen and recommend to our Board appropriate candidates to serve as Directors of our Company, oversee the process for evaluating the performance of our Board, review the structure, size and composition of our Board and assess the independence of the independent non-executive Directors.

REMUNERATION

Our Directors and senior management members receive compensation in the form of salaries, bonuses, contributions to pension schemes and allowances from our Company subject to applicable laws, rules and regulations. For details of the service contracts and appointment letters that we have entered into with our Directors, see the section headed "Statutory and General Information—C. Further Information about our Directors and Substantial Shareholders—2. Particulars of Service Contracts" in Appendix IV to this document.

Further information on the remuneration of the Directors and/or the five highest paid individuals during the Track Record Period is set out in the Accountant's Report in Appendix I to this document, and in the section headed "Statutory and General Information—C. Further Information about our Directors and Substantial Shareholders—2. Particulars of Service Contracts" in Appendix IV to this document.

COMPLIANCE ADVISOR

We have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor (the "**Compliance Advisor**") upon the [**REDACTED**] in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance advisor's agreement with the Compliance Advisor, the material terms of which are as follows:

(i) the term of the appointment will commence on the [**REDACTED**] and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**], or until the agreement is terminated, whichever is the earlier;

(ii) pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will, inter alia, advise our Company with due care and skill on a timely basis when consulted by our Company in the following circumstances:

- before the publication by our Company of any regulatory announcement, circular or financial report;

- where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated by our Company including share issues and share repurchases;

- where our Company proposes to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this document; and

- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules;

(iii) the Compliance Advisor will, as soon as reasonably practicable, inform us of any amendment or supplement to the Listing Rules announced by the Stock Exchange from time to time, and of any amendment or supplement to the applicable laws and guidelines; and

(iv) the Compliance Advisor will act as an additional channel of communication between our Company and the Stock Exchange.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules in all material aspects after the [**REDACTED**].

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from, the requirement that the responsibilities between the chairman of the Board and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman of the Board and chief executive officer, and Mr. Sheng Fang currently performs these two roles. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of our Company if and when it is appropriate taking into account the circumstances of the Group as a whole. For further information relating to our Company's corporate governance measures, please see the section headed "Relationship with our Controlling Shareholders—Corporate Governance Measures" in this document.

Board Diversity Policy

We have adopted a diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity in our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity in our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, educational background, age, gender, cultural background and ethnicity and length of service.

Our Directors have a balanced mix of knowledge and skills, including in management, strategic development, business development, and the footwear and apparel industries. They obtained degrees in various areas such as civil engineering, accounting and finance, law and economics. The ages of our Directors range from 40 to 63 years old and we have four female Directors.

After the [**REDACTED**], our Board will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its effectiveness. We will also disclose in our annual corporate governance report a summary of the Board Diversity Policy together with information regarding the implementation of the Board Diversity Policy.

OVERVIEW

Immediately after completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), each of WMVL and Hillhouse HHBH will hold approximately [**REDACTED**] and [**REDACTED**], respectively, of the total issued share capital of our Company. Hillhouse HHBH is an indirect subsidiary of Hillhouse LP, which is in turn managed and controlled by Hillhouse Investment. Accordingly, each of WMVL, Hillhouse HHBH, Hillhouse LP and Hillhouse Investment will be a Controlling Shareholder of our Company immediately after the [**REDACTED**]. For details of the shareholding structure of our Company, please refer to the section headed "History, Reorganization and Corporate Structure" of this document.

WMVL was incorporated in the BVI specifically to directly hold interests in the Muse Entities for the senior management team of the Belle International Group for the purpose of the Privatization. The Muse Entities were incorporated in the Cayman Islands specifically for the purpose of the Privatization. Muse B, being one of the Muse Entities, indirectly holds the entire issued share capital of Belle International. Belle Group, being Belle International (including its subsidiaries but excluding our Group), primarily operates property management and logistics businesses, and to a very limited extent, a brand licensing business, in the PRC. For details of the delineation of business activities between our Group and Belle International, please refer to the section headed "—Clear Delineation of Business Activities between our Group and Associates of our Controlling Shareholders" below.

Hillhouse Investment was founded in 2005. With nearly two decades of experience, Hillhouse manages capital for global institutions, including non-profit foundations, endowments and pensions, across healthcare, business services consumer and industrial sectors.

As of the Latest Practicable Date, Hillhouse HHBH and WMVL were in aggregate interested in approximately 55% of the issued share capital of Topsports International, which has been listed on the Main Board of the Stock Exchange since October 10, 2019. Topsports International primarily operates a sportswear retail and service platform in China through its extensive nationwide directly-operated retail store network. For details of the delineation of business activities between our Group and Topsports International, please refer to the section headed "—Clear Delineation of Business Activities between our Group and Associates of our Controlling Shareholders" below.

None of our Controlling Shareholders has any interest in a business that competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure under Rule 8.10 of the Listing Rules.

CLEAR DELINEATION OF BUSINESS ACTIVITIES BETWEEN OUR GROUP AND ASSOCIATES OF OUR CONTROLLING SHAREHOLDERS

Topsports International

The business of Topsports International is delineated from the business operated by our Group in the following key aspects:

- ***Product Focus and Brands***: Our Group has been focusing on offering our consumers a wide range of fashion footwear and apparel products, with product categories encompassing footwear for women, men and kids, as well as apparel, bags and accessories, under our various self-owned brands and partner brands. Our brands collectively cover several major style categories, including trendy, functional, athleisure, and lifestyle. Please see the section headed "Business—Our Brands" in this document for further details. In contrast, Topsports International focuses on offering its consumers sportswear products from a wide range of international sportswear brands, including Nike, adidas and other brands. As such, we and Topsports International offer products which are tailored to different needs of the Chinese consumer base; and

- ***Business Model***: Our Group adopts a vertically-integrated business model by operating the entire value chain from fashion trend research and product planning, design and development to production, merchandise management, direct-to-consumer retail, and building customer insights. Topsports International, on the other hand, has developed strategic relationships with a number of international sportswear brands and sell the products of such international sportswear brands, but is not responsible for the design or manufacturing of their products. As such, our business model is different from that of Topsports International.

Belle Group

Belle Group is engaged in, to a very limited extent, brand licensing with respect to 15mins and Millie's. Such business is delineated from the business operated by our Group given the difference in business model. Our Group adopts a vertically-integrated business model by operating the entire value chain from fashion trend research and product planning, design and development to production, merchandise management, direct-to-consumer retail, and building customer insights. Belle Group, on the other hand, does not design or manufacture soft fashion or fashion footwear products. In addition, Belle Group remains principally engaged in property management and logistics businesses in the PRC.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the [**REDACTED**].

Management Independence

Upon [**REDACTED**], our Board will consist of eight Directors, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors.

The following table sets out the positions and responsibilities of the overlapping directors between (i) our Group and (ii) our Controlling Shareholders after [**REDACTED**]:

	Our Group	**Our Controlling Shareholders**(Note)
Mr. SHENG Fang	Executive Director, chairman and chief executive officer responsible for the overall strategic planning of our Group and the management of our Group's business	Director of WMVL
Mr. YU Wu	Non-executive Director	Director of WMVL

Note: WMVL is an investment holding company.

Notwithstanding the overlapping directorships set out above, our Directors consider that our Board and senior management will function effectively and independently of our Controlling Shareholders and their close associates for the following reasons:

(a) our daily management and operations are led by our executive Directors and carried out by a senior management team, all of whom have substantial experience in the footwear and apparel industry and are not involved in any management, operations or affairs of Belle Group, and will therefore be able to make business decisions that are in the best interests of our Group and ensure independence of daily management and operations from Belle Group. For further details of the biographies of our senior management, please refer to the section headed "Directors and Senior Management—Senior Management" in this document;

(b) Mr. Kwok Yiu Tung does not hold any directorship with our Controlling Shareholders. Mr. Sheng Fang is primarily responsible for the management and operation of our Group's business;

(c) none of our non-executive Directors has been and will be involved in the day-to-day management or affairs and operations of our businesses;

(d) each of our Directors is fully aware of the fiduciary duties of a Director which require, among other things, that he or she must act for the benefit and in the best interests of our Group and must not allow any conflict between his duties as a Director and his or her personal interest;

(e) the Articles of Association provide that a Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which such Director or any of their close associates has any material interest and if they shall do so their vote shall not be counted (nor is such Director to be counted in the quorum for the resolution) save for certain matters. For details, please refer to the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this document;

(f) for any connected transactions proposed to be entered into between our Company and any member of Belle Group, the overlapping Directors will abstain from voting in the event of a conflict of interest and the remaining four disinterested Directors, including those Directors who do not hold any directorships or positions in Belle Group and the independent non-executive Directors, will be entitled to vote on the relevant resolutions of our Board approving such transactions; and

(g) our Board consists of eight Directors, none of which are close associates of our Controlling Shareholders, and three of them are independent non-executive Directors, which represent more than one-third of the members of our Board. Our independent non-executive Directors have extensive experience in corporate management and governance, and they are being appointed to ensure that our Board will only make decisions after due consideration of independent and impartial opinion.

Operational Independence

Our Group has our own operational structure consisting of separate departments, each with clear division of responsibilities. We have established internal control procedures to facilitate the effective operation of our business. We have our own customers with whom we communicate and maintain relationships independently. We also have independent access to brand partners. We have sufficient capital, retail and sales network, marketing capabilities and employees to operate our business independently from our Controlling Shareholders.

Connected Transactions with Belle Group

We have entered into various continuing connected transactions with Belle International and its associates, including property leasing, logistics services and intellectual property licensing arrangements. For details of these transactions, please refer to the section headed "Connected Transactions" of this document.

We believe such continuing connected transactions do not impact our operational independence on the basis that we believe that we would be able to make alternative arrangements with Independent Third Parties to provide similar services, if needed.

In view of the above, our Directors are of the view that such continuing connected transactions do not indicate any undue reliance of our Group on Belle Group, and our business operations are independent from the Controlling Shareholders.

Financial Independence

We have our own finance department responsible for the treasury function. We also have our own financial management system and internal control system with the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective. We are capable of obtaining financing from Independent Third Parties, if necessary, without reliance on our Controlling Shareholders.

As of the Latest Practicable Date, we had settled all of our non-trade payables due to Belle Brands. As of the Latest Practicable Date, we did not have any loans provided by our Controlling Shareholders or their respective close associates, and the guarantees granted by any of them in respect of our banking facilities will be fully released upon [**REDACTED**].

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates after [**REDACTED**].

CORPORATE GOVERNANCE MEASURES

Our Company [has adopted] the following corporate governance measures to avoid potential conflicts of interest with our Controlling Shareholders and to safeguard the interests of our Shareholders:

(a) our Directors will act honestly and in good faith in the interests of our Group as a whole and apply reasonable skill, care and diligence. Further, our Directors will avoid actual and potential conflicts of interest and duty, and disclose fully and fairly his or her interests in contracts with us, including but not limited to abstaining from voting on any resolution of our Board approving any contract or arrangement or other proposal in which they or any of their respective close associates is materially interested in accordance with the Articles of Association and reporting to Board on any material conflict or potential conflict of interests as soon as practicable;

(b) we have also established a compliance department headed by Mr. Sheng Fang, our executive Director who is supported by our other executive Director and company secretary, Mr. Kwok Yiu Tung (please refer to the section headed "Directors and Senior Management—Board of Directors—Executive Directors" in this document for details of the biographies of Mr. Sheng and Mr. Kwok), under the supervision of the Audit Committee, with the following key duties:

- the compliance department shall strictly monitor all business departments of our Group, in order to identify any transactions involving connected persons of our Company;

- if any member of the compliance department identifies any material conflict or potential conflict of interest, he/she must immediately report to the head of the compliance department, who shall in turn report to our Board as soon as practicable; and

- the compliance department will conduct a review of the effectiveness of such internal control measures and report to the Audit Committee on a regular basis, to ensure the proper implementation of the mechanism for conflict investigations;

(c) the decision-making mechanism of our Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, that a Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in such Director or any of their close associates has any material interest. The resolutions of the Board meeting may be adopted if approved by a majority of our Directors that have no such interest;

(d) we have established internal control mechanisms (such as the policy on connected transactions) to identify connected transactions. Any transaction between (or proposed to be made between) our Group and our connected persons will be subject to the requirements under the Listing Rules, including, where applicable, the reporting, annual review, announcement, 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;

(e) we have appointed three independent non-executive Directors in order to achieve a balanced composition of independent and non-independent Directors in our Board which ensures the independence of our Board in making decisions affecting our Company: (i) our independent non-executive Directors account for more than one-third of our Board; (ii) our independent non-executive Directors do not and will not take up any position in Belle Group; (iii) our independent non-executive Directors have the qualifications, integrity, independence and experience for their views to carry weight and to fulfil their roles effectively; and (iv) our independent non-executive Directors will provide impartial and professional advice in accordance with the requirements of the Listing Rules;

(f) our company secretary will draw up the agenda for each board meeting and ensure the inclusion of any matter proposed by our Directors in the agenda. He shall also ensure our Directors receive, in a timely manner, adequate information in relation to the matters to be approved at the Board meetings;

(g) all non-fully exempt continuing connected transactions between our Group and our connected persons will be subject to annual review by our independent non-executive Directors as well as the auditors of our Company;

(h) we will disclose decisions on matters reviewed by the independent non-executive Directors (including matters relating to connected transactions) either in our annual reports or by way of announcements as required by the Listing Rules;

(i) our Company has appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor, 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 internal control;

(j) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;

(k) we have established the Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules (the "**CG Code**");

(l) we will provide training for our Directors and our senior management members on a regular basis to ensure that they understand their obligations under the Listing Rules; and

(m) pursuant to the CG Code, our Directors, including the independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances at our Company's expense.

Our Company will comply with the CG Code which sets out principles of good corporate governance in relation to, among others, Directors, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration, and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviation from it.

We have entered into certain transactions in the ordinary and usual course of business with entities that will become our connected persons upon [**REDACTED**], and such transactions will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

Name	Connected relationship with our Group
Belle International	an associate of WMVL and Hillhouse HHBH under Rule 14A.07(4) of the Listing Rules
Main Earn Limited (得幹有限公司) ("**Main Earn**")	an associate of WMVL and Hillhouse HHBH under Rule 14A.07(4) of the Listing Rules
Li Xun Corporate Development (Shanghai) Company Ltd. (麗迅企業發展(上海)有限公司) ("**Li Xun**")	an associate of WMVL and Hillhouse HHBH under Rule 14A.07(4) of the Listing Rules
Millie's International Company Limited (妙麗國際有限公司) ("**Millie's International**")	an associate of WMVL and Hillhouse HHBH under Rule 14A.07(4) of the Listing Rules

The following transactions with the respective entities mentioned above, which will continue after the [**REDACTED**], will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Summary of Our Partially Exempt and Non-exempt Continuing Connected Transactions

			Proposed maximum transaction amounts		
Nature of Transaction	**Applicable Listing Rules**	**Applicable Waiver Sought**	**For the nine months ending February 28, 2025** *(RMB)*	**For the year ending February 28, 2026** *(RMB)*	**For the six months ending August 31, 2026** *(RMB)*
Partially exempt continuing connected transaction					
Property Leasing Framework Agreement	14A.76(2)(a)	Waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules	60 million	80 million	40 million

Nature of Transaction	Applicable Listing Rules	Applicable Waiver Sought	Proposed maximum transaction amounts		
			For the nine months ending February 28, 2025	For the year ending February 28, 2026	For the six months ending August 31, 2026
			(RMB)	*(RMB)*	*(RMB)*
Non-exempt continuing connected transaction					
Logistics Services Framework Agreement	N/A	Waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules	640 million	960 million	520 million

Fully Exempt Continuing Connected Transactions

The following transactions are made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis. Under Rule 14A.76(1)(a) of the Listing Rules, the following transactions will be fully exempted from announcement, annual review, reporting, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Property Leasing Agreement

We have entered into a property leasing agreement with Li Xun in relation to the leasing of certain storage facilities located in Dongguan to Li Xun (the "**Property Leasing Agreement**"). The rental under the Property Leasing Agreement is determined between the parties following their arm's length negotiations with reference to market prices of comparable properties of similar conditions in the vicinity. Li Xun is a wholly-owned subsidiary of Main Earn, which in turn is a wholly-owned subsidiary of Belle International. Belle International is an associate of WMVL and Hillhouse HHBH.

As the highest applicable percentage ratio of rental income on an annual basis, as our Directors currently expect, will be less than 0.1%, the transactions contemplated under the Property Leasing Agreement constitute *de minimis* transactions which will be fully exempt from announcement, annual review, reporting, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Packaging Materials Sales Framework Agreement

We have entered into a packaging materials sales framework agreement with Li Xun on [●], 2024 (the "**Packaging Materials Sales Framework Agreement**"), effective upon [**REDACTED**] until August 31, 2026. Pursuant to the Packaging Materials Sales Framework Agreement, Li Xun shall procure packaging materials from us on a cost plus variable mark-up basis. Li Xun is a wholly-owned subsidiary of Main Earn, which in turn is a wholly-owned subsidiary of Belle International. Belle International is an associate of WMVL and Hillhouse HHBH.

As the highest applicable percentage ratio of transaction amount to be paid by Li Xun to us on an annual basis, as our Directors currently expect, will be less than 0.1%, the transactions contemplated under the Packaging Materials Sales Framework Agreement constitute *de minimis* transactions which will be fully exempt from announcement, annual review, reporting, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

IP Licensing Agreement

We have entered into an intellectual property licensing agreement with Millie's International on [●], 2024 (the "**IP Licensing Agreement**"), pursuant to which we were granted a royalty-free and irrevocable license to use the "Millie's" trademarks, that are registered in the name of Millie's International, in the jurisdiction(s) where they are registered. The IP Licensing Agreement will be effective for 10 years from the date of the agreement. Millie's International is an indirect wholly-owned subsidiary of Belle International. Belle International is an associate of WMVL and Hillhouse HHBH.

Since the licenses under the IP Licensing Agreement are granted on a royalty-free basis, the transactions under the IP Licensing Agreement constitute *de minimis* transactions which will be fully exempt from all the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors and the Joint Sponsors are of the view that, considering the nature of the licenses under the IP Licensing Agreement and in order to ensure the continuity of the relevant business of our Group, it is normal business practice and in the interests of our Company and our Shareholders as a whole to enter into the IP Licensing Agreement for a term longer than three years.

Partially Exempt Continuing Connected Transaction

The following transaction is made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2)(a) of the Listing Rules, the following transaction will be subject to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from the circular (including independent financial advice) and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Property Leasing Framework Agreement

Background and reasons for the transaction

During the Track Record Period, we have historically been using certain properties owned by subsidiaries of Belle International as office premises, factories or storage facilities. In anticipation of the [**REDACTED**], we and Belle International entered into a property leasing framework agreement on [●], 2024 (the "**Property Leasing Framework Agreement**"), effective upon [**REDACTED**] until August 31, 2026.

Principal terms

Pursuant to the Property Leasing Framework Agreement, Belle International and/or its subsidiaries shall lease to our Group certain properties located in the PRC and other jurisdictions where we operate for use as office premises, factories or storage facilities.

We may rent additional properties or cease to rent properties from Belle International or its subsidiaries based on our actual demand for property space. The relevant tenants from our Group and the relevant landlords from Belle Group shall enter into separate lease agreements which shall set out the specific terms and conditions pursuant to the principles and conditions provided in the Property Leasing Framework Agreement. The term of the lease agreements with respect to office premises and storage facilities is normally three years and the term of the lease agreements with respect to factories shall be for an initial term of three years with an option to renew, at our sole discretion and subject to compliance with all applicable requirements under Chapter 14A of the Listing Rules, for a maximum period of ten years.

Pricing

The rental prices under the Property Leasing Framework Agreement are determined between the parties following their arm's length negotiations with reference to:

(a) the gross area of the relevant property and the rental period;

(b) the market prices of comparable properties of similar conditions in the vicinity; and

(c) the rental price payable by Independent Third Party to Belle International and/or its subsidiaries in respect of comparable properties.

The rental prices may be reviewed and adjusted in every rental cycle during the term of the Property Leasing Framework Agreement with reference to the prevailing market rental prices, the consumer price index and the terms and conditions of the leases offered by Belle International and/or its subsidiaries to other tenants.

Historical figures

The total lease payments made by our Group to the subsidiaries of Belle International for the years ended February 28, 2022 and February 28, 2023 and the nine months ended November 30, 2023 were approximately RMB95.2 million, RMB126.8 million and RMB117.4 million, respectively.

During the Track Record Period, there were changes in the scope of our leased properties as a result of business consolidation and expansion.

Maximum transaction amounts

Pursuant to IFRS 16, the lease of properties by the Group as lessee under the Property Leasing Framework Agreement will be recognized as right-of-use assets, and accordingly, the Directors estimate the maximum transaction amounts, being the total value of right-of-use assets relating to the leases to be entered into by the Group in the relevant period or year, under the Property Leasing Framework Agreement to be as follows:

	For the nine months ending February 28, 2025 *(RMB)*	**For the year ending February 28, 2026** *(RMB)*	**For the six months ending August 31, 2026** *(RMB)*
Maximum transaction amounts	60 million	80 million	40 million

In arriving at the above proposed maximum transaction amounts under the Property Leasing Framework Agreement, the Directors have primarily considered (i) the historical figures as set out above; (ii) the current rental prices of comparable properties in the vicinity and the prevailing market rates; (iii) the expected increase in rental prices based on inflation rate and prediction on the future development of the property market in the PRC; and (iv) the expected signing of new leases due to potentially increasing demand of our Group for property space and the expected tenor of the new leases.

Non-Exempt Continuing Connected Transaction

The following transaction is made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. As such, the following transaction will be a non-exempt continuing connected transaction under Chapter 14A of the Listing Rules, subject to announcement, annual review, reporting, circular (including independent financial advice) and independent Shareholders' approval requirements.

Logistics Services Framework Agreement

Background and reasons for the transaction

Historically, we have been using the logistics services provided by Main Earn and its subsidiaries including Li Xun (the "**Belle Logistics Unit**") which was formed to centralize and integrate logistics operations of the entire Belle International Group, which at the time held both the business of our Group and that of Topsports International. During the Track Record Period, we have also engaged other logistics service providers which are Independent Third Parties primarily for logistics needs arising from our administrative functions such as express shipping of documents. With the advantages of economies of scale and centralized and integrated operations, the Belle Logistics Unit is able to offer more efficient logistics services with a higher level of sophistication and timeliness, without an increase in cost. Since the Belle Logistics Unit provides logistics services to both our business and that of Topsports International, we have been able to benefit from the synergies generated by the Belle Logistics Unit primarily from (i) the largely overlapping geographical coverage of our store network and that of Topsports International, which had 6,209 directly-operated stores as at August 31, 2023; and (ii) our business and that of Topsports International have different seasonality patterns and schedules of product deliveries, hence different logistics needs throughout the year. As a result, the Belle Logistics Unit is able to maintain a healthy level of utilization of its logistics infrastructure and increase its overall efficiency, which, in turn, is beneficial to us. Compared to third-party logistics service providers, the Belle Logistics Unit is able to provide more comprehensive solutions and dedicated services as it has a better understanding of our nationwide store network and offers better integration with our inventory management system.

The Belle Logistics Unit has a proven record of reliability that meets our Group's highly demanding delivery requirement in terms of frequency and timeliness. As of the Latest Practicable Date, we have not experienced any material delays or improper handling of orders with the Belle Logistics Unit that had materially and adversely affected our operations.

Principal terms

In anticipation of the [**REDACTED**], our Company has entered into a logistics services framework agreement with Main Earn on [●], 2024 (the "**Logistics Services Framework Agreement**") in relation to the provision of (a) transportation for goods after their delivery from our suppliers, including but not limited to, transportation among warehouses and stores; and (b) warehouses, storage and other commercial facilities (collectively, the "**Logistics Services**"). The Logistics Services Framework Agreement shall be effective upon [**REDACTED**] until August 31, 2026.

Pricing

The service fees charged under the Logistics Services Framework Agreement are determined after arm's length negotiation between the parties. The total service fees are calculated based on (i) the volume of Logistics Services we require for the relevant period; and (ii) the actual cost incurred by the Belle Logistics Unit in relation to the provision of Logistics Services in the preceding financial year plus a 5% pre-tax mark-up.

