Application Proof of ShanH Technology Limited (閃回科技有限公司)

(Incorporated in the Cayman Islands with limited liability)

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IMPORTANT

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闪回科技

ShanH Technology Limited
閃回科技有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
[REDACTED]	**:**	**HK$[REDACTED] to HK$[REDACTED] per [REDACTED], plus brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**HK$0.01 per Share**
[REDACTED]	**:**	**[REDACTED]**

[REDACTED], [REDACTED], [REDACTED]
***and* [REDACTED]**

[REDACTED]

Sole Sponsor

ZERO2IPO 清科資本 Zero2IPO Capital

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The [**REDACTED**] is expected to be fixed by agreement between the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and us on the [**REDACTED**] which is expected to be on or around [**REDACTED**] (Hong Kong time) and, in any event, not later than [**REDACTED**]. The [**REDACTED**] will not be more than HK$[**REDACTED**] per [**REDACTED**] and is currently expected to be not less than HK$[**REDACTED**] per [**REDACTED**], unless otherwise announced. Investors applying for [**REDACTED**] may be required to pay, on [**REDACTED**] (subject to [**REDACTED**] channels), the maximum [**REDACTED**] of HK$[**REDACTED**] for each [**REDACTED**] together with a brokerage of 1%, a SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and a Stock Exchange trading fee of 0.00565% subject to refund if the [**REDACTED**] as finally determined is lower than HK$[**REDACTED**] per [**REDACTED**]. If, for any reason, the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and us are unable to reach an agreement on the [**REDACTED**] by 12:00 noon on [**REDACTED**] (Hong Kong time), the [**REDACTED**] will not become unconditional and will not proceed.

The [**REDACTED**], may, with our consent, reduce the number of [**REDACTED**] under [**REDACTED**] and/or reduce the indicative [**REDACTED**] range stated in this document (which is HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]) at any time on or prior to the morning of the last day for lodging applications under the [**REDACTED**]. In such case, notice of the will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.shanhs.com**. Further details are set out in the sections headed "Structure and Conditions of the [**REDACTED**]" in this document.

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

Prospective investors of [**REDACTED**] should note that the obligations of the [**REDACTED**] under the [**REDACTED**] to subscribe, and to procure subscribers for, the [**REDACTED**] are subject to termination by the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the [**REDACTED**]. Such grounds are set out in "[**REDACTED**]" in this document. It is important that you refer to that section for further details.

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

[REDACTED]

[●] 2024

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

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

You should rely only on the information contained in this document to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the Sole Sponsor, the* [REDACTED], *the* [REDACTED], *the* [REDACTED], *the* [REDACTED], *the* [REDACTED], *any of our or their respective directors, officers, employees, agents or representatives or any other person or party involved in the* [REDACTED]. *Information contained in our website, located at www.shanhs.com, does not form part of this document.

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This summary aims to give you an overview of the information contained in this document and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the [**REDACTED**]. *Various expressions used in this summary are defined in "Definition" and "Glossary of Technical Terms" in this document. There are risks associated with an investment in the* [**REDACTED**]. *Some of the particular risks associated with an investment in the* [**REDACTED**] *are set out in "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* [**REDACTED**].

OVERVIEW

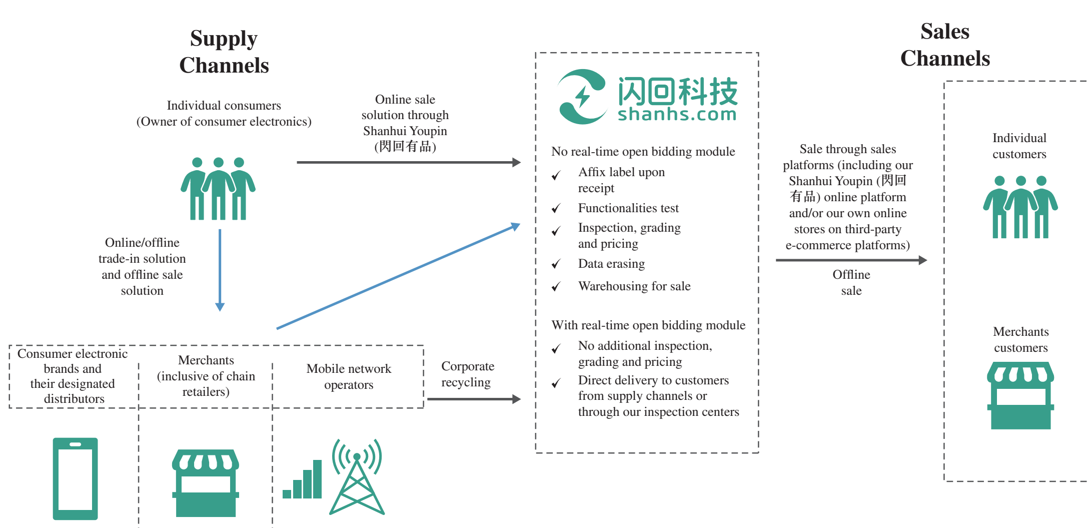
We are a PRC company engaged in providing consumer electronics after-market transaction services focusing on mobile phone recycling service market. According to Frost & Sullivan, we were the largest mobile phone recycling service provider offering offline trade-in solution and also the third largest mobile phone recycling service provider in the PRC, both in terms of the total transaction value recycled from consumer side in 2023, with a market share of approximately 7.4% and 1.4%, respectively. We were also the third largest mobile phone recycling service provider in the PRC in terms of the sales value of mobile phones recycled from consumers in 2023, according to Frost & Sullivan.

We have been focusing on offering an integrated solution from initiating recycling by way of trade-in while facilitating sale of new mobile phones, to standardizing the procured pre-owned mobile phones for resale, leveraging our proprietary inspecting, grading and pricing technologies and recycling and sales platforms and our strategic cooperation with our upstream sourcing partners, including mainstream consumer electronic brands and their designated distributors, sizable merchants for consumer electronic products and large mobile network operators in the PRC. We obtain supply of pre-owned consumer electronics primarily from trade-ins transacted in both offline and/or online stores of our upstream sourcing partners using our recycling system, Shanhuishou (閃回收), where individual consumers, who are our ultimate suppliers, purchase new consumer electronics at a reduced price by trading in their pre-owned consumer electronics as part of the payment. We then process these procured pre-owned consumer electronics for resale leveraging our proprietary inspection, grading and pricing technologies in our inspection and operation centers, and efficiently distribute such to a variety of buyers in the second-hand consumer electronics market primarily through our online platform, Shanhui Youpin (閃回有品) and our own online stores operated on various third-party e-commerce platforms. Leveraging our established position in the PRC mobile phone recycling service market and our understanding of the needs and preferences of buyers in the second-hand consumer electronics market, we have also been engaged in the corporate recycling and offline sale to handle consumer electronics in bulk to satisfy the business needs of our upstream business partners and customers. In addition, we also provide value-added and after-sales services to participants across the upstream and downstream value chain.

We believe that we connect all participants in the consumer electronics after-market and digitally reshapes the value chain for consumer electronic brands, merchants, mobile network operators as well as individual consumers, with a commitment to sustainable development and building a low-carbon and environmentally friendly society through forging strategic alliances with our business partners. In 2023, we were recognized as WISE2023 King of Future Business Potential-Annual New Economy High Growth Enterprise (WISE2023未來商業潛力之王年度新經濟高成長企業). In 2022, we received the award of "The Most Socially Impactful Start-Up in China (中國最具社會影響力的創業公司)" issued by Fortune, and in 2021, we received the award of "National Consumer Satisfaction Brand (全國消費者放心滿意品牌)" jointly issued by China's Product Quality Certification Supervision and Management Center and China Brand Enterprise Evaluation Management Committee. Furthermore, we also participated in the drafting of a series of industry standards relating to the testing, inspecting and evaluation methods of recyclable mobile communication terminal led by the Telecommunications Terminal Industry Forum Association (電信終端產業協會) of the PRC, which were released in July 2023.

During the Track Record Period, we experienced significant growth in our business operation and an increase in demand for our procured pre-owned consumer electronics. Our revenue increased from approximately RMB749.7 million for the year ended December 31, 2021 to approximately RMB919.1 million for the year ended December 31, 2022, and further to approximately RMB1,158.4 million for the year ended December 31, 2023, representing a CAGR of approximately 26%. Our revenue also increased from approximately RMB518.4 million for the six months ended June 30, 2023 to approximately RMB576.9 million for the six months ended June 30, 2024, representing a growth rate of approximately of 11.3%. During the Track Record Period, we experienced losses of approximately RMB48.7 million, RMB99.1 million, RMB98.3 million and RMB40.1 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

The following chart illustrates our business models:



COMPETITIVE STRENGTHS

- The largest PRC mobile phone recycling service provider focusing on offline trade-in solution in terms of total transaction value;
- Strategic and all-round cooperation with our upstream sourcing partners with a wide-ranging service coverage and national geographic reach;
- Digitalized and integrated industry solutions empowering our efficient and accurate standardizing services;
- Proprietary and efficient operation support system, leading to outstanding operational efficiency;
- Advanced proprietary bidding infrastructure, leading to efficient and effective sales platforms; and
- Visionary management team with profound industry background and experience.

OUR STRATEGIES

In order to achieve our goals, we have formulated the following strategies:

- Further enhance our strategic cooperation with upstream sourcing partners to continuously strengthen our current position in the PRC offline trade-in mobile phone recycling service market and expand our transaction services into Hong Kong and other Southeast Asian countries;
- Increase our brand profile, explore new sales channels to increase our sales, and enhance our profit margin and transaction efficiency;
- Further increase our technology, research and development efforts to continue to empower our business offerings and operational efficiency; and
- Expand business operation through investment.

OUR BRANDS

We have established and developed two core corporate brands, namely, Shanhuishou (閃回收) and Shanhui Youpin (閃回有品). Shanhuishou (閃回收) is the main brand under which we carry on our offline recycling business and collect pre-owned consumer electronics from individual consumers through our upstream sourcing partners. Shanhui Youpin (閃回有品) is the main brand under which we conduct sale of these procured pre-owned consumer electronics to customers on our proprietary online platforms and/or in our own online stores on third-party e-commerce platforms.

OUR SUPPLY CHANNELS

The recycling solutions of pre-owned consumer electronics from individual consumers can be broadly classified into two types, namely, the trade-in solution and the sale solution. We primarily focus on offering recycling services of pre-owned mobile phones and other consumer electronics through both online and offline trade-in solutions.

Our offline channels of supply mainly comprise of physical stores operated by our upstream sourcing partners, primarily including mainstream consumer electronic brands and their designated distributors, sizable merchants and large mobile network operators, where individual consumers are our ultimate suppliers. Over the years, we have established business alliances and cooperation with these upstream sourcing partners and collect pre-owned consumer electronics transacted offline in their physical stores through our recycling system under our brand of Shanhuishou (閃回收). We also cooperate with our upstream sourcing partners through embedding our recycling system in their online malls and collect pre-owned consumer electronics transacted online.

The table below sets out the total procurement value of consumer electronics (including VAT) procured through our supply channels for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total procurement value of consumer electronics	RMB'000	% of total procurement value of consumer electronics	RMB'000	% of total procurement value of consumer electronics	RMB'000	% of total procurement value of consumer electronics	RMB'000	% of total procurement value of consumer electronics
Supply procured through trade-in solution	538,147	90.6	659,262	87.9	838,777	85.1	361,973	83.3	453,716	94.4
Supply procured through sale solution	27,753	4.7	59,678	8.0	56,067	5.7	29,852	6.9	8,836	1.8
Supply procured through corporate recycling	28,124	4.7	30,961	4.1	90,579	9.2	42,603	9.8	18,239	3.8
Total:	**594,024**	**100**	**749,901**	**100**	**985,423**	**100**	**434,428**	**100**	**480,791**	**100**

The table below sets out the total procurement value of consumer electronics (including VAT) procured through our supply channels by nature for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total procurement value of consumer electronics	RMB'000	% of total procurement value of consumer electronics	RMB'000	% of total procurement value of consumer electronics	RMB'000	% of total procurement value of consumer electronics	RMB'000	% of total procurement value of consumer electronics
Supply procured offline	535,657	90.2	669,172	89.2	909,157	92.3	396,630	91.3	463,039	96.3
Supply procured online	58,367	9.8	80,729	10.8	76,266	7.7	37,798	8.7	17,752	3.7
Total:	**594,024**	**100**	**749,901**	**100**	**985,423**	**100**	**434,428**	**100**	**480,791**	**100**

OUR SALES

During the Track Record Period, we primarily derived our revenue from the sale of pre-owned consumer electronics, mainly mobile phones, procured from our various supply channels, to buyers in the second-hand market, primarily through our Shanhui Youpin (閃回有品) online platform, as well as our own online stores operated on various third-party e-commerce platforms. In order to satisfy the business needs of our customers, we also sell part of our procured consumer electronics in bulk through our offline sale, and also provide various value-added and after-sales services to them.

The table below sets out the breakdown of our revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
							(Unaudited)			
Sale of products	737,210	98.3	901,770	98.1	1,140,278	98.4	510,266	98.4	568,887	98.6
– Sale of pre-owned mobile phones	693,393	92.5	856,346	93.2	1,050,003	90.6	471,315	90.9	546,797	94.8

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
							(Unaudited)			
– Sale of other pre-owned consumer electronics	43,817	5.8	45,424	4.9	90,275	7.8	38,951	7.5	22,090	3.8
Other services[1]	12,521	1.7	17,342	1.9	18,115	1.6	8,116	1.6	7,971	1.4
Total:	**749,731**	**100**	**919,112**	**100**	**1,158,393**	**100**	**518,382**	**100**	**576,858**	**100**

Note:

1. Other services primarily include (i) providing services related to matching the purchase and sale needs of consumer electronics in bulk of our upstream business partners and customers; (ii) conducting quality inspection of pre-owned mobile phones transacted on certain well-known third-party e-commerce platforms; and (iii) providing after-sales services, such as screen assurance services and value maintain services.