The Logistics Services provided by the Belle Logistics Unit cater to our extensive nationwide store network, omni-channel capabilities, seasonality of operations and logistics needs. There are very few independent logistics service providers who are capable of providing similar tailored services. The pricing terms of the Logistics Services provided by the Belle Logistics Unit are considered to be similar to or better than what the other independent logistics service providers are able to offer. Based on the publically available financial information of the leading logistics services providers in the PRC, the 5% pre-tax mark-up charged by the Belle Logistics Unit is in line with the industry norm and more favorable to our Group as compared to those charged by its industry peers, which is also confirmed by Frost & Sullivan. While the Group is able to procure logistics services from alternative suppliers, such as JD Logistics and SF Express, it is expected that the Group will incur extra time, labour and cost for the transition to a new logistics service provider, which process may involve, among others, redefining service scope, integrating with our inventory management system and adapting to our seasonality patterns; and that the transition may also affect customer experience. In addition, while independent third-party service providers will be able to satisfy our basic logistics needs, they may not be able to provide the same level of customized and prioritized services that the Belle Logistics Unit does. Therefore, the Directors considered it in the best interest of the Company and the Shareholders as a whole for the Group to continue engaging the Belle Logistics Unit for the Logistics Services.

Pursuant to the Logistics Services Framework Agreement, Main Earn has agreed to provide us with the audited accounts of the Belle Logistics Unit (including Li Xun and its subsidiaries) for the relevant financial year for our verification of its cost base. When and where required, we will also seek quotations from other service providers that are Independent Third Parties to make sure the terms that we obtain from Main Earn shall be on normal commercial terms or better.

Historical figures

The total fees for the Logistics Services paid by our Group for the years ended February 28, 2022 and February 28, 2023 and the nine months ended November 30, 2023 were approximately RMB743.1 million, RMB678.5 million and RMB524.7 million, respectively.

Maximum transaction amounts

The Directors estimate the maximum transaction amounts for Logistics Services fees payable by our Group under the Logistics Services Framework Agreement to be as follows:

	For the nine months ending February 28, 2025 *(RMB)*	**For the year ending February 28, 2026** *(RMB)*	**For the six months ending August 31, 2026** *(RMB)*
Logistics Services fees	640 million	960 million	520 million

In arriving at the above proposed maximum transaction amounts in respect of the Logistics Services under the Logistics Services Framework Agreement, the Directors have primarily considered (i) the historical Logistic Services fees as set out above and the growth trend for the three years ended February 28, 2024; (ii) our business outlook and the projected growth trend of our demand for the Logistics Services, which corresponds to the expected growth in our overall sales; (iii) an increase in the level of sophistication of our logistics needs (e.g. on-demand inventory replenishment); and (iv) potential cost inflation (e.g. increase in wages for delivery personnel and fuel prices) which may result in an increase in operating cost of the Belle Logistics Unit, which would be reflected into the fees payable by us.

WAIVERS FROM THE STOCK EXCHANGE

As the material terms of each of the partially exempted and non-exempted connected transactions have been disclosed in this document and [**REDACTED**] will participate in the [**REDACTED**] on the basis of the disclosures, the Directors consider that strict compliance with the announcement requirement and, where applicable, the circular (including independent financial advisor) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, would be impracticable and unduly burdensome and, in particular, would induce unnecessary administrative costs to our Company.

As a result, our Company has applied to the Stock Exchange for, [and has been granted], subject to the condition that the value of the transactions in the relevant periods shall not exceed their respective estimated maximum transaction amounts as stated above:

(a) a waiver under Rule 14A.105 of the Listing Rules to exempt the transaction set out in the sub-section headed "Partially Exempt Continuing Connected Transaction" in this section from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules for the term ending August 31, 2026; and

(b) a waiver under Rule 14A.105 of the Listing Rules to exempt the transaction set out in the sub-section headed "Non-Exempt Continuing Connected Transaction" in this section from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules for the term ending August 31, 2026.

In addition, we confirm that we will comply with the applicable requirements under the Listing Rules and will immediately inform the Stock Exchange if any of the proposed maximum transaction amounts set out above is exceeded, or when there is a material change in the terms of these transactions.

CONFIRMATION FROM THE DIRECTORS

The Directors, including the independent non-executive Directors, are of the view that:

(a) the partially exempt and non-exempt continuing connected transactions described above for which waivers are sought have been entered into and will be carried out in the ordinary and usual course of business of our Group and all such transactions will be conducted on normal commercial terms or better which are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and

(b) the proposed maximum transaction amounts of such partially exempt and non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Company relating to the partially exempt and non-exempt continuing connected transactions described above and have obtained confirmations from our Company. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that:

(a) the partially exempt and non-exempt continuing connected transactions described above for which waivers are sought have been entered into in the ordinary and usual course of business of our Group and are on normal commercial terms or better which are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and

(b) the proposed maximum transaction amounts of such partially exempt and non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized shares and shares of our Company in issue and to be [**REDACTED**] as fully paid or credited as fully paid prior to and immediately following the completion of the [**REDACTED**]:

As of the date of this Document

	HK$
Authorized share capital	
20,000,000,000 Shares	20,000
Issued share capital	
5,271,038,024 Shares	5,271.038024

Immediately after Completion of the [REDACTED]

	HK$
Shares to be [**REDACTED**] under the [**REDACTED**]	
[**REDACTED**] Shares	[**REDACTED**]
Total [**REDACTED**] Shares on completion of the [**REDACTED**]	
[**REDACTED**] Shares	[**REDACTED**]

ASSUMPTIONS

The above table assumes that the [**REDACTED**] becomes unconditional and the Shares are [**REDACTED**] pursuant to the [**REDACTED**]. The above does not take into account any Shares which (i) may be [**REDACTED**] pursuant to the exercise of the [**REDACTED**]; or (ii) may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue or to be [**REDACTED**] and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "[**REDACTED**]" in this document, our Directors have been granted general mandates to allot and issue Shares and to repurchase Shares. For further details of this general mandate, please see the section headed "Statutory and General Information—A. Further Information About our Group—4. Resolutions in writing of our Shareholder" in Appendix IV to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to 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:

Name of shareholder	**Nature of interest**	**Shares held immediately following the completion of the [REDACTED][(1)]**	
		Number	*Approximate percentage*
WMVL[(2)]	Beneficial owner	[**REDACTED**]	[**REDACTED**]
Hillhouse HHBH[(3)]	Beneficial owner	[**REDACTED**]	[**REDACTED**]
Hillhouse HHBH Limited[(3)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]
HHBH Investment, L.P.[(3)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]
Hillhouse LP[(3)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]
Hillhouse Investment[(3)]	Interest in controlled corporation	[**REDACTED**]	[**REDACTED**]

Notes:

(1) Assuming the [**REDACTED**] is not exercised.

(2) Please see the section headed "History, Reorganization and Corporate Structure—Corporate Structure" in this document for details of the shareholding in WMVL.

(3) Hillhouse HHBH is wholly-owned by Hillhouse HHBH Limited, which is wholly-owned by HHBH Investment, L.P, which is an indirect subsidiary of Hillhouse LP, which is in turn managed and controlled by Hillhouse Investment.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

FUTURE PLANS

See the section headed "Business—Our Strategies" for a detailed description of our future plans.

[**REDACTED**]

The table below sets forth the estimated [**REDACTED**] of the [**REDACTED**] that we will receive after deduction of [**REDACTED**] and [**REDACTED**] and estimated expenses payable by us in connection with the [**REDACTED**]:

[**REDACTED**]

We intend to use the [**REDACTED**] of the [**REDACTED**] for the following purposes, assuming an [**REDACTED**] of [**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] stated in this document):

- approximately [**REDACTED**], or [**REDACTED**], will be used to repay our bank borrowings. As of January 31, 2024, we had (A) offshore bank borrowings of approximately HK$3,141.7 million, consisting of (i) approximately RMB2,290.7 million (equivalent to HK$2,491.7 million) of long-term offshore borrowings at a floating interest rate of Loan Prime Rate plus 1.2% or HIBOR plus 1.40%, and (ii) approximately HK$650.0 million (equivalent to RMB597.6 million) of short-term offshore borrowings at floating interest rates of 1-month HIBOR plus margins ranging from 1.2% to 1.5%; and (B) short-term onshore bank borrowings of RMB1,910.0 million (equivalent to HK$2,077.6 million) at interest rates ranging from 1.2% to 1.9% per annum.

- approximately [**REDACTED**], or [**REDACTED**], will be used to [**REDACTED**] in technology initiatives to accelerate the digital transformation on multiple fronts of our business, including:

  - We intend to use [**REDACTED**], or [**REDACTED**], of the [**REDACTED**] to upgrade our group-wide technology infrastructure. We intend to further strengthen our systems such as our supply chain management system, centralized data platform, and retail management system. We will further improve our data analytics capabilities, particularly to assist in our customer engagement and targeted product marketing. In addition, we plan to further advance our big data capabilities, such as researching and developing machine learning algorithms, to forecast consumer preference and fashion trends, develop targeted product marketing initiatives, and personalize customer engagement; and

  - We intend to use [**REDACTED**], or [**REDACTED**], of the [**REDACTED**] to increase the level of automation in our production process and develop intelligent control systems to manage our production lines with higher efficiency and precision, reducing waste of raw materials and further streamlining our manufacturing processes. We target to fully integrate the systems of our manufacturing partners to seamlessly monitor their production progress and product quality.

- approximately [**REDACTED**], or [**REDACTED**], will be used for working capital and other general corporate purpose.

The [**REDACTED**] intended to be used to [**REDACTED**] in technology initiatives are not expected to change. Subject to the above, in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the indicative [**REDACTED**] range, the Company would prioritize the [**REDACTED**] intended to be used as general working capital, the amount of which will remain at [**REDACTED**] of the [**REDACTED**], and the remaining balance of the [**REDACTED**], would first be used to repay our long-term and short-term offshore bank borrowings and then to repay our short-term onshore bank borrowings.

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 deposit the [**REDACTED**] into short-term demand deposits with licensed commercial banks or other authorized financial institutions in Hong Kong or China so long as it is deemed to be in the best interests of our Company. We will make an appropriate announcement if there is any material change to the above proposed [**REDACTED**] or if any amount of the [**REDACTED**] will be used for general corporate purpose.

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

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[**REDACTED**]

[**REDACTED**]

The following is the text of a report set out on pages I-1 to I-3, 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]

[To insert the firm's letterhead]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BELLE FASHION GROUP AND MERRILL LYNCH (ASIA PACIFIC) LIMITED AND MORGAN STANLEY ASIA LIMITED

Introduction

We report on the historical financial information of Belle Fashion Group (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-71, which comprises the consolidated balance sheets and the company balance sheets as at February 28, 2022 and 2023, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended February 28, 2022 and 2023 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-71 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the [**REDACTED**].

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 Notes 2.2 and 3.1 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 Notes 2.2 and 3.1 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 February 28, 2022 and 2023 and the consolidated financial position of the Group as at February 28, 2022 and 2023 and of its consolidated financial performance and its consolidated cash flows for each of the years ended February 28, 2022 and 2023 in accordance with the basis of presentation and preparation set out in Notes 2.2 and 3.1 to the Historical Financial Information.

Review of stub period financial information

We have reviewed the stub period financial information of the Group which comprises the consolidated balance sheet and the company balance sheet as at 30 November 2023, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the nine months ended November 30, 2022 and 2023 and other explanatory information (the "Stub Period Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Financial

Information in accordance with the basis of presentation and preparation set out in Notes 2.2 and 3.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period 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 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 Notes 2.2 and 3.1 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-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends declared or paid by the companies comprising the Group in respect of the year ended February 28, 2022 and dividend paid by the Company in respect of year ended February 28, 2023 and nine months ended November 30, 2023.

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 as of February 28, 2022 and 2023 and November 30, 2023 and for the years ended February 28, 2022 and 2023 and the nine months ended November 30, 2023 (the "Track Record Period") (the "Historical Financial Information") which forms an integral part of this accountant's report.

The Historical Financial Information in this report was prepared by the directors of Belle Fashion Group (the "Company") based on the consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the years ended February 28, 2022 and 2023 and unaudited interim consolidated financial information of the Group for the nine months ended November 30, 2023 ("Underlying Financial Statements"). The consolidated financial statements of the Group for the years ended February 28, 2022 and 2023 were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the IAASB.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest 0.1 million ("RMB0.1 million") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended February 28, 2022 *RMB million*	Year ended February 28, 2023 *RMB million*	Nine months ended November 30, 2022 *RMB million (Unaudited)*	Nine months ended November 30, 2023 *RMB million (Unaudited)*
Revenue	*6*	23,509.7	19,210.3	14,286.7	16,112.0
Cost of sales	*7*	(8,216.4)	(7,058.5)	(5,060.8)	(5,578.0)
Gross profit		15,293.3	12,151.8	9,225.9	10,534.0
Selling and marketing expenses	*7*	(9,718.9)	(8,613.0)	(6,480.0)	(6,485.2)
General and administrative expenses	*7*	(2,556.0)	(2,249.7)	(1,584.2)	(1,522.8)
Other income and other gains, net	*8*	591.0	439.4	332.4	209.6
(Provision for)/reversal of impairment of trade receivables	*23*	(0.6)	5.8	(2.1)	(0.6)
Operating profit		3,608.8	1,734.3	1,492.0	2,735.0
Finance income	*9*	83.8	58.1	41.9	48.3
Finance costs	*9*	(113.2)	(166.7)	(115.0)	(164.6)
Finance costs, net		(29.4)	(108.6)	(73.1)	(116.3)
Share of results of associates	*19*	28.3	24.8	18.4	20.3
Profit before income tax		3,607.7	1,650.5	1,437.3	2,639.0
Income tax expense	*10*	(872.9)	(393.1)	(369.3)	(581.1)
Profit for the year/period		2,734.8	1,257.4	1,068.0	2,057.9
Attributable to:					
Equity holders of the Company		2,775.7	1,340.3	1,133.8	2,029.6
Non-controlling interests		(40.9)	(82.9)	(65.8)	28.3
		2,734.8	1,257.4	1,068.0	2,057.9
Earnings per share for profit attributable to equity holders of the Company					
Basic and diluted earnings per share *(RMB per Share)*	*11*	0.53	0.25	0.22	0.39

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended February 28,		Nine months ended November 30,	
		2022	2023	2022	2023
		RMB million	*RMB million*	*RMB million*	*RMB million*
				(Unaudited)	*(Unaudited)*
Profit for the year/period		2,734.8	1,257.4	1,068.0	2,057.9
Other comprehensive income					
Item that may be subsequently reclassified to profit or loss					
Exchange differences		7.1	(170.8)	(138.6)	(11.2)
Item that will not be reclassified to profit or loss					
Exchange differences		–	(42.7)	(112.3)	(54.5)
Total comprehensive income for the year/period		2,741.9	1,043.9	817.1	1,992.2
Attributable to:					
Equity holders of the Company		2,782.8	1,126.8	882.9	1,963.9
Non-controlling interests		(40.9)	(82.9)	(65.8)	28.3
		2,741.9	1,043.9	817.1	1,992.2

CONSOLIDATED BALANCE SHEETS

			As at	
	Note	February 28, 2022	February 28, 2023	November 30, 2023
		RMB million	*RMB million*	*RMB million*
				(Unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	*15*	1,800.1	1,609.4	1,360.1
Right-of-use assets	*16(a)*	1,391.9	975.9	1,033.3
Land use rights	*17*	153.0	149.2	146.4
Intangible assets	*18*	331.1	370.9	377.6
Interests in associates	*19*	162.7	180.5	200.8
Financial assets at fair value through profit or loss	*21*	84.0	75.6	78.9
Long-term deposits and prepayments	*20*	184.4	194.5	162.4
Pledged term deposits	*24*	1,000.0	–	–
Deferred income tax assets	*10(b)*	284.9	286.5	341.8
		5,392.1	3,842.5	3,701.3
Current assets				
Inventories	*22*	4,067.4	3,599.9	4,370.0
Trade receivables	*23*	1,439.2	1,405.0	1,755.3
Deposits, prepayments and other receivables	*20*	789.0	878.7	664.6
Pledged term deposits	*24*	–	1,525.5	680.0
Bank balances and cash	*24*	1,664.2	2,038.1	2,121.3
		7,959.8	9,447.2	9,591.2
Total assets		13,351.9	13,289.7	13,292.5

	Note	As at February 28, 2022 *RMB million*	February 28, 2023 *RMB million*	November 30, 2023 *RMB million* *(Unaudited)*
LIABILITIES				
Non-current liabilities				
Lease liabilities	*16(b)*	678.0	449.4	442.4
Put option liabilities on non-controlling interests	*25*	405.9	458.0	38.5
Long-term borrowings	*28*	–	1,779.4	918.7
Deferred income		16.3	10.6	6.2
Deferred income tax liabilities	*10(b)*	147.3	144.1	153.7
		1,247.5	2,841.5	1,559.5
Current liabilities				
Trade payables	*26*	1,631.2	1,133.6	2,111.1
Other payables, accruals and other liabilities	*27*	1,760.3	1,764.1	1,484.6
Short-term borrowings	*28*	3,076.8	2,675.0	3,137.2
Lease liabilities	*16(b)*	682.2	636.3	693.3
Put option liabilities on non-controlling interests	*25*	–	–	250.6
Amounts due to related companies	*33*	1,036.9	1,812.6	1,506.1
Current income tax liabilities		906.6	385.2	405.4
		9,094.0	8,406.8	9,588.3
Total liabilities		10,341.5	11,248.3	11,147.8
Net assets		3,010.4	2,041.4	2,144.7
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	*29*	–	–	–
Other reserves	*30*	1,798.0	1,581.8	1,606.9
Retained earnings		1,043.7	349.3	346.5
		2,841.7	1,931.1	1,953.4
Non-controlling interests		168.7	110.3	191.3
Total equity		3,010.4	2,041.4	2,144.7

BALANCE SHEETS OF THE COMPANY

	Note	As at February 28, 2022 RMB million	February 28, 2023 RMB million	November 30, 2023 RMB million (Unaudited)
ASSETS				
Non-current assets				
Investments in subsidiaries	*34(a)*	16,822.0	18,316.4	18,913.7
Current assets				
Deposits, prepayments and other receivables		–	0.4	1.5
Amount due from a subsidiary	*34(b)*	–	3,500.1	2,673.9
Bank balances and cash		–	0.1	0.2
		–	3,500.6	2,675.6
Total assets		16,822.0	21,817.0	21,589.3
LIABILITIES				
Non-current liabilities				
Long-term borrowings	*28*	–	1,779.4	918.7
Current liabilities				
Other payables, accruals and other liabilities	*27*	49.7	32.9	24.0
Amount due to a subsidiary	*34(b)*	7.0	–	–
Amount due to immediate holding company	*33*	–	1,725.3	1,448.8
Short-term borrowings	*28*	–	–	413.4
		56.7	1,758.2	1,886.2
Total liabilities		56.7	3,537.6	2,804.9
Net assets		16,765.3	18,279.4	18,784.4
EQUITY				
Share capital	*29*	–	–	–
Other reserves	*30(b)*	16,822.0	18,310.7	18,906.1
Accumulated losses	*30(b)*	(56.7)	(31.3)	(121.7)
Total equity		16,765.3	18,279.4	18,784.4

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital *RMB million*	**Other reserves** *RMB million (Note 30)*	**Retained earnings** *RMB million*	**Sub-total** *RMB million*	**Non-controlling interests** *RMB million*	**Total** *RMB million*
At March 1, 2021	–	1,656.2	418.5	2,074.7	214.6	2,289.3
Comprehensive income						
Profit for the year	–	–	2,775.7	2,775.7	(40.9)	2,734.8
Other comprehensive income						
Exchange differences	–	7.1	–	7.1	–	7.1
Total comprehensive income for the year	–	7.1	2,775.7	2,782.8	(40.9)	2,741.9
Appropriation to statutory reserves	–	150.5	(150.5)	–	–	–
Capital contribution from non-controlling shareholders	–	–	–	–	3.4	3.4
Disposal of a non-wholly owned subsidiary *(Note 31(c))*	–	–	–	–	(8.4)	(8.4)
Dividends *(Note 12)*	–	–	(2,000.0)	(2,000.0)	–	(2,000.0)
Issue of ordinary shares to give effect the Reorganization *(Note 30)*	–	–	–	–	–	–
Adjustment to put option liabilities on non-controlling interests	–	(15.8)	–	(15.8)	–	(15.8)
Total transactions with equity holders	–	134.7	(2,150.5)	(2,015.8)	(5.0)	(2,020.8)
At February 28, 2022	–	1,798.0	1,043.7	2,841.7	168.7	3,010.4

	Attributable to equity holders of the Company					
	Share capital	**Other reserves**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total**
	RMB million	*RMB million* *(Note 30)*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At March 1, 2022	–	1,798.0	1,043.7	2,841.7	168.7	3,010.4
Comprehensive income						
Profit for the year	–	–	1,340.3	1,340.3	(82.9)	1,257.4
Other comprehensive income						
Exchange differences	–	(213.5)	–	(213.5)	–	(213.5)
Total comprehensive income for the year	–	(213.5)	1,340.3	1,126.8	(82.9)	1,043.9
Appropriation to statutory reserves	–	34.7	(34.7)	–	–	–
Acquisition of a subsidiary *(Note 31(d))*	–	–	–	–	24.5	24.5
Dividends *(Note 12)*	–	–	(2,000.0)	(2,000.0)	–	(2,000.0)
Inception of put option liabilities from a business combination *(Note 25)*	–	(21.5)	–	(21.5)	–	(21.5)
Adjustment to put option liabilities on non-controlling interests	–	(15.9)	–	(15.9)	–	(15.9)
Total transactions with equity holders	–	(2.7)	(2,034.7)	(2,037.4)	24.5	(2,012.9)
At February 28, 2023	–	1,581.8	349.3	1,931.1	110.3	2,041.4

	Attributable to equity holders of the Company					
	Share capital	**Other reserves**	**Retained earnings**	**Sub-total**	**Non-controlling interests**	**Total**
(Unaudited)	*RMB million*	*RMB million* *(Note 30)*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At March 1, 2022	–	1,798.0	1,043.7	2,841.7	168.7	3,010.4
Comprehensive income						
Profit for the period	–	–	1,133.8	1,133.8	(65.8)	1,068.0
Other comprehensive income						
Exchange differences	–	(250.9)	–	(250.9)	–	(250.9)
Total comprehensive income for the period	–	(250.9)	1,133.8	882.9	(65.8)	817.1
Appropriation to statutory reserves	–	25.6	(25.6)	–	–	–
Adjustment to put option liabilities on non-controlling interests	–	(11.7)	–	(11.7)	–	(11.7)
Total transactions with equity holders	–	13.9	(25.6)	(11.7)	–	(11.7)
At November 30, 2022	–	1,561.0	2,151.9	3,712.9	102.9	3,815.8

	Attributable to equity holders of the Company					
(Unaudited)	**Share capital** *RMB million*	**Other reserves** *RMB million* *(Note 30)*	**Retained earnings** *RMB million*	**Sub-total** *RMB million*	**Non-controlling interests** *RMB million*	**Total** *RMB million*
At March 1, 2023	–	1,581.8	349.3	1,931.1	110.3	2,041.4
Comprehensive income						
Profit for the period	–	–	2,029.6	2,029.6	28.3	2,057.9
Other comprehensive income						
Exchange differences	–	(65.7)	–	(65.7)	–	(65.7)
Total comprehensive income for the period	–	(65.7)	2,029.6	1,963.9	28.3	1,992.2
Appropriation to statutory reserves	–	32.4	(32.4)	–	–	–
Acquisition of non-controlling interests *(Note 31(e))*	–	(121.6)	–	(121.6)	54.5	(67.1)
Dividends *(Note 12)*	–	–	(2,000.0)	(2,000.0)	–	(2,000.0)
Disposal of a non-wholly owned subsidiary *(Note 31(c))*	–	–	–	–	(1.8)	(1.8)
Adjustment to put option liabilities on non-controlling interests	–	180.0	–	180.0	–	180.0
Total transactions with equity holders	–	90.8	(2,032.4)	(1,941.6)	52.7	(1,888.9)
At November 30, 2023	–	1,606.9	346.5	1,953.4	191.3	2,144.7

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended February 28, 2022	Year ended February 28, 2023	Nine months ended November 30, 2022	Nine months ended November 30, 2023
		RMB million	*RMB million*	*RMB million* *(Unaudited)*	*RMB million* *(Unaudited)*
Cash flows from operating activities					
Net cash generated from operations	*31(a)*	5,270.3	3,472.4	2,306.4	3,490.2
Income tax paid		(750.7)	(919.3)	(822.0)	(606.6)
Net cash generated from operating activities		4,519.6	2,553.1	1,484.4	2,883.6
Cash flows from investing activities					
Payments for purchases of property, plant and equipment and intangible assets	*31(b)*	(803.7)	(517.2)	(432.2)	(216.2)
Payments for purchases of financial assets at fair value through profit or loss		(84.0)	–	–	–
Payment for acquisition of an associate		–	(2.1)	(2.1)	–
Payment for acquisition of a subsidiary	*31(d)*	–	(55.0)	–	–
Placements of pledged term deposits		–	(525.5)	(94.0)	(440.0)
Proceeds from maturity of pledged term deposits		–	–	–	1,285.5
Proceeds from disposal of property, plant and equipment		–	5.6	5.4	0.5
Proceeds from disposal of subsidiaries, net of cash disposed	*31(c)*	175.3	–	–	1.0
Dividend received from an associate		9.8	9.1	–	–
Interest received	*9*	40.5	20.4	13.2	144.3
Net cash (used in)/generated from investing activities		(662.1)	(1,064.7)	(509.7)	775.1

		Year ended February 28,		Nine months ended November 30,	
	Note	**2022**	**2023**	**2022**	**2023**
		RMB million	*RMB million*	*RMB million*	*RMB million*
				(Unaudited)	*(Unaudited)*
Cash flows from financing activities					
Capital contribution from non-controlling shareholders		3.4	–	–	–
Payments for acquisition of non-controlling interests	*31(e)*	–	–	–	(55.4)
Proceeds from bank borrowings	*31(g)*	3,076.8	4,611.3	3,794.7	3,556.0
Repayments of bank borrowings	*31(g)*	(1,000.0)	(3,428.8)	(2,649.8)	(4,009.7)
Payments for lease liabilities (including interest)	*31(g)*	(1,178.6)	(910.7)	(669.3)	(679.9)
Interest paid for bank borrowings	*9*	(29.1)	(98.7)	(61.8)	(120.6)
Payments to settle the balances with related companies	*31(g)*	(6,210.2)	(1,311.6)	(1,036.9)	(2,276.5)
Net cash used in financing activities		(5,337.7)	(1,138.5)	(623.1)	(3,586.1)
Net (decrease)/increase in cash and cash equivalents		(1,480.2)	349.9	351.6	72.6
Cash and cash equivalents at beginning of the year/period		3,138.1	1,664.2	1,664.2	2,038.1
Exchange gains/(losses) on cash and cash equivalents		6.3	24.0	56.7	10.6
Cash and cash equivalents at end of the year/period		1,664.2	2,038.1	2,072.5	2,121.3
Cash and cash equivalents comprise of:					
Bank balances and cash	*24*	1,664.2	2,038.1	2,072.5	2,121.3

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Belle Fashion Group (the "Company") was incorporated in the Cayman Islands on December 15, 2021 as an exempted company with limited liability under the Companies Act (As Revised) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time. The address of its registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively the "Group") are principally engaged in the designing, manufacturing, distribution and retailing of shoes and footwear products, and the distribution and retailing of apparel products in the Mainland, Hong Kong Special Administrative Region ("Hong Kong") and Macau Special Administrative Region ("Macau") of the People's Republic of China (the "PRC") ("[**REDACTED**] Business").