The table below sets out our revenue of sale of products by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
							(Unaudited)			
Sale of pre-owned consumer electronics through sales platforms	710,612	94.8	863,810	94.0	1,049,537	90.6	472,630	91.2	550,565	95.4
– Sale through Shanhui Youpin (閃回有品)	641,470	85.6	801,094	87.2	927,735	80.1	418,682	80.8	513,685	89.0
– Sale through third-party e-commerce platforms	69,142	9.2	62,716	6.8	121,802	10.5	53,948	10.4	36,880	6.4
Sale of consumer electronics through offline sale	26,598	3.5	37,960	4.1	90,741	7.8	37,636	7.2	18,322	3.2
Total:	**737,210**	**98.3**	**901,770**	**98.1**	**1,140,278**	**98.4**	**510,266**	**98.4**	**568,887**	**98.6**

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks are set out in the section headed "Risk Factors." You should carefully read that section in its entirety before you decide to invest in our [**REDACTED**]. Some of the major risks we face include:

- We rely on our upstream sourcing partners to obtain steady supply of the pre-owned consumer electronics, and any deterioration in our relationships with these upstream sourcing partners may materially and adversely affect our business, results of operations and financial condition;

- Our brand image is integral to our success, and failure to maintain our reputation and brand profile may have a material adverse impact on our business, results of operations, financial condition and prospects;

- We largely rely on the sales personnel of our upstream sourcing partners' offline stores to provide in-store consumers with high-quality trade-in experience, failure to do so may materially and adversely affect our business, reputation, results of operations and financial condition;

- We recorded net current liabilities and net liabilities during the Track Record Period and may not generate sufficient cash flows in the future to finance our operations or meet our current liabilities;

- Any significant slowdown in the PRC macroeconomic condition coupled with intensive competition in the industry may materially and adversely affect our business, results of operation and financial condition; and

- We incurred losses during the Track Record Period and had net cash used in operating activities for the three years ended December 31, 2021, 2022 and 2023, which may continue in the future.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Liu and Ms. Yu, in aggregate, had beneficial interests representing approximately 45.35% of the total issued Shares, comprising (i) Shares representing approximately 31.71% of the total number of Shares in issue held by ShanHuiShou BVI, which is wholly owned by Mr. Liu; (ii) Shares representing approximately 10.72% of the total number of Shares in issue held by MGY Wisdom BVI, which is owned as to 80% and 20% by ShanHuiShou BVI and MGY Alliance BVI, respectively; and (iii) Shares representing approximately 2.92% of the total number of Shares in issue held by MGY Alliance BVI, which is wholly owned by Ms. Yu.

Immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme), Mr. Liu and Ms. Yu, in aggregate, will have beneficial interests representing [**REDACTED**]% of the total issued Shares, comprising (i) Shares representing approximately [**REDACTED**]% of the total number of Shares in issue held by ShanHuiShou BVI; (ii) Shares representing approximately [**REDACTED**]% of the total number of Shares in issue held by MGY Wisdom BVI; and (iii) Shares representing approximately [**REDACTED**]% of the total number of Shares in issue held by MGY Alliance BVI. Pursuant to the Guide, Mr. Liu and Ms. Yu are presumed to be a group of controlling shareholders by virtue of their shareholdings through MGY Wisdom BVI. Accordingly, Mr. Liu and Ms. Yu, together with ShanHuiShou BVI, MGY Wisdom BVI and MGY Alliance BVI, will be our Controlling Shareholders upon the completion of the [**REDACTED**]. Please refer to "Relationship with Controlling Shareholders" in this document for further details.

[REDACTED] INVESTMENTS

Since our establishment, we have completed several rounds of equity financing. Please refer to "History, Reorganization and Corporate Structure – 5. [**REDACTED**] Investments" in this document for further details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our summary historical financial information for the years/periods or as of the dates indicated. This summary has been derived from our historical financial information set forth in the Accountants' Report in Appendix I to this document. The summary historical financial data set forth below should be read together with, and is qualified in its entirety by reference to, the historical financial information included in the Accountants' Report in Appendix I to this document, including the accompanying notes, and the information set forth in "Financial Information" in this document. Our historical financial information was prepared in accordance with IFRS.

Key Items of Consolidated Statements of Profit or Loss

The following table sets out the key items of our consolidated statements of profit or loss for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue	749,731	919,112	1,158,393	518,382	576,858
Cost of sales	(688,260)	(863,445)	(1,080,050)	(477,893)	(550,980)
Gross profit	61,471	55,667	78,343	40,489	25,878
Other income and gains/ (losses)	377	(4,524)	9,034	2,656	1,840
Selling and distribution expenses	(11,581)	(17,243)	(18,528)	(7,974)	(8,514)
Administrative expenses	(42,161)	(45,683)	(57,456)	(28,050)	(32,487)
Research and development expenses	(10,261)	(17,381)	(18,936)	(9,123)	(9,198)
Finance costs	(465)	(537)	(3,423)	(1,420)	(3,713)
Changes in carrying amount of the redemption liabilities	(46,088)	(69,383)	(87,302)	(65,172)	(13,932)
Loss before taxation	(48,708)	(99,084)	(98,268)	(68,594)	(40,126)
Income tax	–	–	–	–	–
Loss for the year/period	(48,708)	(99,084)	(98,268)	(68,594)	(40,126)
Attributable to:					
Owners of our Company/ Shenzhen Shanhui	(48,708)	(99,084)	(98,268)	(68,594)	(39,764)
Non-controlling interests	–	–	–	–	(362)
Loss for the year/period	(48,708)	(99,084)	(98,268)	(68,594)	(40,126)

Our loss increased from approximately RMB48.7 million for the year ended December 31, 2021 to approximately RMB99.1 million for the year ended December 31, 2022, primarily due to the decrease in our gross profit from approximately RMB61.5 million to approximately RMB55.7 million for the same period. Such decrease was primarily due to the increase in our procurement costs of pre-owned consumer electronics being relatively faster as compared to the increase in our sale of the same as both markets of the consumer electronics recycling service and the second-hand consumer electronics got more competitive and the PRC economy also slowed down since the COVID-19 pandemic. Our losses for the years ended December 31, 2021, 2022 and 2023 were also due to the general increases in our cost of sales from approximately RMB688.3 million for the year ended December 31, 2021 to approximately RMB1,080.1 million for the year ended December 31, 2023. Such increases were primarily due to (i) the increase in our procurement volume as our business continued to grow and the expansion of our supply channels as a result of establishing new strategic corporation relationship with more mainstream consumer electronic brands; (ii) the continuous updating and upgrading of the new models of mobile phones which led to higher procurement costs than that of the older models; and (iii) the general increase in our procurement costs as the market of mobile phone recycling services got more competitive. In addition, the general increases in our losses for the years ended December 31, 2021, 2022 and 2023 were also partially attributable to the increases in our changes in carrying amount of the redemption liabilities from approximately RMB46.1 million for the year ended December 31, 2021 to approximately RMB87.3 million for the year ended December 31, 2023, which represented the amount of changes in our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors. Such preferential rights would be terminated upon their automatic conversion into ordinary Shares upon [**REDACTED**]. For more details of our [**REDACTED**] Investments, please refer to "History, Reorganization and Corporate Structure – 5. [**REDACTED**] Investments" in this document. Please also refer to note 21 to our historical financial information included in the Accountants' Report in Appendix I to this document.

Our loss for the six months ended June 30, 2024 amounted to approximately RMB40.1 million, which was primarily attributable to the decrease of our gross profit. Such decrease was primarily due to the increases in our recycling prices of pre-owned mobile phones of similar models and quality as compared to previous years under our trade-in solution and also the commission fees paid to the front sales personnel of our upstream sourcing partners' stores, so that we would be able to keep up our recycling volume and maintain our market share to cope with the increasing competitive market environment and the challenging macroeconomic condition, which also led to a consumption downgrade in the PRC during the first half of 2024. While the selling prices of pre-owned mobile phones are relatively more market driven, the faster increase in our cost of sales of pre-owned mobile phones for the six months ended June 30, 2024 led to a decrease in our gross profit for the same period.

Gross profit and gross profit margin

The following table sets out the breakdown of our gross profit and gross profit margin for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Sale of products....	55,610	7.4	50,184	5.5	72,160	6.2	38,231	7.5	23,961	4.2
– Sale of pre-owned mobile phones	46,206	6.7	42,057	4.9	61,241	5.8	33,609	7.1	20,987	3.8
– Sale of other pre-owned consumer electronics..........	9,404	21.5	8,127	17.9	10,919	12.1	4,622	11.9	2,974	13.5
Other services[(1)]....	5,861	46.8	5,483	31.6	6,183	34.1	2,258	27.8	1,917	24.0
Total:....................	**61,471**	**8.2**	**55,667**	**6.1**	**78,343**	**6.8**	**40,489**	**7.8**	**25,878**	**4.5**

Note:

1. Other services primarily include (i) providing services related to matching the purchase and sale needs of consumer electronics in bulk of our upstream business partners and customers; (ii) conducting quality inspection of pre-owned mobile phones transacted on certain well-known third-party e-commerce platforms; and (iii) providing after-sales services, such as screen assurance services and value maintain services.

Our gross profit and gross profit margin both decreased for the year ended December 31, 2022 as compared to the same for the year ended December 31, 2021, primarily due to the decreases in both of the gross profit and gross profit margin of our sale of pre-owned mobile phones from approximately RMB46.2 million and 6.7% for the year ended December 31, 2021, respectively, to approximately RMB42.1 million and 4.9% for the year ended December 31, 2022, respectively. Such decrease was primarily due to our procurement cost of pre-owned mobile phones increased relatively faster as compared to the increase in our sale of such, as both markets of the consumer electronics recycling services and the second-hand consumer electronics got more competitive and the PRC economy also slowed down since the COVID-19 pandemic.

Our gross profit and gross profit margin improved from approximately RMB55.7 million and 6.1% for the year ended December 31, 2022, respectively, to approximately RMB78.3 million and 6.8% for the year ended December 31, 2023. Such improvements were primarily due to (i) the recovery of the PRC business environment and our organic growth after the COVID-19 pandemic; and (ii) the decrease in the cost of our promotion service and commission fees paid to certain of our upstream sourcing partners and/or their relevant front sales personnel.

Our gross profit and gross profit margin both decreased from approximately RMB40.5 million and 7.8% for the six months ended June 30, 2023, respectively, to approximately RMB25.9 million and 4.5% for the six months ended June 30, 2024. Such decreases were primarily due to the increases in our procurement cost of pre-owned mobile phones and cost of our commission fees paid to the front sales personnel of our upstream sourcing partners' stores in order to actively cope with the increasing competitive market environment and the challenging macroeconomic condition, which also led to a consumption downgrade in the PRC during the first half of 2024.

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted profit/(loss) (non-IFRS measure) as additional financial measures, which is not required by, or presented in accordance with IFRS. We believe that the non-IFRS measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted profit/(loss) (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS. We define adjusted profit/(loss) (non-IFRS measure) as loss for the year/period adjusted by adding back changes in carrying amount of the redemption liabilities, [**REDACTED**] expenses and share-based payment expenses.

The following table reconciles our adjusted profit/(loss) (non-IFRS measure) for the years/periods presented in accordance with IFRS, which were losses for the year/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Reconciliation of net loss for the year/period and adjusted profit/(loss) (non-IFRS measure)					
Loss for the year/period	(48,708)	(99,084)	(98,268)	(68,594)	(40,126)
Add:					
Changes in carrying amount of the redemption liabilities[1]	46,088	69,383	87,302	65,172	13,932
[**REDACTED**] expenses[2]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share-based payment expenses[3]	1,980	1,012	457	457	–
Adjusted profit/(loss) (non-IFRS measure)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. Changes in carrying amount of the redemption liabilities represents amount of changes in our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors. Upon completion of our [**REDACTED**] redemption liabilities in connection with such [**REDACTED**] Investments would be converted into equity of our Company. In addition, the changes on redemption liabilities is a non-cash and non-operational item, which is not directly correlate with our business performance in a particular year/period.

2. [**REDACTED**] expenses represent professional fees, and other fees incurred in connection with the [**REDACTED**].

3. Share-based payment expenses, which are non-cash in nature, represent the expenses recognised in connection with share options granted to selected executives and employees.

We recorded adjusted profit (non-IFRS measure) of approximately RMB[**REDACTED**] for the year ended December 31, 2021 while we recorded adjusted loss (non-IFRS measure) of approximately RMB[**REDACTED**] for the year ended December 31, 2022. Such change was primarily due to the increase in our loss of approximately RMB48.7 million for the year ended December 31, 2021 to approximately RMB99.1 million for the year ended December 31, 2022, which was primarily attributable to the decrease in gross profit of our sale of pre-owned mobile phones as a result of our faster increase in procurement cost of such. Our business had improved as a result of the recovery of the PRC business environment and our organic growth after the pandemic for the year ended December 31, 2023. As such, we recorded adjusted profit (non-IFRS measure) of approximately RMB[**REDACTED**] for the same period. We recorded adjusted loss (non-IFRS measure) of approximately RMB[**REDACTED**] for the six months ended June 30, 2024. Such change was primarily attributable to our loss for the period, which mainly due to the decrease in our gross profit for the same period, which in turn, attributable to the increases in our costs of procurement and promotion service and commission fees paid. For more details of our decreases in gross profit in the year ended December 31, 2022 and the six months ended June 30, 2024, please refer to "Financial Information – Period to Period Comparison of Results of Operations" in this document.

Selected Items from Consolidated Statements of Financial Position

The following table sets out selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,	As of July 31,
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Current assets					
Inventories	18,418	22,112	30,684	26,329	29,936
Trade and other receivables	39,956	89,254	107,987	117,503	82,410
Financial assets measured at fair value through profit or loss ("FVTPL")	–	986	827	856	856
Restricted bank deposits	201	200	202	1,000	1,000
Cash and cash equivalents	55,120	42,774	79,096	139,703	168,548
	113,695	155,326	218,796	285,391	282,750
Current liabilities					
Trade and other payables	26,951	77,575	47,746	43,124	51,775
Contract liabilities	9,721	9,018	4,721	6,586	6,659
Bank loans	–	11,000	105,000	150,000	150,000
Lease liabilities	1,908	1,984	5,531	4,786	4,792
Provisions	899	6,990	1,019	1,009	1,009
Redemption liabilities	307,003	376,386	685,213	751,419	751,419
Derivatives financial liabilities	4,479	8,077	1,000	–	–
	350,961	491,030	850,230	956,924	965,654
Net current liabilities	(237,266)	(335,704)	(631,434)	(671,533)	(682,904)
Non-current assets	2,860	4,185	14,540	12,453	12,179
Non-current liabilities	654	1,689	5,491	2,761	2,379
Net liabilities	(235,060)	(333,208)	(622,385)	(661,841)	(673,104)

As of December 31, 2021, 2022 and 2023 and June 30, 2024, we recorded net current liabilities of approximately RMB237.3 million, RMB335.7 million, RMB631.4 million and RMB671.5 million, respectively, and net liabilities of approximately RMB235.1 million, RMB333.2 million, RMB622.4 million and RMB661.8 million, respectively. The increases in our net current liabilities and hence, increases in our net liabilities during the Track Record Period were primarily due to the increase in our redemption liabilities as a result of the amount of changes in the carrying amount of our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors from approximately RMB307 million as of December 31, 2021 to approximately RMB751.4 million as of June 30, 2024. We would have recorded net current assets of approximately RMB69.7 million, RMB40.7 million, RMB53.8 million and RMB79.9 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively, if we took off the item of redemption liabilities from our consolidated statements of financial position.

We expect that we would be able to turn our net current liabilities position into a net current asset position when the preferential rights of these Preferred Shares are terminated as a result of their automatic conversion into ordinary Shares upon [**REDACTED**], at which time we expect to reclassify them from liabilities to equity. For more details, please refer to "Financial Information – Liquidity and Capital Resources – Current Assets and Liabilities" in this document. Please also refer to our consolidated statements of changes in equity and note 21 to our financial statements included in the Accountants' Report in Appendix I to this document.

Summary of the Consolidated Statements of Cash Flows

The following table sets out our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net cash (used in)/generated from operating activities	(6,399)	(43,736)	(47,774)	(42,298)	13,104
Net cash generated from/(used in) investing activities	63	(1,809)	(4,124)	(1,498)	(908)
Net cash generated from financing activities	38,736	32,402	87,898	61,226	48,088
Net increase/(decrease) in cash and cash equivalents	32,400	(13,143)	36,000	17,430	60,284
Cash and cash equivalents at the beginning of the year/period	22,720	55,120	42,774	42,774	79,096

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Effects of foreign exchange rate on cash and cash equivalents	–	797	322	661	323
Cash and cash equivalents at the end of the year/period ...	**55,120**	**42,774**	**79,096**	**60,865**	**139,703**

We had net cash used in operating activities of approximately RMB6.4 million, RMB43.7 million and RMB47.8 million for the years ended December 31, 2021, 2022 and 2023, respectively. Our net cash outflows from operating activities for the years ended December 31, 2021, 2022 and 2023 were primarily attributable to our losses for the years and our increases of receivables from upstream sourcing partners, which are mainstream consumer electronic brands and their designated distributors. The increases in our receivables from upstream sourcing partners were primarily due to (i) the increase in promotion discounts that were offered to consumers by certain consumer electronic brands but paid by us in advance as a result of our strengthened strategic cooperation with such mainstream consumer electronic brands to expand our supply effort and trade-in transaction services; (ii) the extension of settlement period between us and Consumer Electronic Brand A due to the change of its internal trade payable policies. Our receivables from Consumer Electronic Brand A for the years ended December 31, 2021, 2022 and 2023 were approximately RMB13.6 million, RMB33.5 million and RMB48 million, respectively; and (iii) trade receivables from our related parties, which were also our upstream sourcing partner and a mainstream consumer electronic brand and its designated distributors, as a result of our enhanced business cooperation and value-added services provided to them. For more details of our trade receivables and receivables from upstream sourcing partners, please refer to "Financial Information – Certain Items of Consolidated Statements of Financial Position – Trade and Other Receivables" in this document.

We had net cash generated from operating activities of approximately RMB13.1 million for the six months ended June 30, 2024, which was primarily attributable to our decrease in receivables from our upstream sourcing partners, especially Consumer Electronic Brand A. During the first half of 2024, our upstream sourcing partners typically reduced conducting their trade-in promotional activities in anticipation of their launch of new models of mobile phones in the second half of the year, which in turn, reduced our receivables from upstream sourcing partners that mainly represented the promotion discounts offered to individual consumers by them but paid by us in advance to facilitate the promotional sales of their new models of mobile phones transacted under our trade-in solution transaction services.

Our ability to improve our net operating cash flow is largely dependent on our ability to improve profitability. In this regard, we plan to improve our net operating cash outflow positions by (i) effectively maintaining existing and attracting new customers on our sales platforms to drive our revenue growth and profitability; (ii) continuing to upgrade and enhance the functionalities of our bidding modules within our Shanhui Youpin (閃回有品) online platform and further expand our sales channels that help us scale up our customer base and to achieve better circulation and profitability; and (iii) effectively managing our cost and expenses by improving our operational efficiency. With the above, we expect our operating cash flow to improve concurrently. Moreover, we plan to enhance our working capital management efficiency to improve our net operating cash outflow positions. Currently, pursuant to our cash flow management policy, our finance department reviews the management accounts of our Group on a monthly and half-yearly basis and then prepares the monthly and half-yearly income and expenditure budget and implementation plans for our Group according to our business operations and plans of the relevant period. In future, we plan to enhance our management of receivables by closely monitoring the credit profiles and operating and financial conditions of our upstream business partners and customers and proactively following up on them to ensure their payments as scheduled. We will also continue to focus on strategically cooperating with our key upstream sourcing partners and enhancing their trust with us so that we are able to gain more bargaining power as our business develops and to negotiate for better payment or credit terms. We also expect to be able to enjoy the economies of scale as we scale up, which will further improve our net operating cash outflow positions.

Working Capital

As of July 31, 2024, being the latest practicable date for the purpose of indebtedness statement in this document, our bank loans, which were guaranteed, amounted to approximately RMB150 million. Our bank loans are primarily used to support our general working capital as our supply channels continue to expand and our sales business continues to grow. As of July 31, 2024, we had unutilized banking facilities of approximately RMB80 million with no restriction on their drawdown.

Our Directors believe that, and the Sole Sponsor concurs, after taking into consideration that (i) our cash and cash equivalents balance of approximately RMB139.7 million as of June 30, 2024; (ii) our business strategies and plans to improve our liquidity and profitability by driving our operating cash flow through our expanding business; (iii) our ability to raise money from renowned investors to finance our business as evidenced by various rounds of [**REDACTED**] Investments completed during the Track Record Period, especially, we had just fully completed our Series D-1 [**REDACTED**] Investment on February 22, 2024; (iv) our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors would be terminated upon their automatic conversion into ordinary Shares upon [**REDACTED**]; (v) the financial resources available to us, including cash flows from our operations, banking facilities and our other borrowings as aforementioned; and (vi) estimated [**REDACTED**] from the [**REDACTED**], we have sufficient working capital for at least 12 months commencing from the date of this document.

In future, we will continue to closely monitor the level of our working capital, and diligently review our future cash flow requirements and adjust our operations and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

Key Financial Ratios

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Revenue growth rate(1)	48.8%	22.6%	26.0%	11.3%
Gross profit margin(2)	8.2%	6.1%	6.8%	4.5%
Loss margin(3)	(6.5%)	(10.8%)	(8.5%)	(7.0%)
Adjusted profit/(loss) margin (non-IFRS measure)(4)	[REDACTED]%	([REDACTED]%)	[REDACTED]%	([REDACTED]%)
Operating expenses to revenue ratio(5)	7.7%	8.4%	7.3%	7.3%

Notes:

1. Revenue growth rate represents the revenue for the current financial year/period less the revenue for the previous financial year/period divided by revenue for the previous financial year/period and multiplied by 100%;

2. Gross profit margin represents the gross profit for the financial year/period divided by the revenue for the financial year/period and multiplied by 100%;

3. Loss margin represents the loss for the financial year/period divided by the revenue for the financial year/period and multiplied by 100%;

4. Adjusted profit/(loss) margin (non-IFRS measure) represents the adjusted profit/loss (non-IFRS measure) for the financial year/period divided by the revenue for the financial year/period and multiplied by 100%; and

5. Operating expenses to revenue ratio represents the sum of the selling and distribution expenses, administrative expenses (excluding our [**REDACTED**] expenses) and research and development expenses, divided by the revenue for the financial year/period and multiplied by 100%.

Revenue Growth Rate

Our revenue growth rate decreased from approximately 48.8% for the year ended December 31, 2021 to approximately 22.6% for the year ended December 31, 2022. Such decrease was primarily attributable to the COVID-19 pandemic in 2022 where our supply and sale of pre-owned mobile phones were both, to a certain extent, affected. Our revenue growth rate increased to approximately 26% for the year ended December 31, 2023. Such increase was due to our business improvement in 2023 as a result of the recovery of the PRC business environment and our organic growth. Our revenue growth rate decreased to approximately 11.3% for the six months ended June 30, 2024. Such decrease was primarily attributable to an increasing competitive market environment and the challenging macroeconomic condition in the PRC during the first half of 2024, where the volume of pre-owned mobile phones recycled and subsequently sold by us were both decreased.

Gross Profit Margin

Our gross profit margin decreased from approximately 8.2% for the year ended December 31, 2021 to approximately 6.1% for the year ended December 31, 2022, primarily attributable to the decreases in gross profit margins of both of our sale of pre-owned mobile phones and sale of other pre-owned consumer electronics from approximately 6.7% and 21.5%, respectively, to approximately 4.9% and 17.9%, respectively, for the same period. Such decreases were primarily due to the reason that the increase in our procurement cost of pre-owned consumer electronics for the year ended December 31, 2022 was relatively faster as compared to the increase in our sale of the same as both markets of the consumer electronic recycling services and the second-hand consumer electronics got more competitive since the COVID-19 pandemic. Our gross profit margin increased to approximately 6.8% for the year ended December 31, 2023. Such increase was due to the increase in gross profit margin of our sale of pre-owned mobile phones from approximately 4.9% to 5.8% for the same period, which was, attributable to the recovery of our procurement and sales and our organic growth after the pandemic. Our gross profit margin decreased from approximately 6.8% for the year ended December 31, 2023 to approximately 4.5% for the six months ended June 30, 2024, primarily attributable to the decrease in gross profit margin of our sale of pre-owned mobile phones from approximately 7.1% to approximately 3.8% for the same period. Such decrease was primarily due to the (i) increase in our procurement cost of pre-owned mobile phones, which in turn, attributable to the increase in our recycling prices of pre-owned mobile phones of similar models and/or quality as compared to previous years under our trade-in solution, and (ii) the commission fees paid to the front sales personnel of our upstream sourcing partners' stores, so that we would be able to keep up our recycling volume and maintain our market share to cope with the increasing competitive market environment and the challenging macroeconomic condition, which also led to a consumption downgrade in the PRC during the first half of 2024. While the selling prices of pre-owned mobile phones are relatively more market driven, the faster increase in our cost of sales of pre-owned mobile phones for the six months ended June 30, 2024 led to a decrease in our gross profit and gross profit margin for the same period.

IMPACT OF THE COVID-19 PANDEMIC

During the Track Record Period, we had employed various measures to mitigate any impact that COVID-19 outbreak might have on our business, including, among others, temporary closure of our inspection and operation centers, remote working arrangements for our employees, and travel restrictions or suspension. During the peak of the COVID-19 pandemic in early 2020 and first half of 2022, our business was affected to some extent by the nation-wide pandemic prevention and control requirements and market demand. Some of the offline stores of our upstream sourcing partners and our inspection and operation centers had to be temporarily closed. However, we took immediately corrective measures to reduce the adverse effects of the COVID-19 pandemic. For instance, we ensured no interruption of our proprietary systems, especially our Shanhui Youpin (閃回有品) online platform and BOSS System at the back office, and also arranged sufficient manpower and logistics in our inspection and operation centers that were still in normal operation. These measures were extremely critical to our business during the pandemic as some of pre-owned consumer electronics dealers had to shift to e-commerce channels to increase the recirculation and trading efficiency of their inventories.

As the COVID-19 outbreak was quickly brought under control by the PRC government, our business and operations were quickly back to normal. Furthermore, since December 2022, the PRC government has relaxed the national COVID-19 prevention measures, such as releasing measures to accelerate the economic recovery and resume normal operations of the society. Based on the above, our Directors are of the view that the outbreak of the COVID-19 pandemic did not and will not have a material adverse effect on our business, results of operations and financial condition.