The immediate holding company and an intermediate holding company of the Company are Belle Brands Limited, a company incorporated in the British Virgin Islands (the "BVI") with limited liability, and Belle International Holdings Limited ("Belle International"), a company incorporated in the Cayman Islands with limited liability, respectively. The directors of the Company regard Muse Holdings Inc. ("Muse Inc."), a company incorporated in the Cayman Islands with limited liability, as being the ultimate holding company and the ultimate controlling party of the Company.

2 REORGANIZATION AND BASIS OF PRESENTATION

2.1 Reorganization

The Company is an investment holding company incorporated on December 15, 2021 for the purpose of holding the companies operating the [**REDACTED**] Business pursuant to a group reorganization (the "Reorganization"). Immediately prior to the Reorganization and during the Track Record Period, the [**REDACTED**] Business was principally held, operated and managed by certain subsidiaries of Belle International, namely Lai Wah Footwear Trading Limited ("Lai Wah Footwear"), Best Able Footwear Limited ("Best Able"), Bestfull International Limited ("Bestfull"), City Talent Group Limited ("City Talent"), True Lead Ventures Limited ("True Lead"), Rainbow Partner Investments Limited ("Rainbow Partner") and Talent Spades Limited ("Talent Spades"), collectively referred as "Operating Companies", and their subsidiaries.

Upon completion of the Reorganization, the Company became the holding company of all companies now comprising the Group. The Reorganization mainly involved the following:

(a) On December 15, 2021, the Company was incorporated in the Cayman Islands with an authorized share capital of US$50,000, divided into 50,000 ordinary shares with a par value of US$1 each. Upon its incorporation, 1 ordinary share with a par value of US$1 was allotted and issued to Mapcal Limited and credited as fully paid, which was subsequently transferred to Belle International on the same day.

(b) On January 27, 2022, Belle International effected a series of share swap transactions to transfer all Operating Companies to Belle Style Limited ("Belle Style"), a newly incorporated wholly owned subsidiary of Belle International.

(c) On January 28, 2022, 1 ordinary share of the Company with a par value of US$1 was allotted and issued to Belle International and credited as fully paid. On the same day, Belle International transferred all the issued shares of Belle Style to the Company and thereafter, Belle Style became a wholly owned subsidiary of the Company.

Upon completion of the Reorganization in February 2022 and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment/ acquisition	Issued and fully paid up share capital	Principal activities	Effective interest held by the Group As at February 28, 2022	As at February 28, 2023	As at November 30, 2023 *(Unaudited)*	As at date of report	*Note*
Directly held:								
Belle Style Limited	BVI, December 3, 2021	US$2	Investment holdings	100%	100%	100%	100%	*(a)*
Indirectly held:								
Lai Wah Footwear Trading Limited	Hong Kong, May 15, 1981	HK$2,000,004	Investment holdings and trading of shoes and footwear products	100%	100%	100%	100%	*(b)*
Bestfull International Limited	Hong Kong, July 23, 1999	HK$515,001	Investment holdings	100%	100%	100%	100%	*(b)*
Initial Fashion Co., Limited	Hong Kong, February 14, 2005	HK$500,000	Trading of apparel and accessories products	70%	70%	100%	100%	*(c)*
Best Able Footwear Limited	Hong Kong, June 3, 2010	HK$800,000,000	Investment holdings and trading of shoes and footwear products	100%	100%	100%	100%	*(b)*
Baroque China Apparels Limited	Hong Kong, August 30, 2013	HK$260,000,000	Investment holdings	51%	51%	51%	51%	*(b)*
City Talent Group Limited	BVI, November 23, 2010	US$1	Investment holdings	100%	100%	100%	100%	*(a)*
麗榮鞋業(深圳)有限公司 (Lirong Footwear (Shenzhen) Company Limited)	The PRC, January 25, 2021	US$78,000,000	Manufacturing and trading of shoes and footwear products	100%	100%	100%	100%	*(d)*
百麗鞋業(上海)有限公司 (Belle Footwear (Shanghai) Company Limited)	The PRC, December 28, 2009	US$30,000,000	Trading of shoes and footwear products	100%	100%	100%	100%	*(d)*
百麗鞋業(北京)有限公司 (Belle Footwear (Beijing) Company Limited)	The PRC, August 13, 2010	US$17,000,000	Trading of shoes and footwear products	100%	100%	100%	100%	*(e)*
百麗商貿(天津)有限公司 (Belle Trading (Tianjin) Company Limited)	The PRC, October 30, 2018	RMB100,000,000	Trading of shoes and footwear products	100%	100%	100%	100%	*(e)*
陝西百麗鞋業有限公司 (Shaanxi Belle Footwear Company Limited)	The PRC, May 24, 2011	RMB20,000,000	Trading of shoes and footwear products	100%	100%	100%	100%	*(f)*
百麗鞋業(宿州)有限公司 (Belle Footwear (Suzhou) Company Limited)	The PRC, July 7, 2009	US$28,000,000	Manufacturing and trading of shoes and footwear products	100%	100%	100%	100%	*(g)*

Name of subsidiaries	Place and date of incorporation/ establishment/ acquisition	Issued and fully paid up share capital	Principal activities	Effective interest held by the Group As at February 28, 2022	As at February 28, 2023	As at November 30, 2023 (Unaudited)	As at date of report	Note
東莞市百麗鞋業有限公司 (Dongguan Belle Footwear Company Limited)	The PRC, October 19, 2011	RMB250,000,000	Manufacturing and trading of shoes, footwear products and apparel	100%	100%	100%	100%	*(d)*
江蘇新森達鞋業有限公司 (Jiangsu New Senda Footwear Company Limited)	The PRC, May 26, 2011	RMB250,000,000	Manufacturing and trading of shoes and footwear products	100%	100%	100%	100%	*(h)*
深圳百麗商貿有限公司 (Shenzhen Belle Trading Company Limited)	The PRC, May 11, 2011	RMB20,000,000	Trading of shoes and footwear products	100%	100%	100%	100%	*(d)*
鴻鵠雲飛科技(深圳)有限公司 (Honghu Yunfei Technology (Shenzhen) Company Limited)	The PRC, January 24, 2017	RMB20,000,000	Provision of information technology services	100%	100%	100%	100%	*(d)*
上海樺潔企業發展有限公司 (Shanghai Huajie Enterprise Development Company Limited)	The PRC, September 17, 2018	RMB10,000,000	Trading of shoes and footwear products	100%	100%	100%	100%	*(d)*
百麗電子商務(上海)有限公司 (Belle E-Commerce (Shanghai) Company Limited)	The PRC, April 26, 2011	US$50,000,000	Operation of e-commerce business	100%	100%	100%	100%	*(d)*
凡尚服飾(上海)有限公司 (Fanshang Apparel (Shanghai) Company Limited)	The PRC, February 16, 2016	RMB200,000,000	Trading of apparel and accessories products	100%	100%	100%	100%	*(d)*
巴羅克(上海)服飾有限公司 (Baroque Apparels (Shanghai) Company Limited)	The PRC, September 16, 2013	RMB140,000,000	Trading of apparel and accessories products	51%	51%	51%	51%	*(d)*

Notes:

(a) No audited financial statements have been prepared for these companies as no statutory requirements in the BVI.

(b) The financial statements of these companies for the years ended February 28, 2022 and 2023 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

(c) The financial statements of this company for the year ended February 28, 2022 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

(d) The financial statements of these companies for the years ended December 31, 2021 and 2022 were audited by Shenzhen Zhongwei Certified Public Accountants.

(e) The financial statements of these companies for the year ended December 31, 2021 were audited by Shenzhen Zhongwei Certified Public Accountants.

(f) The financial statements of the company for the year ended December 31, 2021 was audited by Shaanxi Haihua Certified Public Accountants.

(g) The financial statements of the company for the years ended December 31, 2021 and 2022 was audited by Shenzhen Donghai C.P.A Firm and Shenzhen Zhongwei Certified Public Accountants, respectively.

(h) The financial statements of the company for the years ended December 31, 2021 and 2022 was audited by Jianhu Susheng C.P.A Partnership.

(i) The English names of the group companies incorporated in the PRC represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names. The English translation is for identification purpose only.

2.2 Basis of presentation

Immediately prior to and after the Reorganization, the [**REDACTED**] Business is always held by Belle International. Pursuant to the Reorganization, the [**REDACTED**] Business is transferred to and held by the Company. The Company and those newly set up during the Reorganization have not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a [**REDACTED**] of the [**REDACTED**] Business with no change 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 Belle International and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the [**REDACTED**] Business, 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 Belle International for all periods presented.

3 SUMMARY OF ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period.

3.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value. All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards 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 5.

Amendments to standards that have been issued but are not yet effective

A number of amendments to standards have been issued but are not effective for the year beginning on or after March 1, 2023 and have not been early adopted by the Group:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current(1)
Amendments to IAS 1	Non-current Liabilities with Covenants(1)
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback(1)
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements(1)
Amendments to IAS 21	Lack of Exchangeability(2)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(3)

(1) Effective for the Group for annual period beginning on March 1, 2024.

(2) Effective for the Group for annual period beginning on March 1, 2025.

(3) Effective date to be determined.

The Company's directors have performed an assessment on these amendments to standards, and have concluded on a preliminary basis that the adoption of these amendments to standards is not expected to have a significant impact on the Group's financial performance and position.

3.2 Summary of material accounting policies

3.2.1 Revenue and income recognition

(a) Sale of goods

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue from the sale of goods is recognized when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group's sale of goods to the retail customers is recognized when control of the goods is transferred, being at the point the retail customer purchases the goods at the retail outlet; the Group's sale of goods to end customer through e-commerce platforms and to wholesalers are recognized when control of the products is transferred, being when the products are delivered to the customers.

Revenue from sales is recognized based on the price specified in the contract, net of discounts, returns and value added taxes. Accumulative experience is used to estimate returns at the time of sale at a portfolio level (expected value method), which was insignificant based on past experience.

(b) Interest income

Interest income calculated using the effective interest method is recognized in the consolidated statements of profit or loss.

(c) Rental income

Rental income under operating leases is recognized on a straight-line basis over the lease periods.

3.2.2 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. 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 item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20-40 years
Leasehold improvements	Shorter of 1-3 years and the lease terms
Plant and equipment	10 years
Furniture and fixtures and other equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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.

The gains or losses on disposals of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and are recognized in profit or loss.

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policies. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought to use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

3.2.3 Accounting for leases – the Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the lease payments are recognized on a straight-line basis as an expense in profit or loss over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate specific to the country, term and currency of the contract. In addition, the Group considers its recent borrowings as well as publicly available data for instruments with similar characteristics when calculating the incremental borrowing rates.

Lease payments included in the measurement of the lease liability comprise fixed lease payments, less any lease incentives; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; the amount expected to be payable by the lessee under residual value guarantees; and purchase option or extension option payments if the Group has enforceable rights and is reasonably certain to exercise these options.

The lease liability is presented as a separate line in the consolidated balance sheets.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

A lease liability is remeasured upon a change in the lease term, changes in an index or rate used to determine the lease payments or reassessment of exercise of a purchase or extension option. The corresponding adjustment is made to the related right-of-use asset.

A right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, initial direct costs, if any, and restoration costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

A right-of-use asset is depreciated over the shorter period of lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the consolidated balance sheets.

The Group applies IAS 36 'Impairment of Assets' to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3.2.5.

Variable lease payments that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included under "Lease expenses" within the consolidated statements of profit or loss.

3.2.4 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill is not amortized; impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Acquired distribution and license contracts

Distribution and license contracts acquired in a business combination are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the costs of acquired distribution and license contracts over their estimated useful lives, which are determined by management, with reference to the contractual terms, to be 20 years.

(c) Acquired trademarks

Separately acquired trademarks are carried at cost less accumulated amortization and accumulated impairment losses, if any. Trademarks acquired in a business combination are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and accumulated impairment losses, if any. Amortization of trademarks that have definite useful lives is calculated using the straight-line method to allocate the costs of acquired trademarks over their estimated useful lives, which are determined by management, based on historical performances of the acquired trademark and management industry knowledge and experience, to be 20 years.

(d) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortized using the straight-line method over their estimated useful lives of 5 years. Cost associated with maintaining computer software programmes are recognized as an expense as incurred.

Computer software development costs recognized as assets are amortized over their estimated useful lives of not exceeding 5 years.

3.2.5 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet ready for use are not subject to amortization and are tested at least annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). 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.

3.2.6 Inventories

Inventories, comprising raw materials, work-in-progress, finished goods and consumables, are stated at the lower of cost and net realizable value. Cost is determined by the weighted average method. The cost of finished goods and work-in progress comprises raw materials, direct labor costs, other direct costs and related production overheads (based on normal operating rapacity). Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

3.2.7 Put option liabilities

Put options are financial instruments granted by the Group which permit the holders to request the Group to purchase the equity instruments held by them for cash or other financial assets when certain conditions are met. If the Group does not have the unconditional right to avoid delivering cash or another financial assets under the put option, a financial liability is recognized at the present value of the estimated future cash outflows on exercise of the put option. Subsequently, if the Group revises its estimates of payments, the Group will recalculate the carrying amount based on the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and adjust the carrying amount of the financial liabilities to reflect actual or revised estimated cash outflows in the consolidated balance sheets through equity. In the event that the put option expires unexercised, the liabilities are derecognized with a corresponding adjustment to equity.

The put option liabilities are classified as current liabilities unless the put option can only be exercised 12 months after the end of the reporting period, in that case they are classified as non-current liabilities.

3.2.8 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of consolidated balance sheets.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

3.2.9 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax. Income 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.

(a) 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 date in the places where the Group operates and generates 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 relevant tax authorities.

(b) 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 Historical Financial Information. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a 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 balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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 income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates/joint ventures. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income 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.

3.2.10 Government incentives

Incentives from the government are recognized at their fair value where there is a reasonable assurance that the incentives will be received and the Group will comply with all attached conditions.

Government incentives relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government incentives relating to purchase of property, plant and equipment and projects are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and projects.

3.3 Summary of other accounting policies

3.3.1 Subsidiaries & Separate financial statements

(a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated balance sheets respectively.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. The Group recognizes the non-controlling interest in the acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less any impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the 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.

3.3.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss of associates are recognized in the income statement, and its share of post-acquisition movements in other comprehensive income are recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investments. When the Group's share of loss in an associate equals or exceeds its interest in an associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of results of associates' in the profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognized in the consolidated statements of profit or loss.

3.3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

3.3.4 Foreign currency translation

(a) 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"). The Company's functional currency is Hong Kong dollars ("HK$"). The functional currency of the Group's subsidiaries established in the Mainland China is RMB whereas the functional currency of its subsidiaries incorporated in Hong Kong and overseas are Hong Kong dollars. As the major operations of the Group are within the PRC, the Group determined to present its Historical Financial Information in RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet;

(ii) income and expenses for each consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

3.3.5 Land use rights

Land use rights are stated at cost less accumulated amortization and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated. Amortization of land use rights is calculated on a straight-line basis over the period of leases.

3.3.6 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or 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 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 unlisted investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) 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 financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) 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 ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL 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.

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) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the unlisted consolidated statements of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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.

3.3.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is 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 Company or its subsidiaries or the counterparty.

3.3.8 Trade receivables

Trade receivables are amounts due from sale of goods or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or any 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 receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

3.3.9 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheets.

3.3.10 Share capital

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the [**REDACTED**] of new shares are shown in equity as a deduction from the [**REDACTED**].

3.3.11 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

3.3.12 Lease accounting – the Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3.3.13 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 management's best estimate of the expenditures required to settle the obligations 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.

3.3.14 Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses in accordance with the policy set out in Note 3.3.6 and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue. A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

3.3.15 Customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to redeem award points for gifts and cash discount in the future which provides a material right to the customers and gives rise to a separate performance obligation. The transaction price is allocated to the product and the award points, taking into account for the expected likelihood of redemption, on a relative stand-alone selling price basis. Revenue from the award points is recognized when the award points are redeemed. Contract liabilities are recognized until the award points are redeemed. Revenue for points that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

3.3.16 Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of (i) the amount determined in accordance with the expected credit loss model under IFRS 9 *Financial Instruments,* and (ii) the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

3.3.17 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(c) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

3.3.18 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to equity holders 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 period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

(b) Diluted earning per share

Diluted earnings per share adjusts the figures used in the determination of basic profit 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.

3.3.19 Dividend distribution

Dividend distribution to the equity holders is recognized as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, cash flow and fair value interest rate 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 use of financial derivatives to manage certain risk exposures is governed by the Group's policies approved by the board of directors of the Company.

(a) Foreign exchange risk

The Group mainly operates in the Mainland China with most of the transactions originally denominated and settled in RMB. The Group also has retail operations in Hong Kong and Macau, for which foreign exchange risk is considered insignificant. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the functional currency of a group entity. The Group is exposed to foreign exchange risk from various currencies, primarily with respect to HK$.

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against Hong Kong Dollars and to mitigate the impact on exchange rate fluctuations. During the Track Record Period, no forward foreign exchange contracts had been entered into by the Group.

As at February 28, 2022, February 28, 2023 and November 30, 2023, the impact of foreign exchange fluctuations is not material as the Group had no material HK$ denominated financial assets or financial liabilities and therefore no sensitivity analysis is presented for foreign exchange risk.

(b) Cash flow and fair value interest rate risks

The Group has no significant interest-bearing assets except for the cash at banks and pledged term deposits, details of which have been disclosed in Note 24. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, lease liabilities and put option liabilities on non-controlling interests, details of which have been disclosed in Note 28, 16 and 25, respectively. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

As at February 28, 2022 and 2023 and November 30, 2023, the Group's pledged term deposits and short-term borrowings that were carried at fixed rates expose the Group to fair value interest rate risk. As at February 28, 2022, February 28, 2023 and November 30, 2023, the Group's borrowings that were carried at floating rates amounted to RMB2,105.1 million, RMB1,779.4 million and RMB1,515.9 million, respectively exposing the Group to cash flow interest rate risk, however the impact of any potential change in interest rates is not expected to have material impact on the Group's financial performance and therefore no sensitivity analysis is presented for interest rate risk.

(c) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, rental deposits and other receivables, cash at banks, and pledged term deposits included in the consolidated balance sheets approximate the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has policies in place to ensure that sales on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while sales to wholesale customers and sales through the eCommerce platforms are generally on credit terms within 30 days. Normally the Group does not require collaterals from trade debtors.

Impairment on other financial assets at amortized cost are measured as either 12-month expected credit losses or lifetime expected credit losses, 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.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped with similar risk characteristics and, collectively or individually, assessing them for likelihood of recovery. The Group categorizes its trade receivables, except those individually assessed, based on shared credit risk characteristics and the days past due. The expected credit loss rates are based on the payment profiles of sales over a period of 12 months before the financial reporting date and the corresponding historical credit losses experienced within this 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.

Given the track record of regular repayment of trade receivables, the directors are of the opinion that the risk of default by these counterparties is not significant, taking into account forward-looking information on macroeconomics factors. Therefore, expected credit loss rate of trade receivables is assessed to be insignificant. For trade receivables relating to accounts in which there are objective evidence that the debtor faces significant financial difficulties or significant doubt on the collectibility, they are assessed individually for impairment allowance. No loss allowances were provided on individual basis on those trade receivables during the Track Record Period.

The credit loss allowance, provided on collective basis, as at February 28, 2022, February 28, 2023 and November 30, 2023 was determined as follows for trade receivables:

Provision on collective basis	**Below 90 days**	**91-180 days**	**Over 180 days**	**Total**
February 28, 2022				
Gross carrying amount *(RMB million)*	1,417.6	24.3	18.7	1,460.6
Expected credit loss rate	0.28%	6.17%	85.03%	1.47%
Loss allowance *(RMB million)*	4.0	1.5	15.9	21.4
February 28, 2023				
Gross carrying amount *(RMB million)*	1,397.1	9.9	11.0	1,418.0
Expected credit loss rate	0.31%	7.07%	72.73%	0.92%
Loss allowance *(RMB million)*	4.3	0.7	8.0	13.0
November 30, 2023 (Unaudited)				
Gross carrying amount *(RMB million)*	1,740.2	19.9	8.6	1,768.7
Expected credit loss rate	0.26%	7.04%	86.05%	0.76%
Loss allowance (*RMB million*)	4.6	1.4	7.4	13.4

Other receivables and deposits

For other financial assets measured at amortized cost, the directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at each reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- Internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty;
- significant changes in the expected performance and behavior of the counterparty, including changes in the payment status of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

The Group makes deposits (current and non-current) for rental of certain of its retail outlets with Landlords and others. The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss information for each category of receivables and deposits and any available financial position of the counterparties and adjusts for forward looking macroeconomic data.

As at February 28, 2022 and 2023 and November 30, 2023, all of the other receivables and deposits of the Group are considered at stage 1 in accordance with IFRS 9 and there are no significant increase in credit risk of the counterparties, accordingly, the loss allowance provision were minimal.