RECENT DEVELOPMENT

Driven by the strong demands of certain mainstream consumer electronic brands we cooperate with, we have extended our partnership and recycling transaction services into Hong Kong to facilitate their local business development. In October 2023, we successfully obtained Radio Dealers Licence (Unrestricted) (無線電商牌照) in Hong Kong. We had also commenced to provide our offline trade-in recycling transaction service in Hong Kong since November 2023 for Consumer Electronic Brand B, and sell the same through our local sales channels. For the year ended December 31, 2023 and the six months ended June 30, 2024, our procurement value of pre-owned consumer electronics in Hong Kong amounted to approximately HK$5.6 million and HK$28.8 million, respectively, and sale of our pre-owned consumer electronics in Hong Kong amounted to approximately HK$42,000 and HK$29.3 million, respectively. In future, we plan to continue to solidify our offline trade-in mobile phone recycling service capability in Hong Kong, and make it our overseas headquarters for our future expansion of trade-in transaction services in Southeast Asian countries. In July 2024, we joined Consumer Electronic Brand B as one of its strategic business partners to visit Singapore, Malaysia, Thailand and Indonesia, and conducted market research in these local markets.

In February 2024, we had set up an operation and inspection center at Anji, Zhejiang to support the operations of our Zhejiang Shanhui by using our own working capital. This operation and inspection center has recently been renovated and is just starting to operate. We plan to further expand this operation and inspection center by using our working capital for the coming three years ending December 31, 2027.

NO MATERIAL ADVERSE CHANGE

Having considered that the Series D-1 Investor had fully settled the consideration for the Series D-1 Preferred Shares on February 22, 2024 and after performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that so far as they are aware, since June 30, 2024 and up to the date of this document, there had been no material adverse change in (i) the market conditions or the industry and regulatory environment in which we operate and (ii) our financial or trading position since June 30, 2024, being the end date of the latest reporting period reported in the Accountants' Report in Appendix I to this document, and there has been no event since June 30, 2024 which would materially affect the information shown in the Accountants' Report in Appendix I to this document.

DIVIDEND

During the Track Record Period and up to the Latest Practicable Date, we had not distributed any dividends to the then equity holders of our Group. Going forward, we may distribute dividends depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects, and other facts that we may consider relevant. Please also refer to "Financial Information – Dividend" in this document for more details.

As advised by our Cayman Legal counsel, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of profits and/or share premium account, provided that in no circumstances may a dividend be paid out of share premium if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Accordingly, notwithstanding that our Company had accumulated losses, our Company should be able to declare a dividend out of our share premium if the payment of such dividend would not result in our Company being unable to pay our debts as they fall due in the ordinary course of business.

[**REDACTED**] STATISTICS

The statistics in the following table are based on the assumptions that (i) the [**REDACTED**] is completed and [**REDACTED**] Shares are issued and sold in the [**REDACTED**]; and (ii) [**REDACTED**] Shares are issued following the completion of the [**REDACTED**] and the [**REDACTED**].

	Based on an [REDACTED] of HK$[REDACTED] per Share	**Based on an [REDACTED] of HK$[REDACTED] per Share**
Market capitalization of the Shares following the completion of the [**REDACTED**] and the [**REDACTED**]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
Unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of the Company per Share(1)	HK$[**REDACTED**]	HK$[**REDACTED**]

Note:

1. The unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of the Company per Share were calculated after adjustments as specified in "Appendix II – Unaudited [**REDACTED**] Financial Information." No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2024.

[REDACTED] EXPENSES

[**REDACTED**] expenses represent professional fees, [**REDACTED**], and other fees incurred in connection with the [**REDACTED**]. Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range stated in this document), [**REDACTED**] expenses and [**REDACTED**] costs to be borne by us are estimated to be approximately HK$[**REDACTED**] million (including (i) [**REDACTED**] of approximately HK$[**REDACTED**] million, and (ii) [**REDACTED**] related expenses of approximately HK$[**REDACTED**] million, which consist of fees and expenses of the legal advisors and reporting accountants of our Company of approximately HK$[**REDACTED**] million and other fees and expenses of approximately HK$[**REDACTED**] million), assuming the [**REDACTED**] is not exercised and no shares are issued pursuant to the Share Option Scheme. During the Track Record Period, we incurred [**REDACTED**] expenses of approximately RMB[**REDACTED**], RMB[**REDACTED**], RMB[**REDACTED**] and RMB[**REDACTED**], which were recognized in our consolidated statements of profit and loss for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, and approximately RMB[**REDACTED**] were recognized as prepayments in our consolidated statements of financial position as of June 30, 2024, which will be accounted for as a deduction from equity upon [**REDACTED**]. Subsequent to the Track Record Period, approximately RMB[**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) is expected to be charged to our consolidated statements of profit or loss, approximately RMB[**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) is expected to be accounted for as a deduction from equity upon [**REDACTED**]. The [**REDACTED**] expenses are expected to account for [**REDACTED**]% of [**REDACTED**] generated from the [**REDACTED**]. The [**REDACTED**] expenses and [**REDACTED**] costs above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

APPLICATION FOR [REDACTED] OF SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**] in, our Shares in [**REDACTED**] prior to the [**REDACTED**] and those to be [**REDACTED**] pursuant to Rule 8.05(3) of the Listing Rules, on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules. Our expected market capitalization at the time of [**REDACTED**], which, based on the low-end of the indicative [**REDACTED**] range, is approximately HK$[**REDACTED**].

USE OF [REDACTED]

We estimate that the aggregate [**REDACTED**] of the [**REDACTED**] to be received by us (after deducting [**REDACTED**] fees and estimated expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]) will be approximately HK$[**REDACTED**], assuming that the [**REDACTED**] is not exercised. We currently intend to apply such [**REDACTED**] in the following manner:

- approximately [**REDACTED**]%, or HK$[**REDACTED**], is expected to be used to further enhance our strategic cooperation with our upstream sourcing partners to continuously strengthen our current market position in the PRC offline trade-in mobile phone recycling services and to expand our transaction service coverage;

- approximately [**REDACTED**]%, or HK$[**REDACTED**], is expected to be used to further increase our technology, research and development capabilities to continue to empower our business offerings and operational efficiency;

- approximately [**REDACTED**]%, or HK$[**REDACTED**], is expected to be used to increase our marketing and promotion efforts and expand our business to sales channels that have more market potential to steadily increase our sales volume and profit margin;

- approximately [**REDACTED**]%, or HK$[**REDACTED**], is expected to be used primarily for our strategic investments and/or potential acquisitions in businesses which offer products and/or services that supplemental to those which we currently offer and match our growth strategies; and

- the remaining approximately [**REDACTED**]%, or HK$[**REDACTED**], is expected to be used for working capital and general corporate purposes.

For more details, please refer to "Future Plans and [**REDACTED**] – Use of [**REDACTED**]" in this document.

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

"Accountants' Report"	the accountants' report on our Group for the Track Record Period as set out in Appendix I to this document
"AFRC"	Accounting and Financial Reporting Council
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Anji Guorong BVI"	Anji Guorong Holdings Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on August 11, 2023 and one of our [**REDACTED**] Investors
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on [●] with effect from the [**REDACTED**], a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"audit committee"	the audit committee of our Company
"Barryspace BVI"	Barryspace Holdings Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on August 16, 2021 and one of our [**REDACTED**] Investors
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day" or "business day"	a day on which the Stock Exchange is open for the business of dealing in securities
"BVI"	the British Virgin Islands

[**REDACTED**]

"CAC"	the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
"CAGR"	compound annual growth rate

[**REDACTED**]

[REDACTED]

"China" or "PRC"	the People's Republic of China, for the purpose of this document only, excluding Hong Kong, Macao and Taiwan
"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 Roundtrip Investment Conducted by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) promulgated by SAFE on July 4, 2014 and effective from the same date
"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"	ShanH Technology Limited (閃回科技有限公司), an exempted company incorporated in the Cayman Islands with limited liability on August 11, 2021
"Companies Act" or "Cayman Companies Act"	the Companies Act (As revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and in the context of our Company refers to Mr. Liu, Ms. Yu ShanHuiShou BVI, MGY Wisdom BVI and MGY Alliance BVI
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus
"CSRC"	the China Securities Regulatory Commission of the PRC (中國證券監督管理委員會)
"Deed of Indemnity"	a deed of indemnity dated [●], 2024 entered into by our Controlling Shareholders in favour of our Company (for ourselves and behalf of our subsidiaries), particulars of which are set out in "Statutory and General Information – B. Further Information about Our Business – I. Summary of Material Contracts" in Appendix IV to this document
"Director(s)"	director(s) of our Company
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"Exchange Participants"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange

"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
"Fatiao Time"	Tianjin Spring Time Information Technology Co., Ltd. (天津發條時光信息技術有限責任公司), a limited liability company established in the PRC on May 17, 2019 and one of our [**REDACTED**] Investors
"Flash Recycle BVI"	Flash Recycle Holdings Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on September 15, 2021 wholly owned by Mr. He
"Flexman (HK)"	Flexman Technology Limited, a limited liability company incorporated in Hong Kong on August 27, 2021 and one of our [**REDACTED**] Investors

[**REDACTED**]

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
"F&S Report"	the market research report prepared by Frost & Sullivan
"Ganzhou Shanhui"	Ganzhou Shanhui Technology Co., Ltd. (贛州閃回科技有限公司), a limited liability company established under the laws of the PRC on January 8, 2019 that was a wholly-owned subsidiary of Shenzhen Shanhui and deregistered on January 22, 2024
"GDP"	gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates GDP growth)

[**REDACTED**]

[**REDACTED**]

"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried out by them or their predecessors (as the case may be)
"Guide"	the Guide for New Listing Applicants published by the Stock Exchange
"Haimin Xinshun"	Shenzhen Haimin Xinshun Investment Development Partnership (Limited Partnership) (深圳市海敏新順投資發展合夥企業(有限合夥)), a limited partnership established in the PRC on January 10, 2017 and owned as to 17.80% by Mr. Liu as the general partner and as to 30.51%, 25.53%, 18.68% and 7.47% by Ms. Yu, Mr. He, Mr. Lin and Mr. Luo Yuanshun (羅源順), an employee of our Group, respectively, as the limited partners
"Hangzhou Shunying"	Hangzhou Shunying Equity Investment Partnership (Limited Partnership) (杭州順贏股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on June 16, 2016 and one of our [**REDACTED**] Investors
"HK dollars", "HK$" or "HKD"	Hong Kong dollars and cents, the lawful currency of Hong Kong

[**REDACTED**]

DEFINITIONS

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"IAS"	International Accounting Standards
"IFRS" or "IFRS Accounting Standards"	IFRS Accounting Standards issued by the International Accounting Standards Board
"independent third party(ies)"	individual(s) or company(ies) and their respective ultimate beneficial owner(s), who or which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected person(s) of our Company within the meaning of the Listing Rules

[**REDACTED**]

"Jinmi Investment"	Tianjin Golden Rice Investment Partnership (Limited Partnership) (天津金米投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 16, 2014 and one of our [**REDACTED**] Investors

[**REDACTED**]

"Juntong Investment"	Shenzhen Juntong Investment Development Partnership (Limited Partnership) (深圳市君通投資發展合夥企業(有限合夥)), a limited partnership established in the PRC on March 9, 2017 and owned as to approximately 10.92% by Mr. Liu as the general partner and as to approximately 51.12%, 22.80% and 15.16% by Mr. Xie Siyin (謝思引), Mr. Yin Xuejun (尹學軍) and Mr. Ge Dong (葛東), respectively, as the limited partners, all being Independent Third Parties

[**REDACTED**]

"Latest Practicable Date"	September 9, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Lightning Recycle BVI"	Lightning Recycle Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on September 15, 2021 and wholly owned by Mr. Lin

[**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
"Long Shining BVI"	Long Shining Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on February 18, 2005 and one of our [**REDACTED**] Investors

"Main Board"	the stock exchange (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
"Memorandum of Association" or "Memorandum"	the [fourth] amended and restated memorandum of association of our Company, as amended from time to time, a summary of which is set out in Appendix III to this document
"Menggongyuan"	Shenzhen Menggongyuan Investment Development Partnership (Limited Partnership) (深圳市夢工園投資發展合夥企業(有限合夥)), a limited partnership established in the PRC on November 22, 2017 and owned as to 80% by Mr. Liu as the general partner and 20% by Ms. Yu as the limited partner
"MGY Alliance BVI"	MGY Alliance Holdings Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on September 15, 2021 and wholly owned by Ms. Yu, and one of our Controlling Shareholders
"MGY Wisdom BVI"	MGY Wisdom Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on August 5, 2021, and owned as to 80% and 20% by ShanHuiShou BVI and MGY Alliance BVI, respectively, and one of our Controlling Shareholders
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. He Xiaomin" or "Mr. He"	He Xiaomin (何小敏), our executive Director and the chief production officer of our Group
"Mr. Lin Lexin" or "Mr. Lin"	Lin Lexin (林樂新), our executive Director and the chief technology officer of our Group
"Mr. Liu Jianyi" or "Mr. Liu"	Liu Jianyi (劉劍逸), our executive Director, chairman of our Group, general manager and one of our Controlling Shareholders

"Ms. Yu Hairong" or "Ms. Yu"	Yu Hairong (余海容), our executive Director, chief executive officer of our Group, and one of our Controlling Shareholders
"Nanhai Growth"	Shenzhen Nanhai Growth Tongying Equity Investment Fund (Limited Partnership) (深圳南海成長同贏股權投資基金(有限合夥)), a limited partnership established in the PRC on July 20, 2017 and one of our [**REDACTED**] Investors
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"ODI"	overseas direct investments conducted by PRC entities

[**REDACTED**]

"PRC Legal Advisor"	Han Kun Law Offices, our legal advisor as to the laws of the PRC

DEFINITIONS

[**REDACTED**]

"Preferred Shares"	Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares, Series C-3 Preferred Shares, Series C-4 Preferred Shares, Series C-5 Preferred Shares, Series C-6 Preferred Shares and Series D-1 Preferred Shares we issued during the series financings

[**REDACTED**]

"document"	this document being issued in connection with the [**REDACTED**]
"provinces"	include provinces, autonomous regions and municipalities under the direct administration of the central government of the PRC
"Recycle Lifestyle BVI"	Recycle Lifestyle Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on September 15, 2021 and wholly owned by Mr. Luo Yuanshun (羅源順), an employee of our Group
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	the lawful currency of the PRC

"Reorganization"	the reorganization arrangements undergone by our Group in preparation for the [**REDACTED**], details of which are set out in "History, Reorganization and Corporate Structure – Reorganization" in this document
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"Series A-1 Investor"	holder of the Series A-1 Preferred Shares
"Series A-1 Preferred Shares"	the series A-1 preferred shares held by the Series A-1 Investor in the authorized share capital of our Company following the Reorganization, details of which are described in "History, Reorganization and Corporate Structure" in this document
"Series A-2 Investor"	holder of the Series A-2 Preferred Shares
"Series A-2 Preferred Shares"	the series A-2 preferred shares held by the Series A-2 Investor in the authorized share capital of our Company following the Reorganization, details of which are described in "History, Reorganization and Corporate Structure" in this document
"Series C-1 Investor"	holder of the Series C-1 Preferred Shares
"Series C-1 Preferred Shares"	the series C-1 preferred shares held by the Series C-1 Investor in the authorized share capital of our Company following the Reorganization, details of which are described in "History, Reorganization and Corporate Structure" in this document
"Series C-2 Investor"	holder of the Series C-2 Preferred Shares
"Series C-2 Preferred Shares"	the series C-2 preferred shares held by the Series C-2 Investor in the authorized share capital of our Company following the Reorganization, details of which are described in "History, Reorganization and Corporate Structure" in this document
"Series C-3 Investor"	holder of the Series C-3 Preferred Shares

"Series C-3 Preferred Shares"	the series C-3 preferred shares held by the Series C-3 Investor in the authorized share capital of our Company following the Reorganization, details of which are described in "History, Reorganization and Corporate Structure" in this document
"Series C-4 Investor"	holder of the Series C-4 Preferred Shares
"Series C-4 Preferred Shares"	the series C-4 preferred shares held by the Series C-4 Investor in the authorized share capital of our Company following the Reorganization, details of which are described in "History, Reorganization and Corporate Structure" in this document
"Series C-5 Investor"	holder of the Series C-5 Preferred Shares
"Series C-5 Preferred Shares"	the series C-5 preferred shares held by the Series C-5 Investor in the authorized share capital of our Company following the Reorganization, details of which are described in "History, Reorganization and Corporate Structure" in this document
"Series C-6 Investor"	holder of the Series C-6 Preferred Shares
"Series C-6 Preferred Shares"	the series C-6 preferred shares held by the Series C-6 Investor in the authorized share capital of our Company following the Reorganization, details of which are described in "History, Reorganization and Corporate Structure" in this document
"Series D-1 Investor"	holder of the Series D-1 Preferred Shares
"Series D-1 Preferred Shares"	the series D-1 preferred shares held by the Series D-1 Investor in the authorized share capital of our Company following the Reorganization, details of which are described in "History, Reorganization and Corporate Structure" in this document
"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

"Shanghai Jiaozeng"	Shanghai Jiaozeng Enterprise Management Consulting Partnership (Limited Partnership) (上海驕鋥企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on November 27, 2019 and one of our [**REDACTED**] Investors
"Shanghai Wenwei"	Shanghai Wenwei Enterprise Management Partnership (Limited Partnership) (上海聞微企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on December 16, 2019 and one of our [**REDACTED**] Investors
"Shanghai Xiuhui"	Shanghai Xiuhui Enterprise Management Partnership (Limited Partnership) (上海繡回企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on September 27, 2021 and one of our [**REDACTED**] Investors
"ShanH Holding"	ShanH Holding Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on September 17, 2021 and a direct wholly-owned subsidiary of our Company
"Shanhui Technology"	Shanhui Technology Holding Limited (閃回科技控股有限公司), a limited liability company incorporated in Hong Kong on October 19, 2021 and a direct wholly-owned subsidiary of ShanH Holding
"Shanhui Youpin (閃回有品)"	the main brand under which we conduct the sale of pre-owned consumer electronics to our customers, integrating our five sub-brands of Shanyu Huishou (閃魚回收), Shan Zhuanzhuan (閃賺賺), Shanyu Mall (閃魚商城), Shanyu Ershou (閃魚二手) and Shanyouyou (閃優優), all of which has ceased to operate in the first half of 2024
"Shanhui Youpin (閃回有品) online platform"	our proprietary sale platform which primarily includes Shanhui Youpin (閃回有品) mobile application and associated Shanhui Youpin (閃回有品) PC end sales platform, Shanhui Youpin (閃回有品) WeChat mini-program and Shanhui Youpin (閃回有品) Alipay mini-program
"Shanhuishou (閃回收)"	the main brand under which we carry on our offline trade-in business

"ShanHuiShou BVI"	ShanHuiShou Holdings Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on August 5, 2021 and wholly owned by Mr. Liu
"ShanHS Sword BVI"	ShanHS Sword Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on September 15, 2021 and one of our [**REDACTED**] Investors
"Share Option Scheme"	the share option scheme conditionally adopted by our Group on [●], 2024, a summary of the principal terms of which is set out in "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this document
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of our Share(s)
"Shenzhen Shanhui"	Shenzhen Shanhui Technology Co., Ltd. (深圳閃回科技有限公司), a limited liability company established in the PRC on May 18, 2016 and a direct non-wholly owned subsidiary of Zhejiang Shanhui
"Shenzhen Shanji"	Shenzhen Shanji Technology Co., Ltd. (深圳閃吉科技有限公司), a limited liability company established in the PRC on January 16, 2023 and a direct wholly-owned subsidiary of Shenzhen Shanhui
"Shenzhen Shanxin"	Shenzhen Shanxin Software Technology Service Co., Ltd. (深圳閃新軟件技術服務有限公司), a limited liability company established in the PRC on July 20, 2022 and a direct wholly-owned subsidiary of Shenzhen Shanhui
"Shenzhen Tianhai"	Shenzhen Tianhai Youpin Technology Co., Ltd. (深圳天海優品科技有限公司), a limited liability company established in the PRC on January 13, 2020, a direct wholly-owned subsidiary of Shenzhen Shanhui

"Shenzhen Xinghe"	Shenzhen Xinghe Zongheng Technology Co., Ltd. (深圳星河縱橫科技有限公司), a limited liability company established in the PRC on May 24, 2024 and a direct wholly-owned subsidiary of Shanhui Technology
"SHS Blooming BVI"	SHS Blooming Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on September 15, 2021 and wholly owned by Mr. Xie Siyin (謝思引), and one of our [**REDACTED**] Investors
"SHS Flash BVI"	SHS Flash Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on September 15, 2021 and wholly owned by Mr. Yin XueJun (尹學軍), and one of our [**REDACTED**] Investors
"SHS Glory BVI"	SHS Glory Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on September 15, 2021 and wholly owned by Mr. Gao Zibin (高自斌), and one of our [**REDACTED**] Investors
"SHS Lightning BVI"	SHS Lightning Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on September 15, 2021 and wholly owned by Mr. Wang Shujia (王述嘉), and one of our [**REDACTED**] Investors
"SHS Prosperity BVI"	SHS Prosperity Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on September 15, 2021 and wholly owned by Mr. Ge Dong (葛東), and one of our [**REDACTED**] Investors
"SHS Thunder BVI"	SHS Thunder Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on September 15, 2021 and wholly owned by Mr. Chen Jiangao (陳建高), and one of our [**REDACTED**] Investors
"Shunwei Technology"	Suzhou Industry Zone Shunwei Science & Technology Equity Investment Partnership (Limited Partnership) (蘇州工業園區順為科技股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 26, 2016 and one of our [**REDACTED**] Investors

[**REDACTED**]

"Sole Sponsor"	Zero2IPO Capital Limited, a licensed corporation under the SFO permitted to carry out Type 6 (advising on corporate finance) regulated activity (as defined under the SFO)

[**REDACTED**]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers of Hong Kong
"Taxation"	all forms of tax, duty, rate, levy, charge or other imposition or withholding whenever created, imposed or arising and whether of Hong Kong or elsewhere, including all forms of profit tax, provisional profit tax, interest tax, salaries tax, property tax, tax on capital gains, sales and value added tax, estate duty, death duty, inheritance tax, capital duty, stamp duty, payroll tax, withholding tax, rates, customs and other import and exercise duties, and generally any tax, duty, impost, levy or rate or any amount payable to the revenue, customs of fiscal authorities whether in Hong Kong or elsewhere
"Track Record Period"	the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024

[**REDACTED**]

"United States", "U.S." or "US"	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"upstream sourcing partners"	our upstream partners which primarily include mainstream consumer electronic brands and their designated distributors, sizable merchants and large mobile network operators, from which we procure almost all of our pre-owned consumer electronics
"U.S. dollars", "USD" or "US$"	United States dollars, the lawful currency of the united States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"World Circulation BVI"	World Circulation Limited, a BVI business company with liability limited by shares incorporated in the British Virgin Islands on June 18, 2021 and one of our [**REDACTED**] Investors
"Yuntouhang BVI"	Yuntouhang Holdings Limited, a BVI business company with limited liability incorporated in the British Virgin Islands on September 15, 2021, and is wholly owned by Ms. Zhu Yongmei (朱永梅), and one of our [**REDACTED**] Investors
"Zhejiang Shanhui"	Zhejiang Shanhui Technology Co., Ltd. (浙江閃回科技有限公司), a limited liability company established in the PRC on November 7, 2023 and a direct wholly-owned subsidiary of Shanhui Technology

"Zhitou Huifu"	Shenzhen Zhitou HuiFu Venture Capital Partnership (Limited Partnership) (深圳智投匯富創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on April 1, 2021 and one of our [**REDACTED**] Investors
"%"	per cent

All dates and times refer to Hong Kong dates and times.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be as arithmetic aggregation of the figures preceding them.

In this document, if there is any inconsistency between the Chinese names of the entities, authorities, organizations, institutions or enterprises established in the PRC or awards and certificates given in the PRC and their English translations, the Chinese shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document. These terms and their meanings may or may not correspond to standard industry meanings or usage of these terms.

"AI"	artificial intelligence
"BOSS System"	Business & Operation Support System
"B2B"	business to business, a commerce transaction conducted between one business and another, in which businesses directly sell products or services to various entities and other downstream market players, rather than to consumers
"ERP"	enterprise resource planning
"ESG"	environmental, social and corporate governance responsibilities
"FVTPL"	fair value through profit or loss
"GFA"	gross floor area
"IoT"	internet of things
"sale solution"	it refers to one of the methods to recycle pre-owned consumer electronics by collecting pre-owned consumer electronics without the individual consumers purchasing a new consumer electronic device (閒置回收). Please refer to "Industry Overview" in this document for further details
"trade-in solution"	it refers to one of the methods to recycle pre-owned consumer electronics by collecting pre-owned consumer electronics with the individual consumers using the selling price of such to pay for all or part of a new consumer electronic device (以舊換新). Please refer to "Industry Overview" in this document for further details

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains certain forward-looking statements and information relating to our Company 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. When used in this document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group 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 risks, uncertainties and assumptions, including the other 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 our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business and operating strategies and our plans to achieve such strategies;
- our operations and business prospects, including development plans for our existing and/or new businesses;
- future developments and competitive environment in the PRC and the other markets in which we operate;
- the regulatory environment and industry outlook in general for the industries discussed herein;
- general political, economic, legal and social conditions in PRC and the other markets in which we operate;
- our ability to attract customers and build our brand profile;
- our ability to control or reduce costs and offer competitive prices;
- our financial condition and operating results and performance;
- our dividend distribution plans;
- the actions and developments of our competitors;

- our ability to attract and retain senior management and key employees;
- capital market developments;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- other statements in this document that are not historical fact; and
- other factors beyond our control, such as global climate change and outbreaks of pandemic.

When used in this document, the words "aim", "anticipate", "believe", "can", "consider", "continue", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "predict", "project", "propose", "potential", "seek", "shall", "should", "will", "would", "with a view to" and the negatives of these terminologies and similar expressions, as they relate to us, are intended to identify forward-looking statements. We make these forward-looking statements based on current plans and estimates and they speak only as of the date they were made. These forward-looking statements are not a guarantee of future performance. Actual outcomes could be caused to differ materially from those expressed in any forward-looking statements by, including without limitation, the risk factors set forth under "Risk Factors" in this document.

Although our Directors believe that our current views as reflected in these forward-looking statements based on currently available information are fair and reasonable and that our Directors confirm that these forward-looking statements are made after due and careful consideration, we can give no assurance that these views will prove to be correct. You are strongly cautioned that reliance on any forward-looking statements in this document involves known and unknown risks and uncertainties. The risks and uncertainties in this regard include, but are not limited to, those identified in "Risk Factors" in this document, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by us or our Directors that our plans or objectives will be achieved.