Bank balances and term deposits

As at February 28, 2022, February 28, 2023 and November 30, 2023, substantially all the bank balances as disclosed in Note 24 are held in major financial institutions located in the PRC, which management believes are of high credit quality and there was no significant increase in credit risk of these counterparties. The Group considered that there was no significant credit risk associated with the bank balances and term deposits and did not expect that there would be any significant losses from non-performance by these financial institutions.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient bank balances and cash and the availability of funding through an adequate amount of committed credit facilities. The Group's primary cash requirements have been for additions of and upgrades on property, plant and equipment, repayment of borrowings and payment for purchases and operating expenses. The Group finances its acquisitions and working capital requirements through a combination of internal resources and bank borrowings, as necessary.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The table below analyses 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.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
As at February 28, 2022					
Trade payables	1,631.2	–	–	–	1,631.2
Other payables and accruals	725.1	–	–	–	725.1
Short-term borrowings	3,109.2	–	–	–	3,109.2
Amounts due to related companies	1,036.9	–	–	–	1,036.9
Lease liabilities	700.2	510.9	221.3	8.8	1,441.2
Put option liabilities	–	–	491.5	–	491.5
	7,202.6	510.9	712.8	8.8	8,435.1
As at February 28, 2023					
Trade payables	1,133.6	–	–	–	1,133.6
Other payables and accruals	852.9	–	–	–	852.9
Short-term borrowings	2,697.5	–	–	–	2,697.5
Long-term borrowings	66.0	66.0	1,812.4	–	1,944.4
Amounts due to related companies	1,812.6	–	–	–	1,812.6
Lease liabilities	647.2	363.5	124.0	1.6	1,136.3
Put option liabilities	–	491.5	20.0	24.0	535.5
	7,209.8	921.0	1,956.4	25.6	10,112.8
As at November 30, 2023 (Unaudited)					
Trade payables	2,111.1	–	–	–	2,111.1
Other payables and accruals	672.0	–	–	–	672.0
Short-term borrowings	3,162.5	–	–	–	3,162.5
Long-term borrowings	56.8	961.3	–	–	1,018.1
Amounts due to related companies	1,506.1	–	–	–	1,506.1
Lease liabilities	725.2	357.3	137.4	0.7	1,220.6
Put option liabilities	250.6	–	58.1	–	308.7
	8,484.3	1,318.6	195.5	0.7	9,999.1

4.2 Fair value estimation

The Group's financial instruments are measured in the consolidated balance sheet at the following fair value measurement hierarchy:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– 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).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The fair value of interest rate swaps was calculated as the present value of the estimated future cash flows based on observable yield curves; the fair value of foreign exchange forward contracts is determined using forward exchange rates at the end of the reporting period.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments; and

– Other techniques, such as discounted cash flow analysis and recent comparable transaction, are used to determine fair value for the remaining financial instruments.

As at February 28, 2022, February 28, 2023 and November 30, 2023, the Group's financial assets measured at level 3 fair value measurement represented the unlisted investments classified as financial assets at fair value through profit or loss of RMB84.0 million, RMB75.6 million and RMB78.9 million respectively. These financial assets at fair value through profit or loss are measured at level 3 fair value. Changes in level 3 instruments during the Track Record Period have been presented in Note 21.

The Group adopted market approach to measure the fair value of its unlisted investments. As at February 28, 2022, the significant unobservable input to fair value measurement is the recent transaction prices. As at February 28, 2023 and November 30, 2023, the significant unobservable inputs, including (i) market multiple, price/sales, of 1.2X to 1.7X and 1.4X to 2.4X, respectively, and (ii) marketability discount of 24% to 27% and 20% to 30%, respectively. Sensitivity analysis to these significant unobservable inputs are as follows:

Level 3 instruments	Valuation approach	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity analysis, as at February 28, 2022	February 28, 2023	November 30, 2023 *(Unaudited)*
		Recent transaction price	Directly linked to the fair value	If the recent transaction price +/-10%, fair value +/- RMB8.4 million	N/A	N/A
Unlisted investments	Market approach	Market multiple	Directly linked to the fair value	N/A	If the market multiple +/-10%, fair value +/- RMB7.6 million	If the market multiple +/-10%, fair value +/- RMB7.9 million
		Marketability discount	Directly linked to the fair value	N/A	If the marketability discount +/-10%, fair value -/+ RMB2.5 million	If the marketability discount +/-10%, fair value -/+ RMB2.5 million

There was no transfer between levels 1, 2 and 3 during the Track Record Period.

4.3 Capital risk 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.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders or obtain new bank borrowings. The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

The Group also monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as short-term bank borrowings, long-term bank borrowings and lease liabilities less bank balances and cash and pledged term deposits. Total capital is calculated as "Total equity", as shown in the consolidated balance sheets plus net debt.

As at February 28, 2022, February 28, 2023, and November 30, 2023, the gearing ratio was as follows:

	As at		
	February 28, 2022	**February 28, 2023**	**November 30, 2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*
Short-term borrowings *(Note 28)*	3,076.8	2,675.0	3,137.2
Long-term borrowings *(Note 28)*	–	1,779.4	918.7
Lease liabilities	1,360.2	1,085.7	1,135.7
Less: pledged term deposits and bank balances and cash *(Note 24)*	(2,664.2)	(3,563.6)	(2,801.3)
Net debt	1,772.8	1,976.5	2,390.3
Total capital	4,783.2	4,017.9	4,535.0
Gearing ratio	37.1%	49.2%	52.7%

Increase in the gearing ratio from 37.1% as at February 28, 2022 to 49.2% as at February 28, 2023 was primarily due to the increase in the borrowings during the year ended February 28, 2023, and there was no material change in the gearing ratio from February 28, 2023 to November 30, 2023.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the Historical Financial Information 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 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related 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 financial year are discussed below.

(a) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(b) Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment (Note 18). Other non-financial assets including property, plant and equipment, right-of-use assets, land use rights and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (iii) the selection of the most appropriate valuation technique, e.g. the market approach, the income approach, as well as a combination of approaches, including the adjusted net asset method; and (iv) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(c) Estimation of put option liabilities

The Group granted put options to certain non-controlling interests that they have the right to request the Group to purchase the equity interests in a non-wholly owned subsidiary held by them when certain conditions are met. The Group initially recognized the financial liabilities at the present value of the estimated future cash outflows under the put option arrangement and subsequently carried at amortized cost. If the Group revises its estimates of payments in the subsequent periods, the Group will recalculate the carrying amount by computing the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and adjust the carrying amount of the financial liabilities to reflect actual or revised estimated cash outflows directly in the equity. During the nine months ended November 30, 2023, the Group revised estimated amount of future cash outflows under the put option arrangement with adjustment reflected in other reserves of equity during the period (Note 25).

(d) Current and deferred income tax

The Group is subject to income taxes in the PRC and other jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

6 SEGMENT INFORMATION

The Group has two major business groups: footwear and related operation ("Footwear"), and the apparel and related operation ("Apparel").

CODM has been identified as the executive directors and they review the Group's internal reporting in order to assess performance and allocate resources. CODM assesses the performance from the business perspective, i.e. Footwear and Apparel. Management has determined the operating segments based on these reports.

CODM assesses the performance of the operating segments based on a measure of the operating results of reportable segments. Finance income and costs, amortization of intangible assets arised from business combination, income tax expenses and corporate income and expenses, if any, are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the Historical Financial Information. There was no segment assets or segment liabilities information reviewed by the CODM.

There were no material inter-segment sales during the Track Record Period. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statements of profit or loss.

	Footwear	**Apparel**	**Total**
	RMB million	*RMB million*	*RMB million*
Year ended February 28, 2022			
Segment revenue	20,224.1	3,285.6	23,509.7
Segment results	3,744.1	(39.9)	3,704.2
Other segment information:			
Depreciation and amortization	1,046.9	592.2	1,639.1
Additions to property, plant and equipment	671.7	159.1	830.8
Additions to right-of-use assets	747.5	556.7	1,304.2
Year ended February 28, 2023			
Segment revenue	16,530.1	2,680.2	19,210.3
Segment results	2,110.1	(327.2)	1,782.9
Other segment information:			
Depreciation and amortization	1,070.5	527.9	1,598.4
Additions to property, plant and equipment	413.8	86.0	499.8
Additions to right-of-use assets	525.5	184.9	710.4
Nine months ended November 30, 2022 (Unaudited)			
Segment revenue	12,319.2	1,967.5	14,286.7
Segment results	1,771.4	(242.3)	1,529.1
Other segment information:			
Depreciation and amortization	796.8	393.3	1,190.1
Additions to property, plant and equipment	358.6	56.2	414.8
Additions to right-of-use assets	496.1	171.1	667.2
Nine months ended November 30, 2023 (Unaudited)			
Segment revenue	14,021.2	2,090.8	16,112.0
Segment results	2,756.4	20.5	2,776.9
Other segment information:			
Depreciation and amortization	711.3	299.5	1,010.8
Additions to property, plant and equipment	151.1	43.5	194.6
Additions to right-of-use assets	383.6	337.6	721.2

Reconciliation of segment results to consolidated statements of profit or loss are as follows:

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million*	*RMB million*
			(Unaudited)	*(Unaudited)*
Segment results	3,704.2	1,782.9	1,529.1	2,776.9
Amortization of intangible assets arised from business combination	(10.4)	(10.3)	(7.7)	(8.7)
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Finance costs, net	(29.4)	(108.6)	(73.1)	(116.3)
Unallocated result	–	(5.3)	(2.8)	(12.9)
Profit before income tax	3,607.7	1,650.5	1,437.3	2,639.0

The total of non-current assets other than financial instruments and deferred income tax assets, broken down by location of the assets, is as follows:

	As at		
	February 28, 2022	**February 28, 2023**	**November 30, 2023**
	RMB million	*RMB million*	*RMB million*
			(Unaudited)
The PRC	3,722.5	3,187.4	2,953.8
Hong Kong and Macau	151.5	130.5	196.4
	3,874.0	3,317.9	3,150.2

The Group derived its revenue from the transfer of goods at point in time. An analysis of the Group's revenue by channels and location of customers is as follows:

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million*	*RMB million*
			(Unaudited)	*(Unaudited)*
Revenue from contracts with customers through				
Offline channels	17,973.1	14,007.0	10,221.3	11,651.9
Online channels	5,536.6	5,203.3	4,065.4	4,460.1
	23,509.7	19,210.3	14,286.7	16,112.0
Revenue from customers located in				
The PRC	22,849.7	18,590.3	13,844.2	15,613.7
Hong Kong and Macau	607.1	521.4	364.9	410.0
Other locations	52.9	98.6	77.6	88.3
	23,509.7	19,210.3	14,286.7	16,112.0

During the Track Record Period, no revenue derived from transactions with any single customer represent 10% or more of the Group's total revenue.

7 EXPENSES BY NATURE

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million*	*RMB million*
			(Unaudited)	*(Unaudited)*
Materials consumed and cost of inventories recognized as expenses included in cost of sales (including net impairment provision of inventories)	7,332.4	6,349.6	4,503.5	4,999.3
Other manufacturing overheads	312.7	197.7	152.8	175.4
Staff costs *(Note 13)*	4,853.5	4,527.6	3,340.1	3,163.5
Lease expenses (mainly including concessionaire fee)	2,178.0	1,636.6	1,150.3	1,572.9
Depreciation on right-of-use assets *(Note 16(a))*	1,040.5	926.7	702.9	562.8
Depreciation on property, plant and equipment *(Note 15)*	588.1	659.7	479.4	438.6
Amortization of land use rights *(Note 17)*	7.0	3.8	2.9	2.8
Amortization of intangible assets *(Note 18)*	13.9	18.5	12.6	15.3
Impairment of right-of-use assets – operating premises (included in selling and marketing expenses) *(Note 16(a))*	67.9	80.4	72.6	68.3
Online platform services fee	489.0	477.7	354.4	383.1
Promotion and advertising expenses	1,235.0	1,063.4	797.6	894.2
Logistics services fee	853.9	710.9	545.4	526.2
Other tax expenses	153.1	128.9	91.3	110.3
Auditors' remuneration – audit services	6.2	6.4	4.7	4.9
Properties management fee	315.8	336.4	252.7	234.7
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Others	987.6	788.7	653.6	433.7
Total cost of sales, selling and marketing expenses, and general and administrative expenses	20,491.3	17,921.2	13,125.0	13,586.0

8 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*	*RMB million (Unaudited)*
Government incentives *(note)*	423.1	402.4	314.1	194.2
E-commerce services fee income	66.0	–	–	–
Rental income	44.5	54.0	42.9	39.3
Other income	533.6	456.4	357.0	233.5
Gain/(loss) on disposal of subsidiaries *(Note 31(c))*	52.0	–	–	(3.2)
Net foreign exchange gains/ (losses)	5.4	(8.6)	(16.2)	(24.0)
Change in fair value of unlisted investments	–	(8.4)	(8.4)	3.3
Other gains/(losses), net	57.4	(17.0)	(24.6)	(23.9)
	591.0	439.4	332.4	209.6

Note: Government incentives mainly comprise subsidies received from various local governments in the PRC.

9 FINANCE COSTS, NET

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*	*RMB million (Unaudited)*
Interest income from bank and other deposits	83.8	58.1	41.9	48.3
Finance income	83.8	58.1	41.9	48.3
Interest expense on bank borrowings	(29.1)	(98.7)	(61.8)	(120.6)
Interest expense on lease liabilities *(Note 16(b))*	(84.1)	(68.0)	(53.2)	(44.0)
Finance costs	(113.2)	(166.7)	(115.0)	(164.6)
Finance costs, net	(29.4)	(108.6)	(73.1)	(116.3)

10 INCOME TAX

(a) Income tax expense

	Year ended February 28,		Nine months ended November 30,	
	2022	2023	2022	2023
	RMB million	*RMB million*	*RMB million (Unaudited)*	*RMB million (Unaudited)*
Current income tax				
– Current year/period				
– PRC corporate income tax	665.6	301.5	307.0	509.5
– Hong Kong profits tax	–	0.2	–	–
– Under-provision in prior years				
– PRC corporate income tax	6.2	12.7	12.7	18.3
– Hong Kong profits tax	0.2	–	–	–
– Withholding tax on dividends	227.7	83.5	83.5	99.0
Deferred income taxes *(Note 10(b))*	(26.8)	(4.8)	(33.9)	(45.7)
	872.9	393.1	369.3	581.1

Income tax expense has been provided for at the tax rates prevailing in the tax jurisdictions in which the members of the Group operate.

Under the current laws of the Cayman Islands and the BVI, the Company and its subsidiaries incorporated in the Cayman Islands and the BVI are not subject to tax on income or capital gains.

The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entities will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate 16.5%.

The Company's subsidiaries incorporated in Macau are subject to Macau complementary tax and levied at a progressive rate ranging from 3% to 12%.

During the Track Record Period, most of the PRC established subsidiaries of the Company are subject to the PRC corporate income tax rate of 25.0% except that certain subsidiaries are entitled to certain preferential tax treatments charging at rates up to 15.0%.

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to a foreign investor are generally subject to a 10.0% withholding tax. If the foreign investor is incorporated in Hong Kong, under the double taxation arrangement between the Mainland China and Hong Kong, the relevant withholding tax rate applicable to the Group will be reduced from 10% to 5% subject to the fulfilment of certain conditions.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rates applicable to the group entities as follows:

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*	*RMB million (Unaudited)*
Profit before income tax	3,607.7	1,650.5	1,437.3	2,639.0
Tax calculated at the statutory tax rate in the PRC of 25%	901.9	412.6	359.3	659.8
Effect of different applicable tax rates	21.5	1.4	(0.8)	6.1
Effect of preferential tax treatments	(217.0)	(156.1)	(124.9)	(196.1)
Non-taxable income	(7.1)	(6.2)	(4.6)	(5.1)
Expenses not deductible for tax purposes	2.2	1.6	1.2	3.7
Tax losses for which no deferred income tax assets were recognized	23.2	51.8	62.9	3.2
Utilization of previously unrecognized tax losses	(2.6)	(7.6)	(5.6)	(10.8)
Under/(over)-provision in prior years	6.4	12.7	12.7	18.3
Recognition of previously unrecognized tax losses	–	–	–	(8.6)
Withholding tax	144.4	82.9	69.1	110.6
	872.9	393.1	369.3	581.1

(b) Deferred income taxes

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the date of consolidated balance sheets.

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheets:

	As at		
	February 28, 2022	**February 28, 2023**	**November 30, 2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*
Net deferred income tax assets recognized	284.9	286.5	341.8
Net deferred income tax liabilities recognized	(147.3)	(144.1)	(153.7)
	137.6	142.4	188.1

The movements in the deferred income tax assets are as follows:

	Inventories	Tax losses	Lease liabilities	Others	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
As at March 1, 2021	287.8	10.0	369.3	30.0	697.1
Credited/(charged) to profit or loss *(Note 10(a))*	(62.0)	–	6.5	(1.9)	(57.4)
As at February 28, 2022 and March 1, 2022	225.8	10.0	375.8	28.1	639.7
Credited/(charged) to profit or loss *(Note 10(a))*	(19.7)	23.3	(105.5)	2.1	(99.8)
As at February 28, 2023	206.1	33.3	270.3	30.2	539.9
(Unaudited)					
As at 1 March 2022	225.8	10.0	375.8	28.1	639.7
Credited/(charged) to profit or loss *(Note 10(a))*	7.9	18.3	(51.1)	(6.3)	(31.2)
As at 30 November 2022	233.7	28.3	324.7	21.8	608.5
(Unaudited)					
As at March 1, 2023	206.1	33.3	270.3	30.2	539.9
Credited/(charged) to profit or loss *(Note 10(a))*	49.9	8.6	3.7	(0.2)	62.0
As at November 30, 2023	256.0	41.9	274.0	30.0	601.9

The movements in the deferred income tax liabilities are as follows:

	Distribution and license contracts	Trademarks	Right-of-use assets	Undistributed profits	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
As at March 1, 2021	8.7	33.4	353.2	191.0	586.3
(Credited)/charged to profit or loss *(Note 10(a))*	(0.6)	(1.9)	1.6	(83.3)	(84.2)
As at February 28, 2022 and March 1, 2022	8.1	31.5	354.8	107.7	502.1
Credited to profit or loss *(Note 10(a))*	(0.7)	(1.9)	(101.4)	(0.6)	(104.6)
As at February 28, 2023	7.4	29.6	253.4	107.1	397.5

	Distribution and license contracts	Trademarks	Right-of-use assets	Undistributed profits	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
(Unaudited)					
As at 1 March 2022	8.1	31.5	354.8	107.7	502.1
Credited to profit or loss *(Note 10(a))*	(0.7)	(1.4)	(48.6)	(14.4)	(65.1)
As at 30 November 2022	7.4	30.1	306.2	93.3	437.0
(Unaudited)					
As at March 1, 2023	7.4	29.6	253.4	107.1	397.5
(Credited)/charged to profit or loss *(Note 10(a))*	(0.6)	(1.4)	6.7	11.6	16.3
As at November 30, 2023	6.8	28.2	260.1	118.7	413.8

As at February 28, 2022, February 28, 2023 and November 30, 2023, except that the deferred income tax assets on unrealized profit, impairment losses on closing inventories and leases liabilities were expected to be recoverable within 12 months, other deferred income tax assets and liabilities were mainly expected to be recovered or settled after more than 12 months.

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. As at February 28, 2022, February 28, 2023 and November 30, 2023, the Group had unrecognized tax losses carried forward amounting to RMB805.0 million, RMB1,032.3 million and RMB986.6 million respectively. As at February 28, 2022 and February 28, 2023 and November 30, 2023, RMB325.0 million, RMB496.4 million and RMB441.2 million of these unrecognized tax losses will expire within 5 years while RMB480.0 million, RMB535.9 million and RMB545.4 million of these unrecognized tax losses have no expiry respectively.

As at February 28, 2022, February 28, 2023 and November 30, 2023, the potential deferred income tax assets in respect of the above unrecognized tax losses amounted to RMB155.6 million, RMB205.0 million and RMB192.6 million respectively.

11 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years/periods. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of the Capitalization Issue (as defined in Note 29) pursuant to the resolutions of the shareholder dated February 29, 2024 deemed to have come into effect since March 1, 2021.

	Year ended February 28,		Nine months ended November 30,	
	2022	2023	2022	2023
			(Unaudited)	*(Unaudited)*
Profit attributable to equity holders of the Company *(RMB million)*	2,775.7	1,340.3	1,133.8	2,029.6
Weighted average number of shares in issue *(million)*	5,271.0	5,271.0	5,271.0	5,271.0
Basic earnings per share *(RMB per Share)*	0.53	0.25	0.22	0.39

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there was no potential dilutive ordinary share outstanding and the Group's put option on its subsidiary granted to non-controlling shareholders was anti-dilutive during the Track Record Period.

12 DIVIDENDS

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million* *(Unaudited)*	*RMB million* *(Unaudited)*
Dividends declared by the companies now comprising the Group to their then equity holders before Reorganization *(note(a))*	2,000.0	–	–	–
Dividend declared by the Company *(notes (b) & (c))*	–	2,000.0	–	2,000.0

(a) These amounts represented dividends declared by the companies now comprising the Group to their then equity holders of the companies, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

(b) During the year ended February 28, 2023, the Company declared a dividend of RMB1,000.0 million per shares, totaling RMB2,000.0 million. The declaration of dividends has been reflected as an appropriation of retained earnings for the year February 28, 2023

(c) During the nine months ended November 30, 2023, the Company declared a dividend of RMB1,000.0 million per shares, totaling RMB2,000.0 million. The declaration of dividends has been reflected as an appropriation of retained earnings for the nine months ended November 30, 2023.

13 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATIONS)

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million* *(Unaudited)*	*RMB million* *(Unaudited)*
Wages, salaries and bonuses	4,201.0	3,758.4	2,765.2	2,650.4
Pensions costs – defined contribution plans *(note (a) and note (b))*	505.4	619.3	465.7	432.0
Welfare and other expenses	147.1	149.9	109.2	81.1
	4,853.5	4,527.6	3,340.1	3,163.5

(a) The PRC defined contribution plans

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its relevant employees in the PRC. The Group's relevant employees make monthly contributions to the schemes at 8% to 11% of the relevant income (comprising wages, salaries, allowances and bonuses), while the Group contributes 10% to 35% of such income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the PRC government to expedite resumption of economic activities, which resulted in the decrease of certain contributions to defined contribution scheme during the year ended February 28, 2022.

(b) The Hong Kong defined contribution plan

The Group has a defined contribution pension scheme, the Mandatory Provident Fund Scheme (the "MPF Scheme"), for its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group under independently administered funds.

Under the MPF Scheme, each of the Group (the employer) and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' relevant income, as defined in the Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's monthly contributions are subject to a cap of HK$1,500 and contributions beyond these amounts are voluntary. There are no forfeited contributions for the MPF Scheme as the contributions are fully and immediately vested upon payment.

The Group has no further obligations for post-retirement benefits in relation to its Hong Kong employees beyond the contributions to the MPF Scheme.

(c) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group include one director for each of the years ended February 28, 2022, 2023 and nine months ended November 30, 2022, and two directors for the nine months ended November 30, 2023, respectively, whose remuneration have been disclosed in Note 14.