Should one or more of the risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

FORWARD-LOOKING STATEMENTS

The information and assumptions contained in the forward-looking statements have not been independently verified by us, our substantial shareholders, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], any other party involved in the [**REDACTED**] or their respective directors, officers, employees, advisors or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this document.

Subject to the requirements of applicable laws, rules (including the Listing Rules) and regulations, we do not have any and undertake no obligation to update or otherwise revise any forward-looking statements in this document, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances contained 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 contained in this document are qualified by reference to the cautionary statements set out in this section.

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

***You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our* [REDACTED]*, in light of the circumstances and your own investment objectives. These risks could materially and adversely affect our business, financial condition, results of operations and prospects. This document contains certain forward-looking statements regarding our plans, objectives, expectations and intentions, which involve risks and uncertainties. The* [REDACTED] *of our* [REDACTED] *could significantly decrease due to any of these risks, and you may lose part or all of your investment. The risks described below are those that we believe are material, but these may not be the only risks and uncertainties that we face. Additional risks we have not identified or which we currently deem immaterial may nevertheless have a material adverse effect on our business, financial condition, and results of operations, or result in other events that could lead to a decline in the value of our* [REDACTED].**

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We rely on our upstream sourcing partners to obtain steady supply of the pre-owned consumer electronics, and any deterioration in our relationships with these upstream sourcing partners may materially and adversely affect our business, results of operations and financial condition

Strategic collaborations with our upstream sourcing partners, which primarily include mainstream consumer electronic brands and their designated distributors, sizable merchants for consumer electronic products and large mobile network operators in the PRC, have been our key to obtain access to stable and desirable supply of pre-owned consumer electronics. During the Track Record Period, we had deeply benefited from our mutually beneficial relationship with these upstream sourcing partners and we expect to continue to collaborate and rely on their offline geographic coverage for our supply for the foreseeable future. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate number and total procurement value of pre-owned consumer electronics, mainly mobile phones, procured through the channels of our upstream sourcing partners by way of trade-in solution were approximately 1,033,000, 1,173,000, 1,505,000 and 556,000 units and approximately RMB538.1 million, RMB659.3 million, RMB838.8 million and RMB453.7 million, respectively.

We cannot assure you that we will be able to maintain our business relationships with our upstream sourcing partners in the future. We may not be able to successfully renew or extend our current business arrangements with these upstream sourcing partners on commercially reasonable terms, or at all, upon expiration or early termination of the current arrangements. In the event that we fail to maintain our business relationship with any of our major upstream sourcing partners, especially, the mainstream consumer electronic brands and their designated distributors, we may not be able to establish a similar cooperative relationship with a comparable upstream sourcing partner under commercially reasonable terms in a timely manner, if at all. Further, if some of these upstream sourcing partners experience a business deterioration, a decline in market position or market share, or a damage to brand image or reputation, our recycling service business may be materially and adversely affected due to our reliance on with them. On the other hand, the steady access of upstream supply channels for pre-owned consumer electronics is critical for our resale of the same to our customers. Hence, any deterioration in our business relationships with our upstream sourcing partners would materially and adversely affect our business, results of operations and financial condition.

Our brand image is integral to our success, and failure to maintain our reputation and brand profile may have a material adverse impact on our business, results of operations, financial condition and prospects

We believe that maintaining, promoting and enhancing our reputation and brand profile are critical to maintaining and expanding our business. The reputation and brand profile that we have built up over the years have played a significant role in enabling us to obtain steady supply of pre-owned consumer electronics from individual consumers through the channels of our upstream sourcing partners, and maintain existing customers and attract new buyers in the secondhand consumer electronics market. Maintaining and enhancing our core brands, namely Shanhuishou (閃回收) and Shanhui Youpin (閃回有品), depend largely on our ability to continue to provide high quality integrated solution from initiating recycling by way of trade-in while facilitating sale of new mobile phone to standardizing the procured pre-owned consumer electronics for resale, which we cannot assure that we will do successfully. If we fail to maintain our reputation, or our upstream sourcing partners, customers and individual consumers no longer perceive our products and/or services to be of high quality, or if they no longer perceive us as a business partner with high credibility for any reason, our reputation and brand image may be adversely affected, which, in turn, may affect our ability to maintain existing business relationships or to capture future business opportunities. In the event that these happen, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We largely rely on the sales personnel of our upstream sourcing partners' offline stores to provide in-store consumers with high-quality trade-in experience, failure to do so may materially and adversely affect our business, reputation, results of operations and financial condition

The success of our business hinges on the ability to attract and engage in-store consumers to sell their pre-owned consumer electronics through our trade-in solutions offered in the offline stores of our upstream sourcing partners, which in turn, largely depends on the services provided by the sales staff of our upstream sourcing partners' offline stores to the in-store consumers during the trade-in transactions. Generally, for transactions conducted under offline trade-in solutions, an individual consumer waits onsite and monitors the quality inspection, pricing and initial data erasing process of their old mobile phone through our system, and pays for his/her new mobile phone after deduction of price of the old mobile phone and other promotion discounts, if applicable. Pursuant to the business arrangements between us and our upstream sourcing partners, we typically provide trainings to the front sales staff of their offline stores on the efficient use of our proprietary inspection and pricing system and offer other necessary support at the back office in our operation and inspection centers during consumers' trade-in transactions. As such, we largely rely on these sales staff to provide in-store consumers with high-quality trade-in experience by correctly conducting preliminary check and uploading the photos and auxiliary information of the pre-owned consumer electronics proposed to be traded-in for review, and completing the trade-in transaction within a few minutes. As we do not operate these offline stores, the standard and/or procedures on provision of in-store consumers' trade-in services may be compromised by a number of factors, which may be beyond our control. As such, we cannot always guarantee that our trade-in solutions and services will be able to be delivered up to our standard in our upstream sourcing partners' offline stores. If the sales personnel of our upstream sourcing partners' offline stores fails to provide high-quality trade-in experience to the in-store consumers, our recycling service business and reputation may be materially and adversely affected, which would, in turn, affect our sale business, results of operations and financial condition.

We recorded net current liabilities and net liabilities during the Track Record Period and may not generate sufficient cash flows in the future to finance our operations or meet our current liabilities

We recorded net current liabilities of approximately RMB237.3 million, RMB335.7 million, RMB631.4 million and RMB671.5 million as of December 31, 2021, 2022 and 2023 and June 30, 2024 respectively. Our net current liabilities during the Track Record Period were primarily due to the increases in our redemption liabilities, which amounted to approximately RMB307 million, RMB376.4 million, RMB685.2 million and RMB751.4 million for the same periods, respectively, as a result of changes in the carrying amount of our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors. As a result, we also recorded net liabilities of approximately RMB235.1 million, RMB333.2 million, RMB622.4 million and RMB661.8 million as of December 31, 2021, 2022 and 2023 and June 30, 2024. We expect that we would be able to record net current asset position upon the suspension of these preferential rights upon [**REDACTED**]. For more details of our [**REDACTED**] Investments, please refer to "History, Reorganization and Corporate Structure – 5. [**REDACTED**] Investments" and "Financial Information – Liquidity and Capital Resources – Current Assets and Liabilities" in this document. Please also refer to note 21 to our financial statements included in the Accountants' Report in Appendix I to this document.

Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debts when they become due will primarily depend on future operating and financial performance, including our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate financing. Our future performance will be impacted by prevailing economic conditions and a range of other business and competitive factors which are beyond our control. Therefore, there is no assurance that we will not experience net current liabilities and/or net liabilities in the future. The net current liabilities position would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected. There is also no assurance that we will always have adequate funds to meet our repayment obligations, or that our historical net current liabilities will not impair our liability to obtain new borrowings to finance our operation or capital commitments. In such circumstances, our business, financial position, results of operations and prospects may be materially and adversely affected.

Any significant slowdown in the PRC macroeconomic condition coupled with intensive competition in the industry may materially and adversely affect our business, results of operation and financial condition

We are subject to the challenging macroeconomic condition in the PRC, which may result in significant downturn in the economy and hence, consumption downgrade. Under such market condition, the desire of individual consumers to replace their consumer electronics would be lowered, and thus we may need to increase the recycling prices of pre-owned consumer electronics of similar models and/or quality as compared to previous years to keep up our recycling volume and maintain our position in the mobile phone recycling service market. On the other hand, we face intense competition in providing consumer electronics after-market transaction services. We face competition mainly from the other top service providers engaging in the recycling services in the PRC, which may have significantly more resources than we do, including financial, technological and marketing resources. These could allow them to develop new service lines, adapt more quickly to changes in technology and to undertake more extensive marketing campaigns, which may render our platforms less attractive to upstream business partners and customers, and cause us to lose market share. Those smaller companies or new entrants may also be acquired by, receive investment from or enter into strategic relationships with more well-established and well-financed companies or investors which would help enhance their competitive positions. Please refer to "Business – Competition" in this document for more information.

The challenging macroeconomic condition and intense competition in the industry which we operate in may exert constraints on our supply, increase our operating expenses and capital expenditures, and reduce our revenue and gross profit margin. Failure to compete with current and potential competitors and to cope with the PRC economy downturn may materially affect our business, results of operations and financial condition.

We incurred losses during the Track Record Period and had net cash used in operating activities for the three years ended December 31, 2021, 2022 and 2023, which may continue in the future

We incurred losses of approximately RMB48.7 million, RMB99.1 million, RMB98.3 million and RMB40.1 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. We also had net cash used in operating activities of approximately RMB6.4 million, RMB43.7 million and RMB47.8 million for the years ended December 31, 2021, 2022 and 2023, respectively. Our losses for the years ended December 31, 2021, 2022 and 2023 were primarily attributable to the changes in carrying amount of our redemption liabilities as a result of changes in our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors, and our losses for the year ended

December 31, 2022 and the six months ended June 30, 2024 were also attributable to the decreases in our gross profit for the same periods. Our net cash flows used in operating activities for the years ended December 31, 2021, 2022 and 2023 were primarily attributable to our losses and our increases of receivables from our major upstream sourcing partners, which are Consumer Electronic Brand A and its designated distributors. For more details of our net cash flows used in operating activities and our receivables, please refer to "Financial Information" in this document. Nevertheless, we may continue to develop and expand our recycling and sale businesses and further make investments into our technologies and recycling and sales platforms, while these investments may not result in an increase in revenue or positive net cash flows from our operations on a timely basis, or at all.

We may continue to incur losses and negative net cash flows from our operations in the future for a number of reasons, including our continuous redemption obligations, increasing competition of the pre-owned consumer electronic after-market transaction services, decreasing demand or slower than expected increase in demand for pre-owned consumer electronics and our services, as well as other risks discussed herein, and we may incur unforeseen expenses, or encounter difficulties, complications and delays in generating revenue or achieving profitability. If our revenue decreases, we may not be able to reduce our costs and expenses proportionally in a timely manner because a significant portion of our costs and expenses are fixed. In addition, if we reduce our costs and expenses, we may limit our ability to maintain and expand our sourcing network, our customer base and further grow our revenues. Accordingly, we may not be able to achieve profitability and we may continue to incur losses in the future.

Our gross profit margins are primarily affected by our purchase prices and resale prices of the pre-owned consumer electronics we obtained, which remained relatively low during the Track Record Period

Our gross profit margins remained relatively low, recording approximately 8.2%, 6.1%, 6.8% and 4.5% for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our gross profit margins primarily reflect the differences between the prices we pay for to procure the pre-owned consumer electronics from our supply channels and the prices we resell them on our sales platforms. During the Track Record Period, our overall gross profit and gross profit margin had been generally decreasing. Please refer to "Financial Information – Principal Income Statement Components – Gross Profit and Gross Profit Margin" in this document for more details.

With a view to stabilize and improve our gross profit margin, we have been putting effort in maintaining our sources of supply by entering into strategic cooperation with our upstream sourcing partners, expanding our supply channels and expanding our sales channels to increase our sales and broaden our customer base. We cannot guarantee that we are able to maintain or improve our gross profit margin in the future. In the event that we cannot maintain or improve our gross profit margin, our business, growth prospects, results of operations and financial condition would be materially and adversely affected.

If we are unable to expand our sales channels to broaden our customer base, our business, results of operations and financial condition may be materially and adversely affected

Our future growth and gross profit margin depend on our ability to expand our sales channels to broaden our customer base through both of our proprietary online platform, Shanhui Youpin (閃回有品), as well as our own online stores operated on various third-party e-commerce platforms. During the Track Record Period, although we were usually able to sell approximately 87% of the pre-owned consumer electronics within three days after such consumer electronics had been delivered to our operation and inspection centers, our gross profit margins were relatively low. We cannot guarantee that our development on these social media platforms will be always successful or can be sustained in the future. If our sales effort on these social media platforms fail while we are not able to develop new sales channels to broaden our customers, our business, results of operations and financial condition would be materially and adversely affected.

We may not be able to effectively and accurately inspect, grade and price the pre-owned consumer electronics we obtained through our supply channels

We obtain our supply of pre-owned consumer electronics primarily from trade-ins transacted in both offline and/or online mainstream consumer electronic branded stores, and physical stores operated by the designated distributors of mainstream consumer electronic brands, sizable merchants for consumer electronic products and large mobile network operators, where individual consumers are our ultimate suppliers. We then process these pre-owned consumer electronics for resale using our proprietary inspection, grading and pricing technologies in our operation and inspection centers, and efficiently distribute such to a variety of buyers in the second-hand market. As there are no uniform or established standards or practices for inspecting, grading and pricing pre-owned consumer electronics in the market, we created our own grading and pricing technology with AI capabilities leveraging our central database. However, we cannot assure you that our business practices represent the best practice in the pre-owned consumer electronics transaction services industry or that they will yield maximum commercial benefits. We may not be able to identify all potential defects of the pre-owned consumer electronics traded in using our proprietary inspection technologies and grade them accurately. Even if we are able to do so, we cannot guarantee you that the prices we assign to those pre-owned consumer electronics reflect the actual or fair value of those pre-owned consumer electronics. If consumers believe that the prices determined or suggested by us do not reflect the fair value or their deemed value of the pre-owned consumer electronics they are going to sell via our trade-in services, they may choose other platforms over us, leading to a decrease in our supply of pre-owned consumer electronics, which in turn would result in our losing of supply sources and a decline in transaction volume on our sales channels, either of which could materially and adversely affect our business, results of operations and financial condition.

Our strategy to further enhance and expand our offline supply network may not be successful, failure of which may materially and adversely affect our business, results of operations and financial condition

During the Track Record Period, we had remained steadfast in extending our services to offline stores of our upstream sourcing partners. During the Track Record Period, we had established cooperation with our upstream sourcing partners, covering more than 49,000 offline stores spanning over 31 provinces in the PRC. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate number and total procurement value of pre-owned consumer electronics, mainly mobile phones, we procured through the channels of our upstream sourcing partners by way of trade-in solution were approximately 1,033,000, 1,173,000, 1,505,000 and 556,000 units and approximately RMB538.1 million, RMB659.3 million, RMB838.8 million and RMB453.7 million, respectively.

We have been constantly discussing business opportunities and future collaboration methods as well as pursuing new strategic initiatives with our existing upstream sourcing partners, and we aim to further expand our supply network through extending our service coverage to more offline stores with a national geographic reach. However, we may not be able to implement our strategies successfully to expand our offline supply channel as we planned. Further, we may not be able to identify and attract enough offline stores of our upstream sourcing partners with sufficient resources and strong local ties to collaborate with us in the near future. Even we are able to do so, there is no assurance that these upstream sourcing partners will be willing or able to renew their agreements with us on similar terms or will not enter into agreements with our competitors, which may negatively affect our strategic expansion plan. We may also need to carefully consider geographical locations of each offline store in our supply network so as to reach consumers to the maximum extent while avoiding cannibalization resulting from geographical proximity among stores.

Any factors listed above, either individually or in aggregate, might delay or make our plan to expand our source of supply in desirable locations at manageable cost levels fail. If any of above circumstances happened, our supply network expansion plan would be materially and adversely affected, which would then affect our business, results of operations and financial condition.

We have incurred and will continue to incur significant costs for the procurement of pre-owned consumer electronics, and failure to resell these pre-owned consumer electronics in time or failure to manage our liquidity and cash flows or inability to obtain additional financing in the future may materially and adversely impact our business, results of operations and financial condition

Our pre-owned consumer electronics recycling business incurs significant upfront procurement costs as for orders placed in offline or online stores, the individual consumer gets paid immediately after accepting the final price quote for the pre-owned consumer electronic device. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our costs of sales were approximately RMB688.3 million, RMB863.4 million, RMB1,080.1 million and RMB551.0 million, respectively, among which, approximately 85.3%, 86.1%, 88.4% and 87.6% were the cost of our procurement of pre-owned consumer electronics. Moreover, based on our business arrangement with certain of our major upstream sourcing partners, which are primarily mainstream consumer electronic brands and their designated distributors, we are also required to pay promotion discounts that were offered to individual consumers by certain consumer electronic brands in advance to facilitate the promotional sales of their new models of mobile phones transacted under our trade-in solution, or to make security deposit in advance for conducting our recycling service transactions in their offline stores and online mall.

We cannot guarantee you that we can always resell our procured pre-owned consumer electronics immediately or in a reasonable short of period of time. Failure of which may result in shortage of our working capital, which in turn, may affect our liquidity and cash flow. In addition, leveraging our deep and synergistic relationship with our various upstream sourcing partners, we have become a regular processor of certain consumer electronic brands for handling their excess inventories and demonstration devices which cannot be sold as brand-new products. We also commenced offering customized supply services to corporations to satisfy their needs for diverse business scenarios. All of these would require significant working capital. As such, if we fail to resell the pre-owned consumer electronics we procured in time or fail to manage our liquidity and cash flows or inability to obtain additional financing, our business, results of operations and financial condition may be materially and adversely affected.

The proper functioning of technology platforms is essential to our business, and any failure to maintain the satisfactory performance of our operating systems and mobile applications may materially and adversely affect our business, results of operations and financial condition

The satisfactory performance, reliability and availability of our proprietary and third-party technology platforms are critical to our success and our ability to support and work with our upstream sourcing partners to conduct trade-in solutions, retain and serve our existing customers and attract more users to use our pre-owned consumer electronics transaction services. Almost all of our business and services are conducted through technology platforms, for example, the offline stores of our upstream sourcing partners rely on our proprietary Shanhuishou (閃回收) recycling system, Shanhui Youpin (閃回有品) online platform, back-end

BOSS System and other technology systems to complete our recycling and sale businesses. Any system interruptions caused by telecommunications failures, computer viruses, hacking, willful misconduct of employees sabotaging our operating systems or data, or other attempts to harm our proprietary or third-party technology platforms may result in the unavailability or slowdown of our operating systems and mobile applications or reduced order fulfillment performance could reduce our transaction volume and the attractiveness of our service offerings.

We periodically update our operating system and release new versions in order to obtain a superior user experience of our platform. Our operating system may contain programming errors that only become apparent after their release. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any programming error which had a material impact on our operations. However, we cannot assure you that we can always detect and resolve all such programming errors effectively and timely. Undetected programming errors could adversely affect our operations, user experience and market acceptance. Any errors, bugs or vulnerabilities discovered in our code after release could result in interruption of our operations, and damage to our reputation, loss of users, loss of revenues or liability for damages, any of which could adversely affect our business and operating results.

If we fail to maintain and upgrade our proprietary technology to adapt to the ever-changing market and industry, or if our efforts to invest in the development of new technologies are unsuccessful or ineffective, our business, results of operations and financial condition may be materially and adversely affected

Our proprietary technology is one of the key factors to our success. We have self-designed and developed a comprehensive smart system, which primarily consists of front-end smart recycling system and back-end BOSS System. To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our front-end smart recycling system driven by AI technology and back-end BOSS System.

Our success will depend, to a large extent, on our ability to identify, develop and acquire leading technologies useful in our business, and respond to technological advances and emerging industry standards and practices in a cost-effective and timely way. For example, we depend on our front-end smart recycling system driven by AI technology applied in our operation and inspection centers to effectively and efficiently inspect, grade and price the pre-owned consumer electronics we procure. Our BOSS System is a standardized and configurable management system and centralizes all our management matters, which is developed based on our understanding of ERP systems to fulfil our daily recycling operation need. The maintenance and upgrade of our proprietary technologies may entail significant costs and/or technical risks. We can also not assure you that we will be able to successfully develop new technologies to supplement our current systems to meet the latest industry requirements or emerging industry standards. If we are unable to maintain, upgrade and/or develop technologies successfully or adapt in a cost-effective and timely manner in response to changing market conditions or the requirements of our upstream sourcing partners and/or customers, our business, results of operations and financial condition may be materially and adversely affected.

Our offering of new services may expose us to new challenges and more risks

During the Track Record Period, we had been focusing on offering an integrated solution from initiating recycling by way of trade-in while facilitating sale of new mobile phones, to standardizing the procured pre-owned mobile phones for resale. Leveraging our established position in the PRC mobile phone recycling service market and our understanding of the needs and preferences of buyers in the second-hand consumer electronics market, we have also been engaged in the corporate recycling and offline sale to handle consumer electronics in bulk to satisfy the business needs of our upstream business partners and customers. Further, driven by the strong demands of certain mainstream consumer electronic brands we cooperate with, we have extended our partnership and recycling transaction services into Hong Kong in late 2023 to facilitate their local business needs and development. In September and December 2023, we also opened up our first and second offline retail store in Shenzhen under our brand name of Shanhui Youpin (閃回有品) to conduct both recycling and sale services of pre-owned consumer electronics. In future, we plan to set up a special maintenance and repair team to conduct repairment of mid-to-high-end pre-owned consumer electronics that we procured. We believe this will enrich our supply of mid-to-high-end pre-owned consumer electronics, which will in turn, contribute to a higher profit margin.

However, expansion into diverse new service offerings involves new risks and challenges. Our lack of familiarity with these services and lack of relevant customer data relating to these services may make it more difficult for us to anticipate market demand and preferences. We may also misjudge market demand on our new service offerings. Any of these happening may also harm our brand and reputation as well as our current relationship with our upstream sourcing partners. As a result of various uncertainties and risks, the new service offering may not only lead to a lower profitability than what we anticipate, but may also divert our management focus, which in turn, may materially and adversely affect our business, results of operations and financial condition.

Privacy concerns relating to pre-owned consumer electronics and the collection, storage and usage of personal information could deter demand of either our services, damage our reputation, impede our business growth and thus negatively impact our business

We maintain a data clearance policy, including mandatory data erasing upon us obtaining the pre-owned consumer electronics from individual consumers in the offline stores of our upstream sourcing partners, and before the same leaving our operation centers for resale. However, concerns about mishandling personal information or other private and sensitive information stored in pre-owned consumer electronics, even if unfounded, or a general lack of confidence in the security of privacy in connection with pre-owned consumer electronics could still deter individual consumers from using our services for their trade-in solutions. In addition, due to our business nature, we may inevitably collect, store and use personal information during our business services. While we strive to comply with applicable data protection laws and regulations, as well as our own privacy policies and other obligations we may have with respect to privacy and data protection, failure or perceived failure to comply may result in complaints, inquiries and other proceedings or actions against us by government agencies or others, which in turn, severely damage our reputation and brand image.

Since we process and store data during our ordinary course of business, this also makes us or the third-party cloud service providers which host our servers potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins, or similar disruptions. Breaches to our security measures, including computer viruses and hacking, may result in significant damage to our hardware and software systems and database, disruptions to our business activities, inadvertent disclosure of confidential information, interruptions in access to our platforms, and other material adverse effects on our business operations. Moreover, techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target. Hence, we may be unable to anticipate these techniques or to implement adequate preventative measures. Given its great commercial value, private data we have may be hacked and misused by third parties, which could expose us to legal and regulatory risks and seriously harm our business.

Meanwhile, the PRC regulatory and enforcement regime with regard to data security and data protection is evolving. Please refer to "Regulatory Overview – Regulations relating to cybersecurity, data security and protection of personal information" in this document for more details. We cannot assure you that our privacy and data protection measures will be always considered sufficient under applicable laws and regulations. Complying with new laws and regulations could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business. If we or those with whom we share information fail to comply with these laws and regulations or experience a data security breach, our reputation could be damaged and we could be subject to additional litigation and regulatory risks.

The regulatory authorities in the PRC have promulgated laws and regulations relating to cybersecurity review, including requirements that affect overseas listings by Chinese companies. According to the Cybersecurity Review Measures, which became effective in February 2022, operators of critical information infrastructure who purchase network products and services and network platform operators who carry out data processing activities that affect or may affect national security shall be subject to cybersecurity review. In addition, any network platform operators with personal information of over one million users must apply for cybersecurity review before listing abroad. Relevant PRC regulatory authorities may also initiate cybersecurity review if they determine certain network products, services or data processing activities affect or may affect national security. See "Regulatory Overview – Regulations Relating to Cybersecurity, Data Security and Protection of Personal Information." Moreover, in November 2021, the CAC promulgated the Draft Cyber Data Security Regulations for public comments, which set forth different scenarios where data processors are required to apply for cybersecurity review, including, among others, foreign listing while processing over one million users' personal information, Hong Kong listing that affects or may affect national security, and other data processing activities that affect or may affect national security. As of the Latest Practicable Date, this draft has not been formally adopted, and uncertainties exist with respect to whether and when such draft regulations will be enacted and its final content. See "Regulatory Overview – Regulations Relating to Cybersecurity, Data Security and Protection of Personal Information."

The Directors are of the view that the Company is not required to apply for cybersecurity review for the [**REDACTED**] because the [**REDACTED**] is in Hong Kong and does not fall into the scope of listing abroad although we process personal information of about 12 million individuals, which exceeds the numeric threshold of one million individuals. Based on the phone consultation on April 28, 2023 with the China Cybersecurity Review Technology and Certification Center, it was advised that the Company was not required to file an application for cybersecurity review under Article 7 of the Cybersecurity Review Measures with respect to the [**REDACTED**]. As of the Latest Practicable Date, we have not received any notice from the CAC of any anticipating cybersecurity review on us under the Cybersecurity Review Measures. If we were subject to a cybersecurity review, we may incur significant costs and face challenges, both in the review process and in making enhancements to our cybersecurity measures that may be required. If we are unable to manage these risks, we may be subject to penalties, including fines, suspension of business, prohibition against new user registration (even for a short period of time) and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected. Moreover, if we are required to undergo cybersecurity review in connection with any future securities offerings, our ability to obtain additional capital may be negatively affected.

Any business interruption in our operation and inspection centers may materially and adversely affect our business, results of operation and financial condition

We have presence across the PRC, including Huzhou, Zhejiang province, Shenzhen, Guangdong province, Beijing, Zhengzhou, Henan province, Chengdu, Sichuan province, Nanjing, Jiangsu province and Anji, Zhejiang province. We typically offer professional training to the front sales staff of our upstream sourcing partners on the use of our proprietary inspection and pricing system. The front sales staff are required to go through a pre-evaluation process on our system and upload the photos and auxiliary information of the device proposed to be traded-in for review. Our backstage inspection staff will then immediately examine the photos and all necessary information and display a quote for the traded-in device to the front sales staff to show the customer. Such pre-evaluation, inspection and pricing process is typically completed within five minutes. In the event that there is a system breakdown in the backstage of our operation and inspection centers, our ability to provide services of inspection, grading and pricing would be seriously interrupted, which in turn, materially and adversely affect our business operation and reputation.