Details of the remunerations of the remaining highest paid non-director individuals during the Track Record Period are set out below:

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	*(Unaudited)*
Basic salaries and bonuses	16,298	16,620	8,948	7,085
Pension costs – defined contribution plans	455	405	300	309
	16,753	17,025	9,248	7,394

The remunerations of the highest paid non-director individuals during the Track Record Period fell within the following bands:

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
			(Unaudited)	*(Unaudited)*
Emolument band				
HK$1,000,001 to HK$1,500,000	–	–	1	–
HK$2,000,001 to HK$2,500,000	–	–	–	1
HK$2,500,001 to HK$3,000,000	–	–	1	2
HK$3,000,001 to HK$3,500,000	–	–	2	–
HK$3,500,001 to HK$4,000,000	1	1	–	–
HK$4,000,001 to HK$4,500,000	1	–	–	–
HK$4,500,001 to HK$5,000,000	1	2	–	–
HK$6,000,001 to HK$6,500,000	–	1	–	–
HK$7,500,001 to HK$8,000,000	1	–	–	–
	4	4	4	3

During the Track Record Period, no emoluments have been paid to the five highest individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

14 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and chief executive officer's emoluments

The remunerations of each director and chief executive officer for the years ended February 28, 2022 and February 28, 2023 and nine months ended November 30, 2022 and 2023 are set out below:

	Fee *RMB'000*	Salaries *RMB'000*	Discretionary bonuses *RMB'000*	Employer's contribution to pension scheme *RMB'000*	Total *RMB'000*
For the year ended February 28, 2022					
Executive directors					
Sheng Fang, *chief executive officer*	–	2,394	3,745	88	6,227
Kwok Yiu Tung	–	1,593	663	15	2,271
Non-executive directors					
Sheng Baijiao *(note)*	–	–	–	–	–
Yu Wu	–	–	–	–	–
Yung Josephine Yuen Ching	–	–	–	–	–
Hu Xiaoling	–	–	–	–	–
	–	3,987	4,408	103	8,498
For the year ended February 28, 2023					
Executive director					
Sheng Fang, *chief executive officer*	–	5,367	800	116	6,283
Kwok Yiu Tung	–	1,669	695	16	2,380
Non-executive directors					
Sheng Baijiao *(note)*	–	–	–	–	–
Yu Wu	–	–	–	–	–
Yung Josephine Yuen Ching	–	–	–	–	–
Hu Xiaoling	–	–	–	–	–
	–	7,036	1,495	132	8,663
For the nine months ended November 30, 2022 (Unaudited)					
Executive director					
Sheng Fang, *chief executive officer*	–	4,001	–	87	4,088
Kwok Yiu Tung	–	1,242	–	12	1,254
Non-executive directors					
Sheng Baijiao *(note)*	–	–	–	–	–
Yu Wu	–	–	–	–	–
Yung Josephine Yuen Ching	–	–	–	–	–
Hu Xiaoling	–	–	–	–	–
	–	5,243	–	99	5,342

	Fee *RMB'000*	Salaries *RMB'000*	Discretionary bonuses *RMB'000*	Employer's contribution to pension scheme *RMB'000*	Total *RMB'000*
For the nine months ended November 30, 2023 (Unaudited)					
Executive director					
Sheng Fang, *chief executive officer*	–	4,178	–	87	4,265
Kwok Yiu Tung	–	1,312	–	12	1,324
Non-executive directors					
Sheng Baijiao *(note)*	–	–	–	–	–
Yu Wu	–	–	–	–	–
Yung Josephine Yuen Ching	–	–	–	–	–
Hu Xiaoling	–	–	–	–	–
	–	5,490	–	99	5,589

During the Track Record Period, none of the directors waived or agreed to waive any emoluments.

Note: Mr. Sheng Baijiao has resigned as director of the Company on 30 October 2023.

(b) Directors' retirement and termination benefits

None of the directors received or will receive any retirement and termination benefits during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

During the Track Record Period, no consideration was provided to or receivable by any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealing arrangements in favor of the directors, or controlled bodies corporate by and connected entities with such directors subsisted at the end of each of the years ended February 28, 2022 and February 28, 2023 and nine months ended November 30, 2022 and 2023 or at any time during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 33, 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 each of the years ended February 28, 2022 and February 28, 2023 and nine months ended November 30, 2022 and 2023 or at any time during the Track Record Period.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold Improvements	Plant and equipment	Furniture and fixtures and other equipment	Motor vehicles	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
As at March 1, 2021						
Cost	1,226.2	1,480.0	1,251.4	1,111.0	71.1	5,139.7
Accumulated depreciation	(429.4)	(1,324.4)	(864.9)	(799.0)	(52.9)	(3,470.6)
Net book amount	796.8	155.6	386.5	312.0	18.2	1,669.1
Year ended February 28, 2022						
Opening net book amount	796.8	155.6	386.5	312.0	18.2	1,669.1
Additions	6.5	732.9	31.8	55.9	3.7	830.8
Depreciation charge for the year *(Note 7)*	(49.1)	(473.5)	(27.0)	(33.2)	(5.3)	(588.1)
Disposal of a subsidiary *(Note 31(c))*	(96.6)	–	(14.3)	–	–	(110.9)
Exchange difference	–	(0.6)	–	(0.1)	(0.1)	(0.8)
Closing net book amount	657.6	414.4	377.0	334.6	16.5	1,800.1
As at February 28, 2022						
Cost	1,091.4	1,949.8	1,191.3	1,140.0	68.9	5,441.4
Accumulated depreciation	(433.8)	(1,535.4)	(814.3)	(805.4)	(52.4)	(3,641.3)
Net book amount	657.6	414.4	377.0	334.6	16.5	1,800.1
Year ended February 28, 2023						
Opening net book amount	657.6	414.4	377.0	334.6	16.5	1,800.1
Additions	–	422.7	23.5	45.6	8.0	499.8
Depreciation charge for the year *(Note 7)*	(52.2)	(524.5)	(36.7)	(41.5)	(4.8)	(659.7)
Written-off	–	(20.3)	(1.5)	(4.7)	(0.4)	(26.9)
Disposal	–	(0.1)	(4.2)	(0.3)	(1.0)	(5.6)
Exchange difference	–	1.4	–	0.3	–	1.7
Closing net book amount	605.4	293.6	358.1	334.0	18.3	1,609.4
As at February 28, 2023						
Cost	1,091.4	2,240.0	1,114.9	1,052.6	68.2	5,567.1
Accumulated depreciation	(486.0)	(1,946.4)	(756.8)	(718.6)	(49.9)	(3,957.7)
Net book amount	605.4	293.6	358.1	334.0	18.3	1,609.4

	Buildings	Leasehold Improvements	Plant and equipment	Furniture and fixtures and other equipment	Motor vehicles	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Nine months ended November 30, 2022 (Unaudited)						
Opening net book amount	657.6	414.4	377.0	334.6	16.5	1,800.1
Additions	–	343.1	22.0	43.8	5.9	414.8
Depreciation charge for the period *(Note 7)*	(40.0)	(378.4)	(26.8)	(30.7)	(3.5)	(479.4)
Written-off	–	(17.3)	(1.5)	(4.2)	(0.3)	(23.3)
Disposal	–	(0.1)	(4.1)	(0.2)	(1.0)	(5.4)
Exchange difference	–	1.7	0.1	0.4	–	2.2
Closing net book amount	617.6	363.4	366.7	343.7	17.6	1,709.0
As at November 30, 2022 (Unaudited)						
Cost	1,091.4	2,277.2	1,207.8	1,179.8	73.5	5,829.7
Accumulated depreciation	(473.8)	(1,913.8)	(841.1)	(836.1)	(55.9)	(4,120.7)
Net book amount	617.6	363.4	366.7	343.7	17.6	1,709.0
Nine months ended November 30, 2023 (Unaudited)						
Opening net book amount	605.4	293.6	358.1	334.0	18.3	1,609.4
Additions	–	173.2	7.5	8.9	5.0	194.6
Depreciation charge for the period *(Note 7)*	(36.5)	(338.2)	(27.4)	(32.3)	(4.2)	(438.6)
Written-off	–	(3.5)	(0.5)	(1.0)	(0.3)	(5.3)
Disposal	–	–	–	(0.2)	(0.3)	(0.5)
Exchange difference	–	0.3	–	0.2	–	0.5
Closing net book amount	568.9	125.4	337.7	309.6	18.5	1,360.1
As at November 30, 2023 (Unaudited)						
Cost	1,091.4	2,003.8	1,079.3	968.1	67.2	5,209.8
Accumulated depreciation	(522.4)	(1,878.4)	(741.6)	(658.6)	(48.7)	(3,849.7)
Net book amount	569.0	125.4	337.7	309.5	18.5	1,360.1

During the Track Record Period, depreciation of property, plant and equipment has been charged to the consolidated statements of profit or loss as follows:

	Year ended February 28,		Nine months ended November 30,	
	2022	2023	2022	2023
	RMB million	*RMB million*	*RMB million (Unaudited)*	*RMB million (Unaudited)*
Cost of sales	33.4	28.7	21.7	20.3
Selling and marketing expenses	457.4	518.0	376.3	332.1
General and administrative expenses	97.3	113.0	81.4	86.2
	588.1	659.7	479.4	438.6

16 LEASE

(a) Right-of-use assets

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*	*RMB million (Unaudited)*
At beginning of the year/period	1,287.8	1,391.9	1,391.9	975.9
Inception of lease contracts	1,304.2	710.4	667.2	721.2
Depreciation	(1,040.5)	(926.7)	(702.9)	(562.8)
Termination	(86.9)	(129.9)	(95.4)	(38.0)
Impairment	(67.9)	(80.4)	(72.6)	(68.3)
Exchange difference	(4.8)	10.6	16.9	5.3
At end of the year/period	1,391.9	975.9	1,205.1	1,033.3

The Group obtains rights to control the use of various retail outlets and other properties for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 10 years.

The Group also obtained land use rights through lease contracts with local government authorities with lease periods ranging from 40 to 54 years. The Group presents the land use rights separately from the right-of-use assets. For details of the land use rights, please refer to Note 17.

During the Track Record Period, depreciation of right-of-use assets has been charged to the consolidated statements of profit or loss as follows:

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*	*RMB million (Unaudited)*
Selling and marketing expenses	1,020.3	911.0	689.2	556.4
General and administrative expenses	20.2	15.7	13.7	6.4
	1,040.5	926.7	702.9	562.8

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. Variable payment terms are used to link lease payments to store cash flows and reduce fixed cost. The Group's lease expenses (see Note 7) are primarily for variable lease payments; expenses relating to short-term leases are relatively insignificant (also see note (c) below). The Group expects this pattern to remain stable in future years. The variable lease payments depend on sales and consequently on the overall economic development over the next few years. Taking into account the development of sales expected over the next few years, variable lease payments are expected to continue to present a similar proportion of store sales in future years.

(b) Lease liabilities

	As at February 28, 2022	As at February 28, 2023	As at November 30, 2023
	RMB million	*RMB million*	*RMB million (Unaudited)*
Amount due for settlement within 12 months (shown under current liabilities)	682.2	636.3	693.3
Amount due for settlement after 12 months (shown under non-current liabilities)			
Later than 1 year but not later than 5 years	671.6	447.9	441.9
Later than 5 years	6.4	1.5	0.5
	678.0	449.4	442.4
	1,360.2	1,085.7	1,135.7

During the years ended February 28, 2022 and February 28, 2023, and nine months period ended November 30, 2022 and 2023, lease liabilities of RMB91.2 million, RMB153.3 million, RMB115.8 million and RMB41.0 million, respectively was derecognized as a result of termination of lease agreements. Interest on lease liabilities during the Track Record Period have been disclosed in Note 9.

(c) Short-term leases and not yet commenced lease

As at February 28, 2022, February 28, 2023 and November 30, 2023, the total future lease payments for short-term leases amounted to RMB89.3 million, RMB62.0 million and RMB56.9 million, respectively. As at February 28, 2022, February 28, 2023 and November 30, 2023, leases committed but not yet commenced are insignificant.

17 LAND USE RIGHTS

	Year ended February 28, 2022	Year ended February 28, 2023	Nine months ended November 30, 2022	Nine months ended November 30, 2023
	RMB million	*RMB million*	*RMB million (Unaudited)*	*RMB million (Unaudited)*
At beginning of the year/period				
Cost	190.3	203.1	203.1	203.1
Accumulated amortization	(48.5)	(50.1)	(50.1)	(53.9)
Net book amount	141.8	153.0	153.0	149.2
Opening net book amount	141.8	153.0	153.0	149.2
Additions	40.2	–	–	–
Amortization for the year/period	(7.0)	(3.8)	(2.9)	(2.8)
Disposal of a subsidiary *(Note 31(c))*	(22.0)	–	–	–
Closing net book amount	153.0	149.2	150.1	146.4

	Year ended February 28,		Nine months ended November 30,	
	2022	2023	2022	2023
	RMB million	*RMB million*	*RMB million*	*RMB million*
			(Unaudited)	*(Unaudited)*
At end of the year/period				
Cost	203.1	203.1	203.1	203.1
Accumulated amortization	(50.1)	(53.9)	(53.0)	(56.7)
Net book amount	153.0	149.2	150.1	146.4

18 INTANGIBLE ASSETS

	Goodwill	Distribution and licenses contracts	Trademarks	Computer software	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
As at March 1, 2021					
Cost	2,281.0	264.2	1,184.9	12.5	3,742.6
Accumulated amortization	–	(229.6)	(812.2)	(4.9)	(1,046.7)
Accumulated impairment	(2,120.8)	–	(237.3)	–	(2,358.1)
Net book amount	160.2	34.6	135.4	7.6	337.8
Year ended February 28, 2022					
Opening net book amount	160.2	34.6	135.4	7.6	337.8
Additions	–	–	–	8.9	8.9
Amortization for the year	–	(2.7)	(7.7)	(3.5)	(13.9)
Written-off	–	–	(1.7)	–	(1.7)
Closing net book amount	160.2	31.9	126.0	13.0	331.1
As at February 28, 2022					
Cost	2,281.0	264.2	1,183.2	21.4	3,749.8
Accumulated amortization	–	(232.3)	(819.9)	(8.4)	(1,060.6)
Accumulated impairment	(2,120.8)	–	(237.3)	–	(2,358.1)
Net book amount	160.2	31.9	126.0	13.0	331.1
Year ended February 28, 2023					
Opening net book amount	160.2	31.9	126.0	13.0	331.1
Additions	–	–	–	7.4	7.4
Business combination *(Note 31(d))*	22.5	–	28.4	–	50.9
Amortization for the year	–	(2.7)	(7.6)	(8.2)	(18.5)
Closing net book amount	182.7	29.2	146.8	12.2	370.9

	Goodwill	Distribution and licenses contracts	Trademarks	Computer software	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At February 28, 2023					
Cost	2,303.5	264.2	1,211.6	27.7	3,807.0
Accumulated amortization	–	(235.0)	(827.5)	(15.5)	(1,078.0)
Accumulated impairment	(2,120.8)	–	(237.3)	–	(2,358.1)
Net book amount	182.7	29.2	146.8	12.2	370.9
Nine months ended November 30, 2022 (Unaudited)					
Opening net book amount	160.2	31.9	126.0	13.0	331.1
Additions	–	–	–	7.3	7.3
Amortization for the period	–	(2.0)	(5.7)	(4.9)	(12.6)
Closing net book amount	160.2	29.9	120.3	15.4	325.8
At November 30, 2022 (Unaudited)					
Cost	2,281.0	264.2	1,183.2	28.7	3,757.1
Accumulated amortization	–	(234.3)	(825.6)	(13.3)	(1,073.2)
Accumulated impairment	(2,120.8)	–	(237.3)	–	(2,358.1)
Net book amount	160.2	29.9	120.3	15.4	325.8
Nine months ended November 30, 2023 (Unaudited)					
Opening net book amount	182.7	29.2	146.8	12.2	370.9
Additions	–	–	–	22.0	22.0
Amortization for the period	–	(2.0)	(6.7)	(6.6)	(15.3)
Closing net book amount	182.7	27.2	140.1	27.6	377.6
As at November 30, 2023 (Unaudited)					
Cost	2,303.5	264.2	1,211.6	49.7	3,829.0
Accumulated amortization	–	(237.0)	(834.2)	(22.1)	(1,093.3)
Accumulated impairment	(2,120.8)	–	(237.3)	–	(2,358.1)
Net book amount	182.7	27.2	140.1	27.6	377.6

During the Track Record Period, amortization of intangible assets has been included in general and administrative expenses.

Impairment review on goodwill of the Group has been conducted by management as at the end of each reporting period according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on the higher amount of the fair value less cost of disposal ("FVLCD") and value-in-use calculations.

For impairment purpose, majority of the net carrying amount of goodwill is allocated to the Group's CGUs within the Footwear segment during the Track Record Period, which related to a high-end women's footwear label, 73Hours, acquired prior to the Track Record Period. During the year ended February 28, 2023, goodwill within the Footwear segment also included another athleisure footwear brand, namely OGR, acquired during the year (Note 31(d)).

For the purposes of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate of not more than 3%. The growth rates used do not exceed the industry growth forecast for the market in which the Group operates.

Other key assumptions, as stated below, used for value-in-use calculations for impairment review purpose including revenue growth rate, gross profit margin and discount rate, which is pre-tax and reflect market assessments of the time value and the specific risks relating to the industry. The budgeted gross profit margin was determined by management based on past performance and its expectation for market development.

	As at		
	February 28, 2022	**February 28, 2023**	**November 30, 2023**
5-year revenue growth	30%	29%	15%
5-year average gross profit margin	65%	65%	70%
Discount rate	19%	19%	19%

As at February 28, 2022, February 28, 2023 and November 30, 2023, no impairment was required according to the impairment review performed by the Group.

As at November 30, 2023, the impairment assessment resulted in a headroom of more than RMB300 million over the carrying amount of goodwill. Based on reasonably possible changes in these key assumptions, including 5-year revenue growth reduced to 10%, 5-year average gross profit margin reduced to 65% or discount rate increased to 24%, respectively, with all other variables held constant, there is no shortfall of the recoverable amount against its carrying amount. Accordingly, management has not identified any reasonably possible change in key assumptions that could cause any significant impairment on goodwill.

19 INTERESTS IN ASSOCIATES

	Year ended February 28,		**Nine months ended November 30,**	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million*	*RMB million*
			(Unaudited)	*(Unaudited)*
At beginning of the year/period	144.2	162.7	162.7	180.5
Addition	–	2.1	2.1	–
Share of results of associates	28.3	24.8	18.4	20.3
Dividend received from an associate	(9.8)	(9.1)	–	–
At end of the year/period	162.7	180.5	183.2	200.8

As at February 28, 2022, February 28, 2023 and November 30, 2023, the particulars of the associates of the Group are as follows. None of these entities are considered material to the Group.

Name	Interest held indirectly	Place of incorporation/ establishment	Principal activities/ place of operation
Baroque China Limited	49%	Hong Kong	Investment holdings and wholesale of apparel and accessories products/Hong Kong
鶴山市新易高鞋業有限公司 (Heshan New Eagle Footwear Company Limited)@	36%	The PRC	Manufacturing of shoes and footwear products/the PRC

@ The company is established as a limited liability company in the PRC.

In the opinion of the directors, the associates, individually and in the aggregate, are considered immaterial to the Group.

Summarized financial information of the Group's associates that are individually immaterial:

		As at	
	February 28, 2022	**February 28, 2023**	**November 30, 2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*
Aggregate amounts attributable to the Group's equity interest			
Revenue	334.6	472.8	451.5
Profit and total comprehensive income	28.3	24.8	20.3
Total assets	302.7	519.7	552.0
Total liabilities	140.0	315.1	323.2

There are no contingent liabilities relating to the Group's interests in the associates and these entities also had no material contingent liabilities.

20 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		As at	
	February 28, 2022	**February 28, 2023**	**November 30, 2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*
Non-current			
Rental deposits	149.2	162.5	130.4
Prepayments for capital expenditures	35.2	32.0	32.0
	184.4	194.5	162.4
Current			
Rental deposits	287.8	276.8	257.3
Value-added tax recoverable	81.1	12.2	22.9
Prepayments for purchases and expenses	119.0	130.6	73.3
Interest receivables	58.3	96.0	–
Other receivables and deposits	242.8	363.1	311.1
	789.0	878.7	664.6

The carrying amounts of deposits and other receivables approximate their fair values. The recoverability was assessed with reference to the credit status of the recipients and, as there is no significant increase in credit risk since initial recognition, the 12-month expected credit loss is considered minimal.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at		
	February 28, 2022	**February 28, 2023**	**November 30, 2023**
	RMB million	*RMB million*	*RMB million*
			(Unaudited)
Unlisted investments			
At beginning of the year	–	84.0	75.6
Additions	84.0	–	–
Fair value change	–	(8.4)	3.3
At end of the year	84.0	75.6	78.9

The Group's unlisted investments represented investments in redeemable shares of certain private entities and all of them are principally operating fashion business in the PRC.

22 INVENTORIES

	As at		
	February 28, 2022	**February 28, 2023**	**November 30, 2023**
	RMB million	*RMB million*	*RMB million*
			(Unaudited)
Raw materials	149.7	131.4	160.5
Work in progress	55.9	80.3	33.5
Finished goods	4,124.3	3,656.9	4,475.9
Consumables	7.6	6.1	7.7
	4,337.5	3,874.7	4,677.6
Less: provision for impairment losses	(270.1)	(274.8)	(307.6)
	4,067.4	3,599.9	4,370.0

During the years ended February 28, 2022 and February 28, 2023 and nine months ended November 30, 2023, the cost of inventories (including provision for impairment of inventories) amounting to RMB8,216.4 million, RMB7,058.5 million and RMB5,578.0 million respectively were included in the cost of sales.

23 TRADE RECEIVABLES

	As at		
	February 28, 2022	**February 28, 2023**	**November 30, 2023**
	RMB million	*RMB million*	*RMB million*
			(Unaudited)
Trade receivables	1,460.6	1,418.0	1,768.7
Loss allowance	(21.4)	(13.0)	(13.4)
	1,439.2	1,405.0	1,755.3

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while sales through third party e-commerce platforms and sales to wholesale customers are generally on credit terms within 30 days. As at February 28, 2022, February 28, 2023 and November 30, 2023, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at		
	February 28, 2022	**February 28, 2023**	**November 30, 2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*
0 to 30 days	1,355.6	1,367.7	1,702.6
31 to 60 days	46.2	17.4	31.4
61 to 90 days	15.8	12.0	6.2
Over 90 days	43.0	20.9	28.5
	1,460.6	1,418.0	1,768.7

The carrying amounts of trade receivables approximate their fair values and are mainly denominated in RMB.

Movements on the Group's loss allowance for trade receivables are as follows:

	Year ended February 28,		**Nine months ended November 30,**	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*	*RMB million (Unaudited)*
At beginning of the year/period	21.4	21.4	21.4	13.0
Increase/(decrease) in loss allowance	0.6	(5.8)	2.1	0.6
Written-off as uncollectible	(0.6)	(2.6)	–	(0.2)
At end of the year/period	21.4	13.0	23.5	13.4

The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Information about the impairment of trade receivables and the Group's exposure to credit risk are detailed in Note 4.1(c).

24 BANK BALANCES AND CASH

	As at		
	February 28, 2022	**February 28, 2023**	**November 30, 2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*
Non-current			
Long-term pledged term deposits *(note)*	1,000.0	–	–
Current			
Pledged term deposits *(note)*	–	1,525.5	680.0
Bank balances and cash	1,664.2	2,038.1	2,121.3
	1,664.2	3,563.6	2,801.3

	As at February 28, 2022	As at February 28, 2023	As at November 30, 2023
	RMB million	*RMB million*	*RMB million* *(Unaudited)*
Denominated in the following currencies:			
RMB	2,463.7	3,157.6	2,683.0
HK$	163.8	377.8	89.0
Other currencies	36.7	28.2	29.3
	2,664.2	3,563.6	2,801.3

Note: As at February 28, 2022, February 28, 2023 and November 30, 2023, the term deposits were pledged to banks against the borrowings of RMB971.7 million, RMB2,675 million and RMB2,540 million, respectively (Note 28). The term deposits carried interest at 1.3% to 3.6% per annum and are denominated in RMB. The carrying amount of the deposits approximates their fair values.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The conversion of the RMB denominated balances maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

25 PUT OPTION LIABILITIES ON NON-CONTROLLING INTERESTS

On August 9, 2018, the Group acquired 60.68% equity interest in an entity and its subsidiaries that operating a designer brand ("73Hours"). According to a shareholders' agreement of 73Hours signed on 9 August 2018, the founders and early investors, representing the non-controlling shareholders of 73Hours immediately after the Group's acquisition, are entitled to require the Group to purchase the remaining shares of 73Hours held by them in full or in part when certain conditions are met. The purchase price was determined by making reference to the net profit to be generated by 73Hours in future periods. Accordingly, the put option liabilities were initially recognized at the present value of the estimated future cash outflows under the put option arrangement.

In January 2023, the Group acquired another non-wholly owned subsidiary and granted a put option to the non-controlling shareholders in respect of their non-controlling interests when certain conditions are met. The purchase price was determined by making reference to the net profit to be generated by the non-wholly owned subsidiary in future periods. Accordingly, the put option liabilities were initially recognized at the present value of the estimated future cash outflows under the put option arrangement.

During the nine months ended November 30, 2023, the conditions stated in the put option arrangement of 73Hours are expected to be met in the next twelve months from November 30, 2023, therefore, the related put option liabilities were reclassified from non-current liabilities to current liabilities and measured using the latest estimated cash outflows if the put option is being exercised in the next twelve months from November 30, 2023. Adjustment to the put option liabilities has been credited to reserve according to the Group's accounting policies.

During the years ended February 28, 2022, and February 28, 2023, adjustment to the put option liabilities through equity of RMB15.8 million and RMB15.9 million are resulted from the remeasurement on its carrying amounts and have been debited to reserve.

26 TRADE PAYABLES

The credit periods granted by suppliers generally range from 0 to 60 days. The aging analysis of trade payables, based on invoice date, is as follows:

	As at February 28, 2022	February 28, 2023	November 30, 2023
	RMB million	*RMB million*	*RMB million* *(Unaudited)*
0 to 30 days	1,198.6	669.1	1,636.9
31 to 60 days	117.0	82.6	50.7
Over 60 days	315.6	381.9	423.5
	1,631.2	1,133.6	2,111.1

The carrying amounts of trade payables are mainly denominated in RMB. The carrying amounts approximate their fair values due to their short-term maturities.

27 OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	As at February 28, 2022	February 28, 2023	November 30, 2023
	RMB million	*RMB million*	*RMB million* *(Unaudited)*
The Group			
Accrued wages, salaries, bonuses and staff welfare	616.5	547.3	496.9
Accrued expenses	473.5	531.9	411.7
Value-added tax, business tax and other taxes payables	300.4	197.1	126.6
Deposits received and other payables	251.6	321.0	260.3
Contract liabilities *(note)*	118.3	166.8	189.1
	1,760.3	1,764.1	1,484.6
The Company			
Accrued expenses	49.7	32.9	24.0
	49.7	32.9	24.0

Note: Substantially all the contract liabilities at the beginning of the years ended February 28, 2022 and February 28, 2023 and nine months ended November 30, 2023 have been recognized as revenue during the respective financial reporting period as the Group normally delivers the goods to satisfy the remaining performance obligations of the relevant contract liabilities within one year or less.

28 BORROWINGS

	As at February 28, 2022	As at February 28, 2023	As at November 30, 2023
	RMB million	*RMB million*	*RMB million* *(Unaudited)*
The Group			
Non-current			
Long-term bank loans *(note (a))*	–	1,779.4	918.7
Current			
Short-term RMB bank loans *(note (b))*	971.7	2,675.0	2,540.0
Short-term HK$ bank loans *(note (c))*	2,105.1	–	597.2
	3,076.8	2,675.0	3,137.2
	3,076.8	4,454.4	4,055.9
Bank borrowings are repayable as follows:			
Within 1 year	3,076.8	2,675.0	3,137.2
Between 1 and 2 years	–	–	918.7
Between 2 and 5 years	–	1,779.4	–
	3,076.8	4,454.4	4,055.9
The Company			
Non-current			
Long-term bank loans *(note (a))*	–	1,779.4	918.7
Current			
Short-term HK$ bank loans *(note (d))*	–	–	413.4
	–	1,779.4	1,332.1
Bank borrowings are repayable as follows:			
Within 1 year	–	–	413.4
Between 1 and 2 years	–	–	918.7
Between 2 and 5 years	–	1,779.4	–
	–	1,779.4	1,332.1

(a) As at February 28, 2023 and November 30, 2023, the Group's long-term bank loans carried floating rate of 1-month HIBOR plus 1.8%, denominated in HK$ and approximate their fair values. The Group's long-term bank loans are guaranteed by and secured by the equity interest of Belle International, Belle Brands Limited and the Company. In January 2024, the Group entered into another facilities agreement with certain banks to the extent of RMB2.3 billion and the Group drew down the loan under the facilities agreement in full to settle this long-term bank loans. Accordingly, these guarantees and security provided by Belle International, Belle Brands Limited and the Company have been released.

(b) As at February 28, 2022, February 28, 2023 and November 30, 2023, the Group's short-term RMB bank loans carried interest at rates ranging from 2.8% to 3.5%, 1.5% to 2.6% and 1.6% to 2.1%, respectively per annum. As at February 28, 2022, February 28, 2023 and November 30, 2023, the Group's short-term RMB bank loans to the extent of RMB971.7 million, RMB2,475.0 million and RMB2,180.0 million, respectively, are secured by the Group's pledged deposits (Note 24). The carrying amounts of the Group's short-term bank loans approximate their fair values.

(c) As at February 28, 2022 and November 30, 2023, the Group's short-term HK$ bank loans carried floating rate of 1-month HIBOR plus margin ranging from 1.3% to 1.5% and 1.2% to 1.5% respectively. These balances are denominated in HK$ and approximate their fair values. As at February 28, 2022 and November 30, 2023, the Group's short-term HK$ bank loans are unsecured and to the extent of RMB1,295.4 million and RMB91.9 million respectively were guaranteed by Belle International. These guarantees provided by Belle International will be released upon [**REDACTED**].

(d) As at November 30, 2023, the Company's short-term HK$ bank loans carried floating rate of 1-month HIBOR plus margin ranging from 1.2% to 1.5%. These balances are denominated in HK$ and approximate their fair values.

(e) As at February 28, 2022, unused banking facilities of HK$230.7 million (equivalents to approximately RMB186.7 million) were available to certain subsidiaries of the Group and guaranteed by Belle International.

As at February 28, 2023, unused banking facilities of HK$530.7 million (equivalents to approximately RMB472.1 million) were available to the Group and guaranteed by Belle International.

As at November 30, 2023, unused banking facilities of HK$1,100.0 million (equivalents to approximately RMB1,010.5 million) were available to the Group, of which HK$400.0 million (equivalents to approximately RMB367.5 million) were guaranteed by Belle International. These guarantees guaranteed by Belle International will be released upon [**REDACTED**].

29 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares *US$*
Authorized:		
As at December 15, 2021 (date of incorporation), February 28, 2022, February 28, 2023 and November 30, 2023	50,000	50,000
Issued and fully paid:		
Issuance upon incorporation as at December 15, 2021	1	1
Issuance at January 28, 2022	1	1
As at February 28, 2022, February 28, 2023 and November 30, 2023	2	2

The Company was incorporated in the Cayman Islands on December 15, 2021 with an authorized share capital of US$50,000, divided into 50,000 ordinary shares with a par value of US$1 each. Upon its incorporation, 1 ordinary share with a par value of US$1 was allotted and issued as fully paid. An additional 1 ordinary share was issued on January 28, 2022 pursuant to the Reorganization as mentioned in Note 2.1, the excess value above the par value of this share was credited to the Company's share premium account.

Pursuant to a written resolution of the Company's shareholder passed on February 29, 2024, the share capital of the Company were changed as follows:

(a) authorized share capital of the Company was increased from US$50,000 divided into 50,000 ordinary share of a par value of US$1.00 each to the aggregate of (i) US$50,000 divided into 50,000 ordinary shares of a par value of US$1.00 each and (ii) HK$20,000 divided into 20,000,000,000 Shares of a par value of HK$0.000001 each by the creation of 20,000,000,000 shares of a par value of HK$0.000001 each;

(b) 5,271,038,024 ordinary shares credited as fully paid at par value of HK$0.000001 were allotted and issued to the existing shareholder of the Company by way of capitalization of the sum of HK$5,271.038024 standing to the credit of the share premium account of the Company (the "Capitalization Issue"); and

(c) 2 issued ordinary shares of US$1.00 were repurchased and cancelled. The authorized but unissued share capital of the Company was diminished by cancellation of all the 50,000 unissued ordinary shares of a par value of US$1.00 each, thereafter, the authorized share capital of the Company is HK$20,000 divided into 20,000,000,000 shares of a par value of HK$0.000001 each.

30 RESERVES

(a) Other reserves of the Group

	Share premium	**Capital reserve**	**Contribution from holding company**	**Other reserve – put option liabilities**	**Exchange reserve**	**Statutory reserve**	**Total**
	RMB million *(note (i))*	*RMB million* *(note (ii))*	*RMB million*	*RMB million*	*RMB million*	*RMB million* *(note (iii))*	*RMB million*
As at March 1, 2021	–	829.6	159.8	(331.4)	(31.3)	1,029.5	1,656.2
Exchange difference	–	–	–	–	7.1	–	7.1
Appropriation to statutory reserves	–	–	–	–	–	150.5	150.5
Issue of shares to give effect the Reorganization	16,822.0	(16,822.0)	–	–	–	–	–
Adjustment to put option liabilities on non-controlling interests	–	–	–	(15.8)	–	–	(15.8)
As at February 28, 2022 and March 1, 2022	16,822.0	(15,992.4)	159.8	(347.2)	(24.2)	1,180.0	1,798.0
Exchange difference	–	–	–	–	(213.5)	–	(213.5)
Appropriation to statutory reserves	–	–	–	–	–	34.7	34.7
Inception of put option liabilities from a business combination	–	–	–	(21.5)	–	–	(21.5)
Adjustment to put option liabilities on non-controlling interests	–	–	–	(15.9)	–	–	(15.9)
At February 28, 2023	16,822.0	(15,992.4)	159.8	(384.6)	(237.7)	1,214.7	1,581.8

	Share premium *RMB million* *(note (i))*	Capital reserve *RMB million* *(note (ii))*	Contribution from holding company *RMB million*	Other reserve – put option liabilities *RMB million*	Exchange reserve *RMB million*	Statutory reserve *RMB million* *(note (iii))*	Total *RMB million*
(Unaudited)							
At March 1, 2022	16,822.0	(15,992.4)	159.8	(347.2)	(24.2)	1,180.0	1,798.0
Exchange difference	–	–	–	–	(250.9)	–	(250.9)
Appropriation to statutory reserves	–	–	–	–	–	25.6	25.6
Adjustment to put option liabilities on non-controlling interests	–	–	–	(11.7)	–	–	(11.7)
At November 30, 2022	16,822.0	(15,992.4)	159.8	(358.9)	(275.1)	1,205.6	1,561.0
(Unaudited)							
At March 1, 2023	16,822.0	(15,992.4)	159.8	(384.6)	(237.7)	1,214.7	1,581.8
Exchange difference	–	–	–	–	(65.7)	–	(65.7)
Appropriation to statutory reserves	–	–	–	–	–	32.4	32.4
Acquisition of non-controlling interests	–	(121.6)	–	–	–	–	(121.6)
Adjustment to put option liabilities on non-controlling interests	–	–	–	180.0	–	–	180.0
At November 30, 2023	16,822.0	(16,114.0)	159.8	(204.6)	(303.4)	1,247.1	1,606.9

(i) Share premium

The share premium represents the difference between the par value of the share issued and the fair value of the [**REDACTED**] Business pursuant to the Reorganization.

(ii) Capital reserve

Capital reserve comprises of (i) a merger reserve arising from the Reorganization, representing the excess of the fair value of the Company's share issued for Reorganization over the consolidated capital of the companies now comprising the Group after elimination of inter-company investments, if any, immediately before the Reorganization; and (ii) transactions undertaken with non-controlling interests.

(iii) Statutory reserve

Statutory reserves are non-distributable and the transfers of these funds are determined by the Board of Directors of the relevant PRC subsidiaries in accordance with the relevant laws and regulations in the PRC.

(b) Reserves of the Company

	Share premium *RMB million*	Exchange reserve *RMB million*	Accumulated loss *RMB million*	Total *RMB million*
At December 15, 2021 (date of incorporation)	–	–	–	–
Loss for the period	–	–	(56.7)	(56.7)
Issue of shares to give effect the Reorganization	16,822.0	–	–	16,822.0
At February 28, 2022	16,822.0	–	(56.7)	16,765.3
At March 1, 2022	16,822.0	–	(56.7)	16,765.3
Profit for the year	–	–	2,025.4	2,025.4
Exchange difference	–	1,488.7	–	1,488.7
Dividend *(Note 12)*	–	–	(2,000.0)	(2,000.0)
At February 28, 2023	16,822.0	1,488.7	(31.3)	18,279.4
(Unaudited)				
At March 1, 2022	16,822.0	–	(56.7)	16,765.3
Loss for the period	–	–	(15.6)	(15.6)
Exchange difference	–	2,016.2	–	2,016.2
At November 30, 2022	16,822.0	2,016.2	(72.3)	18,765.9
(Unaudited)				
At March 1, 2023	16,822.0	1,488.7	(31.3)	18,279.4
Profit for the period	–	–	1,909.6	1,909.6
Exchange difference	–	595.4	–	595.4
Dividend *(Note 12)*	–	–	(2,000.0)	(2,000.0)
At November 30, 2023	16,822.0	2,084.1	(121.7)	18,784.4

31 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Note	Year ended February 28, 2022 RMB million	Year ended February 28, 2023 RMB million	Nine months ended November 30, 2022 RMB million (Unaudited)	Nine months ended November 30, 2023 RMB million (Unaudited)
Profit before income tax		3,607.7	1,650.5	1,437.3	2,639.0
Adjustments for:					
Share of results of associates		(28.3)	(24.8)	(18.4)	(20.3)
Depreciation on property, plant and equipment	*15*	588.1	659.7	479.4	438.6
Depreciation on right-of-use assets	*16(a)*	1,040.5	926.7	702.9	562.8
Amortization of intangible assets	*18*	13.9	18.5	12.6	15.3
Amortization of land use rights	*17*	7.0	3.8	2.9	2.8
Impairment of right-of-use assets	*16(a)*	67.9	80.4	72.6	68.3
Written-off of property, plant and equipment	*15*	–	26.9	23.3	5.3
(Reversal of impairment losses)/impairment losses of inventories	*22*	(74.9)	4.7	(8.0)	32.8
Provision for/(reversal of) impairment of trade receivables	*23*	0.6	(5.8)	2.1	0.6
Change in fair value of unlisted investments		–	8.4	8.4	(3.3)
Gain/(loss) on disposal of subsidiaries	*31(c)*	(52.0)	–	–	3.2
Interest income	*9*	(83.8)	(58.1)	(41.9)	(48.3)
Interest expense	*9*	113.2	166.7	115.0	164.6
Exchange differences		1.4	(43.6)	(50.4)	(21.2)
Others		4.7	(14.4)	(13.4)	3.7
		5,206.0	3,399.6	2,724.4	3,843.9
Changes in working capital:					
– Decrease/(increase) in long-term deposits, prepayments and other assets		4.3	(13.3)	(7.9)	32.1
– (Increase)/decrease in inventories		(324.9)	489.4	(316.2)	(802.9)
– Decrease/(increase) in trade receivables		497.2	40.0	(149.2)	(350.9)
– (Increase)/decrease in other receivables, deposits and prepayments		(69.2)	(50.0)	(119.3)	100.4
– Increase/(decrease) in trade payables		250.1	(497.6)	201.6	977.5
– Increase/(decrease) in other payables, accruals and other liabilities		28.3	17.0	(150.6)	(279.9)
– Change in balance with related companies (trade)		(321.5)	87.3	123.6	(30.0)
Net cash generated from operations		5,270.3	3,472.4	2,306.4	3,490.2

(b) In the consolidated statements of cash flows, payments and deposits for purchase of property, plant and equipment and intangible assets are analyzed as follows:

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*	*RMB million (Unaudited)*
Additions to:				
– Property, plant and equipment	830.8	499.8	414.8	194.6
– Land use right	40.2	–	–	–
– Intangible assets	8.9	7.4	7.3	22.0
Decrease in prepayments	(66.3)	(3.2)	(3.2)	–
(Increase)/decrease in other payables	(9.9)	13.2	13.3	(0.4)
	803.7	517.2	432.2	216.2

(c) Disposal of subsidiaries

During the year ended February 28, 2022, the Group disposed its entire equity interests in a non-wholly owned subsidiary to an independent third party at an aggregate cash consideration of RMB6.0 million. In addition, the Group disposed its entire equity interests in a wholly-owned subsidiary to an entity controlled by Belle International for a cash consideration of RMB176.4 million. These transactions resulting gain on disposals of RMB52.0 million recognized in other gains/(losses), net for the year (Note 8).

During the nine months ended November 30, 2023, the Group disposed its entire equity interests in a non-wholly owned subsidiary to an independent third party at an aggregate cash consideration of RMB1.0 million, resulting a loss on disposal of RMB3.2 million recognized in other gains/(losses), net for the period (Note 8).

(d) Business combination

In January 2023, the Group completed an acquisition of 60.8% equity interests in Shanghai Oujiya Trading Co., Ltd. ("OGR") at a cash consideration of RMB55.0 million. Fair value of identifiable intangible assets, other net assets acquired, non-controlling interests and goodwill recognized were approximately RMB28.4 million, RMB28.6 million, RMB24.5 million and RMB22.5 million, respectively.

The revenue and results contributed by OGR for the period since acquisition date were immaterial to the Group and the Group's revenue and results for the year would not be materially different if this acquisition had occurred on the beginning of the year ended February 28, 2023. The related transaction costs of these business combinations recognized in the Group's consolidated statements of profit or loss were not material.

(e) Acquisition of non-controlling interests

In April 2023, the Group acquired the remaining 30% equity interests of a non-wholly own subsidiary, Initial Fashion Co., Limited, from the non-controlling shareholder at an aggregate consideration comprised cash of RMB55.4 million and a waiver of the loan to non-controlling shareholder of RMB11.7 million.

The excess of aggregate consideration transferred over the carrying amount of non-controlling interests immediately prior to the transaction of RMB121.6 million was recognized in capital reserve (Note 30(a)).

(f) Assets and liabilities held for transfer

Prior to March 1, 2021, the Group approved to transfer a group of assets and related liabilities being held by the [**REDACTED**] Business to other entities controlled by Belle International pursuant to the Reorganization. The procedures of the transfer were substantially completed during the year ended February 28, 2022 and the related assets and liabilities were derecognized accordingly. The consideration of RMB386.5 million of this transfer was settled through the amount due to Belle International (Note 33).

(g) Reconciliation of liabilities arising from financing activities:

	Balances with related companies (non-trade) *RMB million*	**Borrowings** *RMB million*	**Lease liabilities** *RMB million*
As at March 1, 2021	6,250.5	1,000.0	1,246.6
Non-cash movements	996.6	–	1,292.2
Cash flows	(6,210.2)	2,076.8	(1,178.6)
As at February 28, 2022 and March 1, 2022	1,036.9	3,076.8	1,360.2
Non-cash movements	2,000.0	195.1	636.2
Cash flows	(1,311.6)	1,182.5	(910.7)
As at February 28, 2023	1,725.3	4,454.4	1,085.7
(Unaudited)			
As at March 1, 2022	1,036.9	3,076.8	1,360.2
Non-cash movements	–	258.8	622.0
Cash flows	(1,036.9)	1,144.9	(669.3)
As at November 30, 2022	–	4,480.5	1,312.9
(Unaudited)			
As at March 1, 2023	1,725.3	4,454.4	1,085.7
Non-cash movements	2,000.0	55.2	729.9
Cash flows	(2,276.5)	(453.7)	(679.9)
As at November 30, 2023	1,448.8	4,055.9	1,135.7

Note: Cash flows in relation to balances with related companies represented the payment of dividends declared by the companies now comprising the Group and the Company.

32 FINANCIAL GUARANTEE CONTRACTS

As at February 28, 2022, entire share capital of the Group's subsidiaries, including Lai Wah Footwear and two of its wholly-owned subsidiaries established in the PRC, Best Able, Rainbow Partner, Sky Sino Limited, City Talent and Lai Kong (Hong Kong) Company Limited were pledged to a syndicate of banks as security for the bank borrowings of the intermediate holding company, Belle International. These pledges and guaranteed were released in August 2022.

As at February 28, 2023 and November 30, 2023, entire share capital of the Company and the Group's subsidiaries, including Lai Wah Footwear and two of its wholly-owned subsidiaries established in the PRC, Belle Style and Sky Sino Limited respectively, and a Hong Kong incorporated subsidiary, Lai Kong (Hong Kong) Company Limited were pledged to a syndicate of banks as security and guarantee were provided by the Company and Belle Brands Limited for the bank borrowings of the intermediate holding company, Belle International. These pledges and guarantee were released in January 2024.

The fair value of these financial guarantee arrangements is immaterial at the inception date of these arrangements and at the each of the reporting period end date, based on the assessment performed by the directors of the Company considering the estimated incremental value evaluation and the minimal expected credit loss exposure.

33 RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions in addition to the related party information shown elsewhere in the Historical Financial Information:

Transactions for the Track Record Period

	Year ended February 28,		Nine months ended November 30,	
	2022	**2023**	**2022**	**2023**
	RMB million	*RMB million*	*RMB million* *(Unaudited)*	*RMB million* *(Unaudited)*
Transactions with companies controlled by Belle International other than the Group *(note (a))*				
– Sales of goods	1.7	8.5	2.9	8.5
– Rental income	12.1	10.2	7.7	8.0
– E-commerce services fee income	61.2	–	–	–
– Staff cost reimbursement charge	35.5	–	–	–
– Rental expenses	95.2	126.8	87.7	117.4
– Logistics services fee	743.1	678.5	531.8	524.7
– Sale of subsidiaries *(note 31(c))*	176.4	–	–	–
– Transfer of a subsidiary *(note 31(f))*	386.5	–	–	–
Transactions with associates of Belle International *(note (a))*				
– Sales of goods	11.3	19.4	14.3	15.6
– Royalties fees paid	37.2	21.3	16.1	13.1
Transactions with associates of the Group *(note (a))*				
– Sales of goods	8.3	25.1	21.8	27.7
– Purchases of goods	715.7	1,180.6	923.5	1,087.6
Key management compensation				
– Salaries, bonuses and other welfare *(note (b))*	14.5	14.7	9.3	9.0

Year-end/period-end balances

	As at		
	February 28, 2022	**February 28, 2023**	**November 30, 2023**
	RMB million	*RMB million*	*RMB million* *(Unaudited)*
Amounts due to *(note (c)):*			
Belle International			
– Non-trade	1,036.9	–	–
Belle Brands			
– Non-trade	–	1,725.3	1,448.8
Fellow subsidiaries			
– Trade	–	87.3	57.3
	1,036.9	1,812.6	1,506.1

Notes:

(a) Transactions with related companies are determined based on terms mutually agreed between the relevant parties.

(b) Key management includes directors and certain executives who have important roles in making operational and financial decisions.

(c) As at February 28, 2022, February 28, 2023 and November 30, 2023, the balances with related parties are unsecured, interest free, repayable on demand and are denominated in RMB. The amount due to Belle Brands as at November 30, 2023 has been settled in full during the period from January 2024 to February 2024.

34 INVESTMENTS IN SUBSIDIARIES AND BALANCES WITH SUBSIDIARIES OF THE COMPANY

(a) Investments in subsidiaries

	As at		
	February 28, 2022	**February 28, 2023**	**November 30, 2023**
	RMB million	*RMB million*	*RMB million (Unaudited)*
Unlisted investments at costs	16,822.0	18,316.4	18,913.7

(b) Balances with subsidiaries

Balances with subsidiaries are unsecured, interest free and repayable on demand.

35 EVENTS AFTER THE TRACK RECORD PERIOD

Other than disclosed in Notes 28, 29, 32 and 33 of this report and below, the Group has no material events after the Track Record Period.

In October 2023, the Group entered into an assets purchase agreement with an independent third party to acquire the third party's distributorship rights in the PRC and its related inventories, lease arrangements of certain stores and stores related assets at an aggregate cash consideration of RMB103.6 million. This acquisition was completed in December 2023.

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 February 28, 2023 and up to the date of this report.

No dividend or distribution has been declared or made by the Company in respect of any period subsequent to November 30, 2023.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1. Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●], 2024 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed "2. Documents available on display".

2. Articles of Association

The Articles of Association of the Company were conditionally adopted on [●], 2024 and include provisions to the following effect:

2.1. Directors

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(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 any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns the office of Director;

(ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

(iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iv) the Director is found to be or becomes of unsound mind; or

(v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2. Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3. Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4. *Alteration of capital*

The Company may by ordinary resolution:

(a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(d) cancel any shares that at the date of the passing of the ordinary 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.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5. *Special resolution – majority required*

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6. Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general 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 pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7. Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8. Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9. Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10. Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which 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. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and

(b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11. Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (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).

2.12. Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13. Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14. Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15. Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16. Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17. Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18. Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19. Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20. Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

(a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

(b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21. Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three-month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

3. Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

4. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 December 2021 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is 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 size of its authorised share capital.

5. Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a 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:

(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) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

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.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, 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, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, 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 shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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 member of the company holding shares. 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

6. Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

7. Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

8. Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

9. Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

10. Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

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.

11. Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of 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.

12. Inspection of Books and Records

Members of a company will have no general right under the Companies Act 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.

13. Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

14. Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

15. Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

16. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is 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 shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

17. 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% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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 shareholders.

18. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

19. Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

20. Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

21. Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

22. Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

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 certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

23. Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

24. General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "2. Documents available on display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on December 15, 2021. We have established a principal place of business in Hong Kong at 6/F, The Edge, 30-34 Kwai Wing Road, Kwai Chung, New Territories, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 21, 2022 under the same address. Mr. Kwok Yiu Tung has been appointed as our authorized representative for the acceptance of service of process and notices on our behalf in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the relevant laws of the Cayman Islands and our constitution comprising our Memorandum and Articles of Association. A summary of certain provisions of our constitution and relevant aspects of Cayman Islands companies law is set out in Appendix III to this document.

2. Changes in our share capital

As at the date of incorporation of our Company, the authorized share capital of our Company was US$50,000 divided into 50,000 Shares of par value of US$1.00 each. The following sets out the changes in our Company's share capital within the two years immediately preceding the issue of this document.

On February 29, 2024, the authorized share capital of our Company was increased from US$50,000 divided into 50,000 ordinary shares of a par value of US$1.00 each to the aggregate of (i) US$50,000 divided into 50,000 ordinary shares of a par value of US$1.00 each and (ii) HK$20,000 divided into 20,000,000,000 Shares of a par value of HK$0.000001 each by the creation of 20,000,000,000 Shares of a par value of HK$0.000001 each. Following the increase in authorized share capital, our Company issued a total of 5,271,038,024 Shares credited as fully paid at par value to its sole Shareholder, Belle Brands. Following the issue of Shares, two issued ordinary shares of a par value of US$1.00 each in our Company, being all the ordinary shares with a par value of US$1.00 each for the time being issued by our Company, were repurchased at par, following which the two ordinary shares of a par value of US$1.00 each were cancelled. Following the repurchase, the authorized but unissued share capital of our Company was reduced by the cancellation of the 50,000 authorized but unissued ordinary shares of a par value of U$1.00 each, following which the authorized share capital of our Company is HK$20,000 divided into 20,000,000,000 Shares of a par value of HK$0.000001 each.

Immediately before the [**REDACTED**], the issued share capital of our Company will be HK$5,271.038024 divided into 5,271,038,024 Shares of a par value of HK$0.000001 each, credited as fully paid, and HK$14,728.961976 divided into 14,728,961,976 Shares of a par value of HK$0.000001 each will remain unissued.

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), our issued share capital will be [**REDACTED**] divided into [**REDACTED**] Shares, all fully paid or credited as fully paid and [**REDACTED**] Shares will remain unissued.

Save as disclosed above and as mentioned in the paragraph headed "4. Resolutions in writing of our Shareholder" below, there has been no alteration in our share capital within the two years immediately preceding the date of this document.

3. Changes in the share capital of our subsidiaries

There has been no alteration in the share capital of any of our Principal Operating Subsidiaries within the two years preceding the date of this document.

4. Resolutions in writing of our Shareholder

Written resolutions of our Shareholder passed on February 29, 2024

Written resolutions of our Shareholder were passed on February 29, 2024, pursuant to which, among others:

(a) the increase in authorized share capital from US$50,000 divided into 50,000 ordinary shares of a par value of US$1.00 each to the aggregate of (i) US$50,000 divided into 50,000 ordinary shares of a par value of US$1.00 each and (ii) HK$20,000 divided into 20,000,000,000 Shares of a par value of HK$0.000001 each by the creation of 20,000,000,000 Shares of a par value of HK$0.000001 each was approved;

(b) the allotment and issue of 5,271,038,024 Shares credited as fully paid at par value to our sole Shareholder, Belle Brands, by way of capitalization of the sum of HK$5,271.038024 standing to the credit of the share premium account of our Company was approved; and

(c) subject to and following the allotment and issue of the Shares referred to in paragraph (b) above, the repurchase of two issued ordinary shares of a par value of US$1.00 each in the Company, being all the ordinary shares with a par value of US$1.00 each for the time being issued by the Company, at par was approved and, subject to and immediately after the repurchase of two ordinary shares of a par value of US$1.00 each in our Company, the reduction of the authorized share capital to HK$20,000 divided into 20,000,000,000 Shares of a par value of HK$0.000001 each by the cancellation of the 50,000 authorized but unissued ordinary shares of a par value of US$1.00 each was approved.

Written resolutions of our Shareholder passed on [●], 2024

Written resolutions of our Shareholder were passed on [●], 2024, pursuant to which, among others:

(a) the Memorandum and Articles of Association were approved and adopted conditional upon [**REDACTED**];

(b) conditional upon all the conditions set out in the section headed "[**REDACTED**]" in this document being fulfilled:

A. the [**REDACTED**] and the [**REDACTED**] were approved and the Board (or any committee thereof established by the Board pursuant to the Articles of Association) was authorized to make or effect such modifications as it thinks fit;

B. the Board (or any committee thereof established by the Board pursuant to the Articles of Association) was authorized to allot, issue and approve the transfer of such number of Shares in connection with the [**REDACTED**]; and

C. the Board (or any committee thereof established by the Board pursuant to the Articles of Association) was authorized to agree the [**REDACTED**] per [**REDACTED**] with the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]);

(c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares or securities convertible into Shares) which might require Shares or securities convertible into Shares to be allotted, issued or dealt with, otherwise than pursuant to the [**REDACTED**], a rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, in an amount not exceeding 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the [**REDACTED**], such mandate to remain in effect until (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition, or (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws or (iii) when revoked or varied by an ordinary resolution of Shareholders at a general meeting of our Company, whichever is the earliest;

(d) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase our own Shares [**REDACTED**] or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the [**REDACTED**], such mandate to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders at a general meeting either unconditionally or subject to condition, or (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable laws, or (iii) when revoked or varied by an ordinary resolution of Shareholders at a general meeting of our Company; and

(e) the general mandate mentioned in paragraph (c) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above.

5. Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the [**REDACTED**] of our Shares [**REDACTED**]. See the section headed "History, Reorganization and Corporate Structure—Reorganization" in this document for information relating to the Reorganization.

6. Repurchases of our own securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written resolution passed by our then Shareholder on [●], 2024, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorizing any repurchase by us of Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the [**REDACTED**], such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our

Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition, or (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by our Articles of Association or any other applicable laws, or (iii) when revoked or varied by an ordinary resolution of Shareholders in general meeting of our Company.

(ii) Source of funds

Repurchases must be funded out of funds legally available for such purpose in accordance with our Memorandum and Articles of Association, the Listing Rules and the applicable 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 from time to time. Under the Cayman Companies Act, the par value of any Shares repurchased by us may be provided for out of our profits, out of share premium, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles of Association and subject to the provisions of the Cayman Companies Act, out of capital. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorized by the Articles of Association and subject to the provisions of the Cayman Companies Act, out of capital.

(iii) Trading restrictions

The total number of Shares which we may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the [**REDACTED**]. We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, whether [**REDACTED**] or otherwise, without the prior approval of the Stock Exchange. We are also prohibited from repurchasing Shares [**REDACTED**] if the repurchase would result in the number of [**REDACTED**] Shares which are in the hands of the [**REDACTED**] falling below the relevant prescribed minimum percentage as required by the Stock Exchange. We are required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. An issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 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.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the [**REDACTED**] or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Companies Act, unless, prior to the repurchase the directors of a company resolve to hold the shares purchased by the company as treasury shares, the company's repurchased shares shall be cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value or par value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(v) Suspension of repurchase

Pursuant to the Listing Rules, we may not make any repurchases of Shares at any time after inside information has come to our knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, 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 our 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 us to publish an announcement of our 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 in each case ending on the date of the results announcement, we may not repurchase Shares [**REDACTED**] unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares [**REDACTED**] 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 Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A 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 any of their respective close associates (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position as disclosed in this document and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this document. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in [**REDACTED**] immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), could accordingly result in [620,122,152] Shares being repurchased by us during the period prior to the earliest of (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition; (ii) the expiration of the period within which we are required by any applicable laws or our Articles of Association to hold our next annual general meeting; or (iii) the revocation or variation of the mandate by an ordinary resolution of the Shareholders in general meeting of our Company (the "**Relevant Period**").

(d) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

The 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.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the [**REDACTED**] being reduced to less than the [**REDACTED**] percentage as agreed with the Stock Exchange could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the [**REDACTED**] referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contract

We [have entered] into the Hong Kong [**REDACTED**] (not being a contract entered into in the ordinary course of business) within the two years preceding the date of this document that is or may be material.

2. Intellectual Property Rights of Our Group

As of the Latest Practicable Date, we have registered the following intellectual property rights which we consider to be material to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks of our Group which we consider to be material to our business:

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
1.	11499285	SENDA	18	PRC	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	From February 21, 2014 to February 20, 2034
2.	897349	森達	25	PRC	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	From November 14, 1996 to November 13, 2026
3.	1661473	森达 SENDA	25	PRC	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	From November 7, 2001 to November 6, 2031
4.	15192137	Senda	25	PRC	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	From October 28, 2016 to October 27, 2026
5.	15192304	SENDA 森达 SINCE 1977	25	PRC	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	From April 21, 2016 to April 20, 2026
6.	5802085	SKAP	25	PRC	Shenzhen Longhao Tiandi Co., Limited (深圳市龍浩天地有限公司)	From January 14, 2010 to January 13, 2030
7.	23271456	SKAP	25	PRC	Shenzhen Longhao Tiandi Co., Limited (深圳市龍浩天地有限公司)	From March 14, 2018 to March 13, 2028

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
8.	23271379	SKAP	18	PRC	Shenzhen Longhao Tiandi Co., Limited (深圳市龍浩天地有限公司)	From March 14, 2018 to March 13, 2028
9.	15871956		18	PRC	Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司)	From February 21, 2016 to February 20, 2026
10.	20123886	73小时	18	PRC	Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司)	From February 7, 2018 to February 6, 2028
11.	22387700	73Hours	18	PRC	Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司)	From February 7, 2018 to February 6, 2028
12.	22387699	73Hours	25	PRC	Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司)	From April 7, 2018 to April 6, 2028
13.	22387694		25	PRC	Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司)	From February 7, 2018 to February 6, 2028

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
14.	20123889	73小时	25	PRC	Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司)	From July 21, 2017 to July 20, 2027
15.	20123890	高跟73小时	25	PRC	Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司)	From July 21, 2017 to July 20,2027
16.	20123887	高跟73小时	18	PRC	Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司)	From July 21, 2017 to July 20,2027
17.	27637341	TOOMANY SHOES	18	PRC	Shanghai Ziding Trading Co., Ltd. (上海紫町商貿有限公司)	From September 7, 2019 to September 6, 2029
18.	27627351	TOOMANY SHOES	25	PRC	Shanghai Ziding Trading Co., Ltd. (上海紫町商貿有限公司)	From March 7, 2019 to March 6, 2029
19.	27640303	TOOMANY SHOES	35	PRC	Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司)	From August 14, 2019 to August 13, 2029
20.	51929389	OGR	25	PRC	Shanghai Oujiya Trading Co., Ltd. (上海歐基亞貿易有限公司)	From August 21, 2021 to August 20, 2031

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
21.	48219775	OGR	18	PRC	Shanghai Oujiya Trading Co., Ltd. (上海歐基亞貿易有限公司)	From March 7, 2021 to March 6, 2031
22.	37202239	BeLLE 百丽	18	PRC	Rich Soar Limited	From October 7, 2020 to October 6, 2030
23.	38614093	IST BELLE	18	PRC	Rich Soar Limited	From June 21, 2020 to June 20, 2030
24.	3542635	BELLE BELLE	25	PRC	Rich Soar Limited	From February 28, 2008 to February 27, 2028
25.	3086374	百丽	25	PRC	Rich Soar Limited	From February 21, 2004 to February 20, 2034
26.	1815147	BELLE	25	PRC	Rich Soar Limited	From July 28, 2002 to July 27, 2032
27.	3809517	BeLLE	25	PRC	Rich Soar Limited	From January 28, 2007 to January 27, 2027
28.	5856140	BeLLE 百丽	25	PRC	Rich Soar Limited	From January 7, 2013 to January 6, 2033
29.	37518850	BELLE	25	PRC	Rich Soar Limited	From April 7, 2021 to April 6, 2031
30.	37521368	BELLE	3	PRC	Rich Soar Limited	From May 28, 2020 to May 27, 2030
31.	37521513	belle	25	PRC	Rich Soar Limited	From April 7, 2021 to April 6, 2031
32.	40901831	belle kids	25	PRC	Rich Soar Limited	From August 21, 2021 to August 20, 2031
33.	37518854	B	25	PRC	Rich Soar Limited	From December 14, 2019 to December 13, 2029
34.	9175248	map by Belle	35	PRC	Rich Soar Limited	From June 28, 2012 to June 27, 2032
35.	21019127	MAP	35	PRC	Rich Soar Limited	From December 21, 2017 to December 20, 2027

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
36.	4472851	STACCATO 思加图	3	PRC	Staccato Footwear Co Limited	From May 7, 2008 to May 6, 2028
37.	1926361	STACCATO 思加图	18	PRC	Staccato Footwear Co Limited	From September 28, 2002 to September 27, 2032
38.	1301053	STACCATO	25	PRC	Staccato Footwear Co Limited	From August 7, 1999 to August 6, 2029
39.	4472836	STACCATO	25	PRC	Staccato Footwear Co Limited	From December 14, 2008 to December 13, 2028
40.	4472837	思加图	25	PRC	Staccato Footwear Co Limited	From December 14, 2008 to December 13, 2028
41.	4472847	STACCATO 思加图	18	PRC	Staccato Footwear Co Limited	From October 14, 2008 to October 13, 2028
42.	5423283	STACCATO 思加图	25	PRC	Staccato Footwear Co Limited	From January 21, 2014 to January 20, 2034
43.	4986512		18	PRC	Staccato Footwear Co Limited	From June 14, 2013 to June 13, 2033
44.	4987907		25	PRC	Staccato Footwear Co Limited	From February 28, 2011 to February 27, 2031
45.	17566625		18	PRC	Staccato Footwear Co Limited	From September 21, 2016 to September 20, 2026
46.	17566682		25	PRC	Staccato Footwear Co Limited	From May 21, 2017 to May 20, 2027
47.	1760019	teenmix 天美意	3	PRC	Hero Peak Limited	From May 7, 2002 to May 6, 2032
48.	1528886	teenmix 天美意	18	PRC	Hero Peak Limited	From February 28, 2001 to February 27, 2031
49.	1444064	teenmix 天美意	25	PRC	Hero Peak Limited	From September 14, 2000 to September 13, 2030
50.	14579990	teenmix天美意	18	PRC	Hero Peak Limited	From July 7, 2015 to July 6, 2025

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
51.	14579989	teenmix天美意	25	PRC	Hero Peak Limited	From July 7, 2015 to July 6, 2025
52.	33924511	TEENMIX	25	PRC	Hero Peak Limited	From December 28, 2019 to December 27, 2029
53.	33924499	TEENMIX	18	PRC	Hero Peak Limited	From June 21, 2019 to June 20, 2029
54.	21710210	teenmix	25	PRC	Hero Peak Limited	From July 7, 2018 to July 6, 2028
55.	3891626	TATA 他她	25	PRC	Hero Peak Limited	From April 14, 2007 to April 13, 2027
56.	20610824	TATA	3	PRC	Hero Peak Limited	From November 7, 2017 to November 6, 2027
57.	20610822	TATA	18	PRC	Hero Peak Limited	From September 7, 2017 to September 6, 2027
58.	20610821	TATA	25	PRC	Hero Peak Limited	From November 7, 2017 to November 6, 2027
59.	26376684	tata	18	PRC	Hero Peak Limited	From September 28, 2018 to September 27, 2028
60.	26376683	tata	25	PRC	Hero Peak Limited	From December 7, 2018 to December 6, 2028
61.	4027380	他她	3	PRC	Hero Peak Limited	From December 14, 2006 to December 13, 2026
62.	5533698	Tata	35	PRC	Hero Peak Limited	From September 28, 2009 to September 27, 2029
63.	5533700	Tata	25	PRC	Hero Peak Limited	From January 14, 2010 to January 13, 2030
64.	6174078	Tata	25	PRC	Hero Peak Limited	From July 7, 2010 to July 6, 2030
65.	6174079	Tata	18	PRC	Hero Peak Limited	From July 7, 2010 to July 6, 2030

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
66.	6538007	百思图	3	PRC	Hero Peak Limited	From March 28, 2010 to March 27, 2030
67.	6537954	百思图	18	PRC	Hero Peak Limited	From August 7, 2010 to August 6, 2030
68.	25170817	百思图	25	PRC	Hero Peak Limited	From October 21, 2018 to October 20, 2028
69.	1815102	BASTO 百思圖	25	PRC	Hero Peak Limited	From July 28, 2002 to July 27, 2032
70.	25699744	BASto	18	PRC	Hero Peak Limited	From July 28, 2018 to July 27, 2028
71.	25707312	BASto	25	PRC	Hero Peak Limited	From October 21, 2018 to October 20, 2028
72.	22942895	BASTO	18	PRC	Hero Peak Limited	From February 28, 2018 to February 27, 2028
73.	22942894	BASTO	25	PRC	Hero Peak Limited	From May 7, 2018 to May 6, 2028
74.	6910953	JOY&Peace 真美诗	25	PRC	Mirabell Footwear Limited (美麗寶鞋業有限公司)	From October 7, 2010 to October 6, 2030
75.	979365	Joy & Peace	25	PRC	Mirabell Footwear Limited (美麗寶鞋業有限公司)	From April 14, 1997 to April 13, 2027
76.	6910412	JOY&Peace	18	PRC	Mirabell Footwear Limited (美麗寶鞋業有限公司)	From September 7, 2010 to September 6, 2030
77.	1184681	真 美 詩	25	PRC	Mirabell Footwear Limited (美麗寶鞋業有限公司)	From June 21, 1998 to June 20, 2028
78.	48321859	JOY&Peace GALLERIA	25	PRC	Mirabell Footwear Limited (美麗寶鞋業有限公司)	From June 7, 2021 to June 6, 2031

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
79.	5799595	initial	25	PRC	Initial Fashion Co., Limited	From October 21, 2013 to October 20, 2033
80.	11574755	initial	25	PRC	Initial Fashion Co., Limited	From March 14, 2014 to March 13, 2034
81.	13044856	initial	25	PRC	Initial Fashion Co., Limited	From February 28, 2015 to February 27, 2025

As of the Latest Practicable Date, we have been licensed to use the following registered trademarks which we consider to be material to our business:

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
1.	2021351	CAT	18	PRC	Caterpillar Inc.	From May 21, 2003 to May 20, 2033
2.	1456903	CATERPILLAR	18	PRC	Caterpillar Inc.	From October 14, 2000 to October 13, 2030
3.	917364	CAT	25	PRC	Caterpillar Inc.	From December 21, 1996 to December 20, 2026
4.	897323	CAT	25	PRC	Caterpillar Inc.	From November 14, 1996 to November 13, 2026
5.	1230529	CATERPILLAR	25	PRC	Caterpillar Inc.	From December 14, 1998 to December 13, 2028
6.	18624837	Champion	18	PRC	HBI Branded Apparel Enterprises, LLC	From January 28, 2017 to January 27, 2027
7.	18624840	Champion	25	PRC	HBI Branded Apparel Enterprises, LLC	From January 28, 2017 to January 27, 2027
8.	18624849		18	PRC	HBI Branded Apparel Enterprises, LLC	From January 28, 2017 to January 27, 2027
9.	16796035		25	PRC	HBI Branded Apparel Enterprises, LLC	From June 14, 2016 to June 13, 2026

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
10.	4341253	MOUSSY	25	PRC	Baroque Japan Limited	From August 7, 2008 to August 6, 2028
11.	5249264	moussy	9	PRC	Baroque Japan Limited	From April 21, 2009 to April 20, 2029
12.	10987468	moussy	18	PRC	Baroque Japan Limited	From April 7, 2015 to April 6, 2025
13.	5249521	SLY	25	PRC	Baroque Japan Limited	From November 28, 2010 to November 27, 2030
14.	5249518	SLY	9	PRC	Baroque Japan Limited	From April 21, 2009 to April 20, 2029
15.	5249520	SLY	18	PRC	Baroque Japan Limited	From July 28, 2009 to July 27, 2029
16.	32941	Bata	25	PRC	Bata Brands SA	From December 1, 1959 to November 30, 2029
17.	4411734	Bata	18	PRC	Bata Brands SA	From October 7, 2008 to October 6, 2028
18.	4411735	Bata	3	PRC	Bata Brands SA	From February 28, 2008 to February 27, 2028
19.	166807	拔 佳	25	PRC	Bata Brands SA	From December 15, 1982 to December 14, 2032
20.	4411736	拔佳	18	PRC	Bata Brands SA	From October 7, 2008 to October 6, 2028
21.	4411737	拔佳	3	PRC	Bata Brands SA	From March 21, 2008 to March 20, 2028
22.	573145		25	PRC	Beijing Jiaman Dress Co., Ltd. (北京嘉曼服飾股份有限公司)	From November 30, 1991 to November 29, 2031
23.	625873	HUSH PUPPIES	25	PRC	Wolverine Outdoors, Inc.	From January 10, 1993 to January 9, 2033
24.	1238771	暇步士	25	PRC	Wolverine Outdoors, Inc.	From January 14, 1999 to January 13, 2029
25.	4600308	Hush Puppies	25	PRC	Wolverine Outdoors, Inc.	From February 28, 2009 to February 27, 2029

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
26.	1781898	ELLESSE	25	PRC	ELLESSE INTERNATIONAL S.P.A.	From June 7, 2002 to June 6, 2032
27.	731293	ELLESSE	18	PRC	ELLESSE INTERNATIONAL S.P.A.	From February 21, 1995 to February 20, 2025
28.	10077318	ELLESSE	25	PRC	ELLESSE INTERNATIONAL S.P.A.	From May 14, 2014 to May 13, 2034
29.	43556891		18	PRC	ELLESSE INTERNATIONAL S.P.A.	From December 7, 2020 to December 6, 2030
30.	43559930		25	PRC	ELLESSE INTERNATIONAL S.P.A.	From October 28, 2020 to October 27, 2030

(b) Patents

As of the Latest Practicable Date, we have registered the following patents which we consider to be material to our business.

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
1.	2015302383367	Sole (鞋底)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	July 7, 2015
2.	2015302383846	Sole (鞋底)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	July 7, 2015
3.	2015302384482	Sole (鞋底)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	July 7, 2015

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
4.	2015302383831	Sole (鞋底)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	July 7, 2015
5.	201530238330X	Sole (鞋底)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	July 7, 2015
6.	2015302383297	Sole (鞋底)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	July 7, 2015
7.	2016303657528	Sole (鞋底)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	August 3, 2016
8.	2017301736977	Shoe (Friends Collection starry sky dog) (鞋 (Friends Collection 星空狗狗))	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	May 12, 2017
9.	2017301736801	Shoe (Friends Collection cute dog) (鞋 (Friends Collection 可愛狗狗))	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	May 12, 2017
10.	2019307063217	Sole (鞋底)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	December 17, 2019

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
11.	2020303404003	Sole (Lightweight) (鞋底(輕量))	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	June 29, 2020
12.	2020303404018	Rebound sole (回彈鞋底)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	June 29, 2020
13.	2019305779557	Sports retro clunky shoe (運動復古老爹鞋)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	October 23, 2019
14.	2020304809030	Clunky shoe (老爹鞋)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	August 20, 2020
15.	2020305783837	Clunky shoe (老爹鞋)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	September 25, 2020
16.	202030628888X	Shoe (Space) (鞋(太空))	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	December 21, 2020
17.	2020305730524	Sole (鞋底)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	September 24, 2020
18.	2020305783841	Sole (鞋底)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	September 25, 2020

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
19.	202130432114	Sole (鞋底)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	January 21, 2021
20.	202130434960X	Clunky shoe (老爹鞋)	Design	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	July 9, 2021
21.	2018301082421	Insole (鞋墊)	Design	Shenzhen Longhao Tiandi Company Limited (深圳市龍浩天地有限公司)	March 22, 2018
22.	2018301082436	Insole (鞋墊)	Design	Shenzhen Longhao Tiandi Company Limited (深圳市龍浩天地有限公司)	March 22, 2018
23.	2020300386234	Sole (鞋底)	Design	Shenzhen Longhao Tiandi Company Limited (深圳市龍浩天地有限公司)	January 19, 2020
24.	2021300985659	Sole (鞋底)	Design	Shenzhen Longhao Tiandi Company Limited (深圳市龍浩天地有限公司)	February 19, 2021
25.	2021300985678	Sole (鞋底)	Design	Shenzhen Longhao Tiandi Company Limited (深圳市龍浩天地有限公司)	February 19, 2021
26.	2015206088001	3D foot scanner (3D腳型掃描器)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	August 14, 2015

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
27.	2015208463622	Simple 3D foot scanner (簡易3D足形掃描器)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	October 29, 2015
28.	2015208455908	Improved 3D foot scanner (改良型3D足形掃描器)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	October 29, 2015
29.	2015208940797	Shoe interior space collection device (鞋子內部空間採集裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	November 11, 2015
30.	2015208938797	A high-speed three-dimensional measurement system based on structured light projection (一種結構光投影的高速三維測量系統)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	November 11, 2015
31.	2015208950498	A system for matching shoes based on foot shape and shoe interior space data (基於腳形及鞋子內部空間數據匹配鞋子的系統)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	November 11, 2015
32.	2017211263071	An integrated equipment for leather detection, cutting and sorting (一種皮革檢測裁切分揀一體化設備)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	September 1, 2017

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
33.	2017211227554	A shoe sole chamfering grinding machine (一種鞋底倒邊打磨機)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	September 1, 2017
34.	2018202648309	Insole (鞋墊)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	February 23, 2018
35.	2018202642069	Shoe last (鞋楦)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	February 23, 2018
36.	201721122754X	A device for automatically measuring leather thickness (一種用於自動測量皮革厚度的設備)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	September 1, 2017
37.	2017211194620	An intelligent laser cutting machine (一種智能激光裁切機)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	September 1, 2017
38.	2018211084358	An automatic trimming device for sole insertion (一種鞋底底插的自動修邊裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	July 11, 2018
39.	2018202037362	Adjustable back mold device for shoemaking (用於製鞋的可調式後模裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	February 2, 2018
40.	2018219736010	A product transfer device (一種產品傳輸裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	November 28, 2018

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
41.	2018220175801	A kind of leather shoe shaping dehumidification device (一種皮鞋定型除濕裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	December 3, 2018
42.	2018211156407	A steel shank automatic assembly device (一種鋼勾心自動裝配裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司) and Hefei Hanzhong Intelligent Equipment Co., Ltd. (合肥漢重智能裝備有限公司)	July 12, 2018
43.	201820257872X	Foot pressure detection device (腳部壓力檢測裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	February 13, 2018
44.	2020221248328	A kind of easily bendable sole (一種易彎折鞋底)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業 (深圳)有限公司)	September 24, 2020
45.	2018202553597	Highly elastic shock-absorbing see-through sole (高彈性減震透視鞋底)	Utility Model	Shenzhen Longhao Tiandi Company Limited (深圳市龍浩天地有限公司)	February 13, 2018
46.	2018209557669	Exhaust shock-absorbing sole (排氣減震鞋底)	Utility Model	Shenzhen Longhao Tiandi Company Limited (深圳市龍浩天地有限公司)	June 21, 2018
47.	2019210531965	Functional sole and functional shoe (功能鞋底及功能鞋)	Utility Model	Shenzhen Longhao Tiandi Company Limited (深圳市龍浩天地有限公司)	July 5, 2019

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
48.	2021203806994	A heel shock absorber (一種鞋跟減震裝置)	Utility Model	Shenzhen Longhao Tiandi Company Limited (深圳市龍浩天地有限公司)	February 19, 2021
49.	2019224960190	A foot scanning positional board (一種足型掃描定位板)	Utility Model	Yilin Digital Technology (Shenzhen) Co., Ltd. (意�數字科技(深圳)有限公司)	December 31, 2019
50.	2022216406176	A sewing auxiliary adjuster for shoe sewing equipment (一種制鞋縫紉設備的車縫輔助調整器)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	June 29, 2022
51.	2022216747096	A hanging basket driving mechanism for shoe making process (一種制鞋工序的掛籃驅動機構)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	July 1, 2022
52.	2022216104890	A shoe making equipment that integrates edge trimming and rough grinding (一種修邊磨粗一體的制鞋設備)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	June 27, 2022
53.	2022214988789	A shoe cutting device that can alternate cutting materials (一種可交替下料的制鞋裁斷裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	June 16, 2022

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
54.	2022216104602	A heating and shaping mold for shaping shoe toe (一種用於制鞋鞋頭成型的加熱定型模)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	June 27, 2022
55.	2022215644459	A shoe making and pasting operation table for storing shoe last (一種收納鞋楦的制鞋貼底操作台)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	June 22, 2022
56.	2022216420722	An adjustable shoe making bracket that increases the range of shoe making (一種增加制鞋範圍的可調式制鞋支架)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	June 29, 2022
57.	2022215640922	A disc type shoe making machine that prevents the mixing in of impurities (一種防雜質混入的圓盤式制鞋機)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	June 22, 2022
58.	2022215920054	An automatic shoe upper gluing line (一種鞋幫刷膠自動線)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	June 24, 2022
59.	202221535078X	A shoe edge mold seat with adjustable opening angle (一種可調張開角度的制鞋邊模座)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	June 20, 2022

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
60.	2022212379254	An automatic sewing device for sewing machines (一種針車自動車縫裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	May 23, 2022
61.	2022216936100	A new type of edge mechanism in shoe making process (一種制鞋工序中的新式片邊機構)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	July 4, 2022
62.	2022214983855	A shoe mold pressing machine with convenient disassemble and assemble function for shoe molds (一種具有鞋模便捷拆裝功能的制鞋模壓機)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	June 22, 2022
63.	2022218582346	A shoe making molding machine with stable loading and unloading functions (一種具有穩定上下料功能的制鞋模壓機)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	July 19, 2022
64.	2022220695465	A conveying device for preventing detachment of shoe making vehicles (一種制鞋載具防脫落的輸送裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	August 8, 2022

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
65.	2022220695342	A multifunctional and convenient sole sticking hammer for shoemaking (一種制鞋用的多功能便捷貼底錘)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	August 8, 2022
66.	2022220566125	An unloading tool for a shoe cutting devices (一種制鞋下料裁剪裝置的卸料工具)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	August 5, 2022
67.	2022220590514	A type of shoe making outer line machine foot press (一種制鞋外線機壓腳)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	August 5, 2022
68.	2022220348188	A shoe last reset mechanism for shoe making equipments (一種用於制鞋設備的鞋楦復位機構)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	August 3, 2022
69.	2022220075458	A batch oiling operation table for shoe uppers for shoe making (一種用於制鞋的鞋面批量塗油操作台)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	August 1, 2022
70.	202222007541X	An adjustable gluing device for shoe soles (一種用於鞋中底的可調打膠裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	August 1, 2022

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
71.	2022219814213	A batching and proportioning equipment for shoe last preparation devices (一種鞋楦製備裝置的配料配比設備)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	July 29, 2022
72.	2022219559050	A labeling component at the bottom of a shoe box (一種鞋盒底部的貼標組件)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	July 27, 2022
73.	2022219266670	A pulling and separating device for shoe boxes (一種鞋盒的拉拔分離裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	July 25, 2022
74.	2022218896771	A shoe making chassis with convenient adjustment of tail plate height (一種尾盤高度方便調整的制鞋底盤)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	July 22, 2022
75.	2022219077931	A bidirectional limiting shoe sole heating device (一種雙向限位的制鞋貼底加熱設備)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	July 22, 2022
76.	2022215920073	A stable splicing structure for shoe lasts (一種鞋楦的穩定拼接結構)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	June 24, 2022

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
77.	2022218582204	A shoe nail heel machine that facilitates the replacement of gun heads (一種方便槍頭更換的制鞋釘跟機)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	July 19, 2022
78.	202221479877X	A shoe last with angle adjustment function (一種具有角度調節功能的鞋楦)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	June 14, 2022
79.	2022219559281	A molding tool for rounding the heel of shoes (一種鞋跟打圓的成型刀具)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	July 27, 2022
80.	2021221368305	A device for receiving materials for shoe uppers (一種制鞋幫面物料領用裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	September 6, 2021
81.	2022234951734	A glue spraying device (一種噴膠裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 27, 2022
82.	2022234263043	A shoe sole glue spraying device (一種鞋底噴膠裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 21, 2022
83.	2022233728503	A sewing and binding device for shoe upper processing (一種用於鞋面加工的縫合裝訂裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 15, 2022

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
84.	2022233727197	An automatic tensioning mechanism for shoe upper processing (一種用於鞋面加工的自動張緊機構)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 15, 2022
85.	2022233029960	A fastening structure for injection molded shoe molds (一種注塑鞋模的緊固結構)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 9, 2022
86.	2022234262801	A shoe last reflux mechanism (一種鞋楦回流機構)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 21, 2022
87.	2022233872881	A shoe midsole adhesive spraying device (一種鞋子中底噴膠設備)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 17, 2022
88.	2022233872646	An automatic shoe midsole nailing device (一種鞋子自動釘中底設備)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 17, 2022
89.	2022233313613	A split type shoe box (一種分體式鞋盒)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 13, 2022
90.	2022233093242	A sewing and gluing device for shoe uppers and soles (一種鞋面與鞋底縫紉上膠裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 11, 2022

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
91.	2022233310530	An injection molded shoe mold for shoe sole processing (一種用於鞋底加工的注塑鞋模)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 13, 2022
92.	202223242396X	A edging machine for heel processing (一種用於鞋跟加工的包邊機)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 5, 2022
93.	2022232423777	A hammer leveling machine for heel production (一種用於鞋跟生產的錘平機)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 5, 2022
94.	2022233023428	A dashing tool for the design of shoe samples (一種用於鞋樣設計的劃線工具)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 7, 2022
95.	202223331055X	A device for smoothing the adhesive area in shoemaking (一種用於制鞋的粘貼處磨平裝置)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 13, 2022
96.	2022234545938	An automatic sewing machine (一種自動針車)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 23, 2022
97.	2022233957979	A clamping mechanism and shoe last transfer system (一種夾楦機構及鞋楦轉移系統)	Utility Model	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	December 19, 2022

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
98.	2019114158865	A foot scanning method and system (一種足型掃描的方法和系統)	Invention	Yilin Digital Technology (Shenzhen) Co., Ltd. (意礴數字科技(深圳)有限公司)	December 31, 2019
99.	2018101534146	A method and system to recommend shoe lasts and a system and method to predict the comfort level of shoe lasts (推薦鞋楦的系統及方法和預測鞋楦舒適度的系統和方法)	Invention	Yilin Digital Technology (Shenzhen) Co., Ltd. (意礴數字科技(深圳)有限公司)	February 22, 2018
100.	2019107299125	A method, device and system to generate shoe lasts and examine the comfort level of shoe lasts (生成鞋楦以及評估鞋楦舒適度的方法、裝置及系統)	Invention	Yilin Digital Technology (Shenzhen) Co., Ltd. (意礴數字科技(深圳)有限公司)	August 8, 2019
101.	2017103580958	A method, device and system to predict shoe size and computer readable storage medium (一種預測鞋碼的方法、裝置和系統以及電腦可讀存儲介質)	Invention	Yilin Digital Technology (Shenzhen) Co., Ltd. (意礴數字科技(深圳)有限公司)	May 19, 2017

No.	Patent/Registration Number	Name of Patent	Type of Patent	Patent Owner	Date of Application
102.	2022106695598	A shoe last with angle adjustment function (一種具有角度調節功能的鞋楦)	Invention	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	June 14, 2022
103.	2022109401100	A type of shoe making outer line machine foot press (一種制鞋外線機壓腳)	Invention	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	August 5, 2022

(c) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be material to our business.

No.	Copyright	Registration number	Registered Proprietor	Place of Registration	Date of Registration
1.	EPOQUE foot measurement software ("EPOQUE") V1.01) (EPOQUE足型測量軟體[簡稱:EPOQUE]V1.01)	2020SR0139644	Yilin Digital Technology (Shenzhen) Co., Ltd. (意礴數字科技(深圳)有限公司)	PRC	February 17, 2020
2.	Financial audit platform ("financial audit") V1.0 (財務稽核平台[簡稱:財務稽核]V1.0)	2021SR1116964	Honghu Yunfei Technology (Shenzhen) Co., Ltd. (鴻鵠雲飛科技(深圳)有限公司)	PRC	July 28, 2021
3.	Strolling the runway fashion sneakers (漫步跑道時尚板鞋)	國作登字-2021-F-00175386	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	August 3, 2021

No.	Copyright	Registration number	Registered Proprietor	Place of Registration	Date of Registration
4.	Whale shoes X series (鯨魚鞋X系列)	國作登字-2021-F-00244928	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	October 25, 2021
5.	Friends Collection bi xin dog) (Friends Collection 筆芯狗)	國作登字-2022-F-10035851	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	February 17, 2022
6.	Friends Collection cute dog (Friends Collection 可愛狗狗)	國作登字-2022-F-10035850	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	February 17, 2022
7.	Friends Collection chain dog (Friends Collection 鏈條狗狗)	國作登字-2022-F-10035849	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	February 17, 2022
8.	Friends Collection meditation dog (Friends Collection 冥想狗)	國作登字-2022-F-10035848	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	February 17, 2022
9.	Friends Collection starry sky dog (Friends Collection 星空狗狗)	國作登字-2022-F-10035839	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	February 17, 2022

No.	Copyright	Registration number	Registered Proprietor	Place of Registration	Date of Registration
10.	Friends Collection flowery dog (Friends Collection 花朵狗狗)	國作登字-2022-F-10035847	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	February 17, 2022
11.	Ta Ta & Ou Ou (他她&歐歐)	國作登字-2022-F-10035846	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	February 17, 2022
12.	Sai Sai (賽賽)	國作登字-2022-F-10035845	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有 限公司)	PRC	February 17, 2022
13.	Belle International Group image logo (百麗國際集團形象標識)	國作登字-2022-F-10035844	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	February 17, 2022
14.	Warm Barbie (溫暖Barbie)	國作登字-2022-F-10035843	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	February 17, 2022
15.	Cloud dog (雲朵狗)	國作登字-2022-F-10035842	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	February 17, 2022

No.	Copyright	Registration number	Registered Proprietor	Place of Registration	Date of Registration
16.	MORE brand logo illustration 2 (MORE品牌標誌圖2)	國作登字-2022-F-10035840	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	February 17, 2022
17.	MORE brand logo illustration 1 (MORE品牌標誌圖1)	國作登字-2022-F-10035841	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	February 17, 2022

(d) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to our business:

No.	Domain Name	Registered Owner	Place of Registration	Date of Registration	Expiry Date
1.	bellefashion.com.cn	Fanshang Apparel (Shanghai) Company Limited (凡尚服飾(上海)有限公司)	PRC	March 3, 2016	March 3, 2026
2.	73hours.cn	Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司)	PRC	March 22, 2015	March 22, 2026
3.	73hours.com.cn	Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司)	PRC	March 22, 2015	March 22, 2026
4.	baroque-china.com.cn	Fanshang Apparel (Shanghai) Company Limited (凡尚服飾(上海)有限公司)	PRC	April 9, 2009	April 9, 2026
5.	basto.com.cn	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	June 29, 2005	June 29, 2025

No.	Domain Name	Registered Owner	Place of Registration	Date of Registration	Expiry Date
6.	belle.com.cn	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	May 30, 2000	May 30, 2025
7.	belleit.cn	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	January 18, 2018	January 18, 2025
8.	sendagroup.com	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	October 12, 1999	October 12, 2025
9.	tatashoes.com.cn	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	November 3, 2003	November 3, 2025
10.	teenmix.com.cn	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	December 21, 1999	December 21, 2025
11.	belle1.net.cn	Lirong Footwear (Shenzhen) Company Limited (麗榮鞋業(深圳)有限公司)	PRC	January 25, 2022	January 25, 2025

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the 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 [**REDACTED**], none of our Directors or chief executives holds any interests or short positions 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 us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules ("**Model Code**"), once the Shares are [**REDACTED**].

(b) Interests of the substantial shareholders of any member of our Group (other than our Company)

Name of shareholder	Name of member of our Group	Nature of interest	Approximate percentage of shareholding interest
Sino Century Trading Limited	Best Sail International Holdings Limited	Beneficial interest	18%
Billion Best Group Limited	Best Sail International Holdings Limited	Beneficial interest	18%
Zhao Ruohong (趙若虹)	Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司)	Beneficial interest	21%
Guangdong Ouge'er Cultural Development Co., Ltd. (廣東歐格爾文化發展股份有限公司)	Shanghai Oujiya Trading Co., Ltd. (上海歐基亞貿易有限公司)	Beneficial interest	39%
Baroque HK Limited	Baroque China Apparels Limited	Beneficial interest	49%

Save as disclosed above, so far as the Directors are aware, immediately following the completion of the [**REDACTED**], no persons will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company).

2. Particulars of Service Contracts

(a) Executive Directors

Each of our executive Directors [has entered] into a service contract with us under which he agreed to act as an executive Director for an initial term of three years from the [**REDACTED**], which may be terminated by not less than three months' notice in writing served by either the executive Director or us. The appointment of the executive Directors is subject to the provisions of retirement and rotation of Directors under the Articles of Association and the Listing Rules.

(b) Non-executive Directors and Independent Non-executive Directors

Each of the non-executive Directors [has signed] an appointment letter with us effective from the [**REDACTED**], while each of the independent non-executive Directors [has signed] an appointment letter with us effective from the date of this document. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the Listing Rules.

(c) Others

(i) Save as disclosed above, none of the Directors has entered into any service contract 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).

(ii) The aggregate amount of remuneration and benefits in kind paid to the Directors for the years ended February 28, 2022 and February 28, 2023 and the nine months ended November 30, 2023 were approximately RMB8.5 million, RMB8.7 million and RMB5.3 million, respectively. Details of the Directors' remuneration are also set out in note 14 of the Accountant's Report set out in Appendix I to this document. Save as disclosed in the Accountant's Report, no other emoluments have been paid or are payable, in respect of the year ended February 28, 2023 by us to the Directors.

(iii) The five highest paid individuals include one Director for each of the years ended February 28, 2022 and February 28, 2023, and two directors for the nine months ended November 30, 2023. The aggregate remuneration paid by us to the remaining four highest paid individuals for the years ended February 28, 2022 and February 28, 2023 and the remaining three individuals for the nine months ended November 30, 2023 were approximately RMB16.8 million, RMB17.0 million and RMB7.4 million, respectively. Details of the five highest paid individuals are also set out in note 13 of the Accountant's Report set out in Appendix I to this document.

(iv) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending February 28, 2024 is estimated to be approximately RMB12.0 million.

(v) None of the Directors, any past Directors of any members of our Group or the five highest paid individuals has been paid any sum of money for the Track Record Period (i) as an inducement to join or upon joining us; or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(vi) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind during the Track Record Period.

(vii) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Fees or commissions received

Save in connection with the [**REDACTED**], none of the Directors or any of the persons whose names are listed under the paragraph headed "D. Other Information—7. Consents of Experts" below had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

4. Disclaimers

(a) None of our Directors nor any of the parties listed in the paragraph headed "D. Other Information—6. Qualifications of Experts" below is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this document, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us.

(b) Save in connection with the [**REDACTED**], none of our Directors nor any of the parties listed in the paragraph headed "D. Other Information—6. Qualifications of Experts" below 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.

(c) Save in connection with the [**REDACTED**], none of the parties listed in the paragraph headed "D. Other Information—6. Qualifications of Experts" below: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member 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 under the laws of Hong Kong, the Cayman Islands and the PRC.

2. Litigation

As of the Latest Practicable Date, we are not aware of any litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an [**REDACTED**] on our behalf to the [**REDACTED**] for the [**REDACTED**] of, and permission to [**REDACTED**] in, all the Shares [**REDACTED**] as mentioned in this document (including any Shares which may be sold upon the exercise of the [**REDACTED**]). All necessary arrangements have been made to enable such Shares to be admitted into [**REDACTED**] for clearing and settlement.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The fee payable to each of the Joint Sponsors in respect of its services as sponsor for the [**REDACTED**] is US$500,000 and payable by us.

4. Preliminary Expenses

The preliminary expenses incurred by us in relation to our incorporation were approximately US$17,000 and were paid by us.

5. Promoter

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this document, 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 promoters in connection with the [**REDACTED**] and the related transactions described in this document.

6. Qualifications of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Merrill Lynch (Asia Pacific) Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

Morgan Stanley Asia Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on future contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
JunHe LLP	PRC legal advisor
Maples and Calder (Hong Kong) LLP	Cayman Islands legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

7. Consents of Experts

Each of the persons named in "—6. Qualifications of Experts" in this Appendix IV has given and has not withdrawn its respective written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this document in the form and context in which it is respectively included.

8. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, 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 insofar as applicable.

9. Reserves available for distribution

As at November 30, 2023, we had reserves of RMB346.5 million available for distribution to our Shareholders.

10. Miscellaneous

(a) Within the two years immediately preceding the date of this document:

(i) save as disclosed in the sections headed "History, Reorganization and Corporate Structure", "Share Capital" and "[**REDACTED**]", no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) save for the following, no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option: (1) the call option and put option under the shareholders' agreement of Shanghai Yueze Enterprise Management Consulting Co., Ltd. (上海越澤企業管理諮詢有限公司) ("**Shanghai Yueze**"), one of our non-wholly owned subsidiaries, pursuant to which we are entitled to purchase the remaining equity interests in Shanghai Yueze and the minority shareholders of Shanghai Yueze are entitled to require us to purchase the same, when certain conditions are met; and (2) the call option and put option under the shareholders' agreement of Shanghai Oujiya Trading Co., Ltd. (上海歐基亞貿易有限公司) ("**Shanghai Oujiya**"), one of our non-wholly owned subsidiaries, pursuant to which we are entitled to purchase the remaining equity interests in Shanghai Oujiya and a minority shareholder of Shanghai Oujiya and its beneficial owners are entitled to require us to purchase the same, when certain conditions are met. For further details, please see the section headed "Financial Information—Indebtedness—Put Option Liabilities on Non-controlling Interests" and Note 25 to the Accountant's Report included in Appendix I to this document;

(iii) save in connection with the [**REDACTED**], no commissions, discounts, brokerages or other special terms have 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 of its subsidiaries; and

(iv) save in connection with the [**REDACTED**], no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries.

(b) Our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.

(c) No founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued.

(d) Our Directors confirm that:

(i) there is no arrangement under which future dividends are waived or agreed to be waived; and

(ii) 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.

(e) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

(f) Our principal register of members will be maintained by our [**REDACTED**], in the Cayman Islands and our Hong Kong register of members will be maintained by our [**REDACTED**], in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our [**REDACTED**] and may not be lodged in the Cayman Islands.

(g) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(h) The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. 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 material contract referred to in the section headed "Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contract" in Appendix IV to this document; and

(b) the written consents referred to in the section headed "Statutory and General Information—D. Other Information—7. Consents of Experts" in Appendix IV to this document.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.bellefashion.com.cn** up to and including the date which is 14 days from the date of this document:

(a) our Memorandum and Articles of Association;

(b) the Accountant's Report received from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Company for the years ended February 28, 2022 and February 28, 2023;

(d) the report on the [**REDACTED**] financial information received from PricewaterhouseCoopers, the text of which is set out in Appendix II to this document;

(e) the legal opinions issued by JunHe LLP, our PRC legal advisor, in respect of certain aspects of our Group and the property interests of our Group;

(f) the letter of advice issued by Maples and Calder (Hong Kong) LLP, our Cayman Islands legal advisor, in respect of certain aspects of the Cayman Companies Act referred to in Appendix III to this document;

(g) the Cayman Companies Act;

(h) the Frost & Sullivan Report, an industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" in this document;

(i) the material contract referred to in the section headed "Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contract" in Appendix IV to this document;

(j) the written consents referred to in the section headed "Statutory and General Information—D. Other Information—7. Consents of Experts" in Appendix IV to this document; and

(k) the service contracts and letters of appointment entered into between our Company and each of the Directors.