Our offices in Shenzhen and other operation and inspection centers also serve as warehouses for the pre-owned consumer electronics we procured before they are delivered to our customers. Our integrated BOSS System generates a daily report of incoming and outgoing goods, allowing us to quickly collect merchandise information, track and analyze inventory levels. However, if any business interruptions or accidents, including power outrage or fires, occur, causing damage to the pre-owned consumer electronics we procured or to our operation centers as a whole, our business, results of operation and financial condition would be materially and adversely affected.

We may not be able to sustain our historical growth rates in the future

Our business steadily grew during the Track Record Period. For the years ended December 31, 2021 and 2022, our recorded revenue was approximately RMB749.7 million and RMB919.1 million, respectively, representing a growth rate of approximately 22.6%. Our recorded revenue was approximately RMB1,158.4 million for the year ended December 31, 2023, representing a growth rate of approximately 26%. Our revenue also increased from approximately RMB518.4 million for the six months ended June 30, 2023 to approximately RMB576.9 million for the six months ended June 30, 2024, representing a growth rate of approximately of 11.3%. However, there is no assurance that we will be able to maintain our historical growth rates in future years. Our revenue growth may slow down or our revenue may decline for any number of possible reasons, such as decreased consumer spending, increased industry competition in the PRC, slowdown in the growth or contraction of the PRC pre-owned consumer electronics transaction services industry, emergence of alternative business models, changes in government policies or general economic conditions, and natural disasters or virus outbreaks. Our revenue, expenses and operating results may vary from year to year due to factors beyond our control. As a result of these, and other factors, we cannot assure you that our future revenue will increase or that we will achieve profitability. Accordingly, [**REDACTED**] should not rely on our historical results as an indication of our future financial or operating performance.

Reduced consumer confidence and spending cut backs may result in reduced demand for pre-owned consumer electronics sold via our sales channels. Reduced demand may also require increased selling and promotional expenses to maintain our revenue and market share. In addition, the execution of our business strategies, including but not limited to those described in "Business – Our Strategies" of this document, may place a significant strain on our managerial, operational, financial and human resources. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. As such, we cannot assure you that we will be able to effectively manage our growth or to implement all these systems, procedures and control measures successfully or that our new business initiatives will be successful. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful and our business and prospects may be materially and adversely affected.

We may incur liability or become subject to claims or administrative penalties for stolen, illegal or unauthorized products we sell

We procure pre-owned consumer electronics from various supply channels and resell them on our sales platform. We cannot assure you that we are able to identify all unauthorized, counterfeit or illegal products, especially components and parts or accessories of the pre-owned consumer electronics, that infringe third parties' intellectual property rights given the large amount of pre-owned consumer electronics being procured. As the sophistication of counterfeiters increases, it may be increasingly difficult for us to identify counterfeit pre-owned consumer electronics and the relevant components, parts and accessories if the in-store consumers for trade-in services do not notify the stores' sale staff. If we fail to identify any infringing pre-owned consumer electronics including components, parts or accessories, and we subsequently resell such pre-owned consumer electronics to our customers, we may be subject to infringement claims and our reputation would also be harmed. Irrespective of the validity of such claims, we could incur significant costs and efforts in either defending against or settling such claims. If there is a successful claim against us, we might be required to pay substantial damages or refrain from further selling the relevant products. Potential liabilities we may be subject to under PRC laws and regulations if we negligently participated or assisted in infringement activities associated with counterfeit products include injunctions to cease infringing activities, compensation, administrative penalties and even criminal liability. Moreover, such third-party claims or administrative penalties could result in negative publicity and our reputation could be severely damaged.

In addition, stolen products may be procured by us from consumers of our upstream sourcing partners' stores and resell by us to our customers, which could also result in negative publicity, and thus damage our reputation. Pursuant to relevant PRC laws and regulations, we, as the business operator engaging in the purchase and sale of pre-owned products, are required to record information of each pre-owned consumer electronic product sourced by us and we would be subject to administrative penalties or even criminal liability if we knowingly engage in any sale of stolen pre-owned consumer electronic product that we sourced from other parties. Third party's actions are beyond our control and we cannot guarantee you that our services will not be used as a channel by certain individuals to dispose of products they steal. Any of these events could have a material and adverse effect on our business, results of operations or financial condition.

We may not have control over the non-compliance of our customers

We have a broad base of customers, and, to the best knowledge of our Directors, a majority of our customers during the Track Record Period are players in the second-hand consumer electronics market. We typically enter into general contracts with our customers, who undertake to sell the pre-owned consumer electronics we sold to them and/or dismantle spare parts, without refurbishing parts involving the logos of any consumer electronic brands, at their own risks. We do not routinely monitor the sales performance or compliance of our customers. As a result, there can be no assurance that our customers will always comply with the above undertaking in our contracts with them. Non-compliance by our customers could, among other things, negatively affect our brand and our relationships with our upstream sourcing partners, especially consumer electronic brands. This may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to implement our business development strategy as we plan

Our business development plan include strengthening and expanding out geographical presence in and outside of the PRC. Please refer to "Business – Our strategies" and "Future plans and [**REDACTED**]" in this document for more details. We may not be able to effectively manage the wider scope of our operations or achieve the desired profitability from such expansion. The challenges that we may face in relation to this may include, but not limited to:

- our failure to execute our strategies;
- our market position and competitiveness in the industries in which we operate;
- our Directors' experience or knowledge in the new locations and the regulatory requirements applicable to such new locations;
- the different extent of market development and competitiveness in the cities or regions in which we plan to expand our presence in;
- our future profitability, overall financial condition, results of operations and cash flows;
- difficulties in, and the cost of, integrating operations, technologies, services and personnel;
- competition with the same or similar services and solutions offered by our competitors;
- engaging in false or falsified claims;
- facing operational issues, such as staffing and managing a foreign operation, developing effective local sales and marketing strategies, and identifying and maintaining good working relationships with local business partners;
- otherwise not complying with laws and regulations or our control policies, procedures and undertakings; or
- general political, financial, social and economic conditions in China and internationally.

Any of the aforementioned factors could affect our profit margins, or extend the time required to achieve profitability which in turn impacts our business, financial condition, operating results and business prospects.

We rely on third-party online payment service providers to conduct payment processing and escrow services, and if those services are limited, restricted, curtailed or degraded in any way or become unavailable for any reason, our business, results of operations and financial condition may be materially and adversely affected

During the ordinary course of our offline recycling business, when an individual consumer finds our recycling quotation acceptable, our system will generate a QR code and immediately transfer the amount, together with any marketing subsidies, if applicable, directly to such individual consumer through third-party online payment service providers, mainly Alipay or WeChat Pay. On the sale side of our business, our customers also make payments to us through online transfers, such as Alipay or WeChat Pay. Hence, these third-party online payment service providers are critical to our business. We rely on the convenience and ease of use that these online payment service providers provide to us, to individual consumers in our supply channels or our customers. If the quality, utility, convenience or attractiveness of the services of these service providers decline for any reason, the attractiveness of our services could also be materially and adversely affected. In addition, certain commercial banks in China impose limits on the amounts that may be transferred by automated payment from customers' bank accounts to their linked accounts with third-party payment services. We cannot predict whether these and any additional restrictions that could be put in place would have a material adverse effect on our services and businesses.

In addition, we cannot assure you that we will be successful in entering into and maintaining amicable relationships with online payment service providers. Identifying, negotiating and maintaining relationships with these providers require significant time and resources. They could choose to terminate their relationships with us or propose terms that we cannot accept. Any disagreements or disputes with such payment service providers could adversely affect our brand and reputation as well as our business, results of operations and financial conditions.

We rely on reputable third-party logistics service providers to collect and deliver our pre-owned consumer electronics, and if those services are delayed or restricted in any way or become unavailable for any reason, our business and results of operations may be materially and adversely affected

We rely on reputable third-party logistics service providers to collect pre-owned consumer electronics from our offline or online supply channels as well as deliver from our operation and inspection centers to customers who purchased these pre-owned consumer electronics through our sales channels. Considering the number of units and total value of the pre-owned consumer electronics we procure and sell every day, reliable and timely services from third-party logistics service providers are essential to the efficient operation of our business. However, there are risks that these third-party logistic service providers may not be able to consistently provide timely and proper delivery of these pre-owned consumer electronics. Any delivery delay, loss in transition, or improper handling of devices by our logistic service providers could adversely affect our business and results of operations.

The reimbursement process by our logistic service providers for devices that suffer price drop due to delivery delay or are lost in transit takes time and it is not guaranteed that our loss will be fully recovered from their reimbursement. In the past, we had occasionally experienced product delivery delay and product damages loss incidences and had disputes with certain logistics service providers. We may continue to experience similar incidents or disputes in the future. In addition, logistics services could also be suspended and thereby interrupt our business operation if unforeseen events that are beyond our control occur, such as inclement weather, natural disasters, health epidemics, transportation disruptions or labor unrest. If our appointed third-party logistics service providers are unable to perform the logistics services as expected and we are unable to find alternative logistics providers in a timely manner, customers may have unsatisfied experience and our business and reputation can be materially and adversely affected.

In addition, the storage and transportation costs of our logistics service providers are subject to factors beyond our control, as such, we cannot guarantee that we are able to renew service agreements with our current third-party logistic service providers in similar or better terms, failing of which may have an adverse impact on our cost structure. Further, if we have to terminate the agreements with some of our major third-party logistic service providers and are not able to find reliable alternatives to provide delivery services in a timely manner, or at all, our supplies will be severely interrupted. Our customers, on the other hand, may lodge complaints. In some extreme circumstances, our customers, may refuse to accept these pre-owned consumer electronics purchased from us and lose confidence in us and turn to our competitors. If these happen, our business, reputation, results of operations and financial condition will be materially and adversely affected.

We may be subject to product liability claims

Even if we inspect and grade the pre-owned consumer electronics procured by us through our cutting edge AI technologies, the pre-owned consumer electronics sold by us may be defective for reasons out of our control. As a result, sales of such products could expose us to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties subject to such injury or damage may bring claims or legal proceedings against us as the seller of the product. Enforcing our rights against the manufacturer may be expensive, time-consuming and ultimately futile. In addition, we do not currently maintain any third-party liability insurance or product liability insurance in relation to products we sell. As a result, any material product liability claim or litigation could have a material and adverse effect on our business, financial condition and results of operations. Even unsuccessful claims could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation.

Our business, results of operations and financial condition could be negatively affected by services provided by third-party cloud service providers

We use third-party cloud service providers to provide us with cloud services to support our business operations. With the expansion of our business, we may be required to upgrade our technology and infrastructure or those of cloud service providers to keep up with the increasing traffic on our platform. If the services provided are unable to meet our demand, or are disrupted, restricted, curtailed or degraded in any way or become unavailable to us, our business and results of operations may be materially and adversely affected. In addition, we cannot assure you that we will be able to maintain amicable relationships with our cloud service providers. Our current cloud service providers could choose to terminate working relationships with us or propose terms for the new agreement that we cannot accept. If we have to engage other cloud service providers and have to migrate our business operation data to the new service providers, we cannot guarantee a smooth transition. We may suffer from unexpected incidents in the transition such as data loss, service interruptions, or loss of certain functionalities. As a result, we may have to incur extra expenses to mitigate losses incurred due to these incidents, which could be substantial. Most importantly, we may experience business interruptions due to these unexpected incidents, which would materially and adversely affect our business and results of operations. Besides, we have no control over the costs of the services provided by cloud service providers. If the prices we pay for those services rise significantly, our results of operations and financial condition may be materially and adversely affected.

Our results of operations may be subject to seasonal fluctuations

We experience a moderate level of seasonality in our business primarily as a result of the new models of mobile phones and subsequent promotional campaigns launched by the mainstream consumer electronic brands. As such, we typically experience higher transaction traffic and able to obtain more supply and receive higher sales volume during the second half of the year, when there are new product launches and integrated e-commerce activities. Further, all of the marketing activities or campaigns conducted by these mainstream consumer electronic brands and third-party e-commerce platforms may affect our business, results of operations and financial condition, which may continue in the future.

Our own rights to using some of our leased properties may be queried by property owners or other third parties due to title defects of such leased properties, and we may consequently have to relocate due to the title defects or be subject to fines as a result of unfiled leases, which may result in a disruption of our operations and may adversely affect our business operations and financial position

We lease properties mainly used as offices, technology, research and development spaces. We do not own any properties. As of the Latest Practicable Date, we leased 13 properties in the PRC, with an aggregate GFA of approximately 6,953.9 square meters in the PRC. Among which, the lessors of three properties with an aggregate GFA of approximately 47.7 square meters in the PRC had not provided us with the relevant title ownership certificates for the leased properties or proof of authorizations from the property owners to sublease the properties to us. As advised by our PRC Legal Advisor, without ownership certificates or proof of authorizations from the property owners, our use of these defective leased properties may be affected by third parties' claims or challenges against the lease rights. In addition, if the lessors do not have the requisite rights to lease these defective leased properties, we may be required to vacate these defective leased properties and relocate our offices, technology, research and development spaces. In this event, our operation may be impaired, and we may not be adequately indemnified by the landlords for our related losses. Also, we will incur additional costs in relocating our offices, technology, research and development spaces to other suitable locations, thus affecting our business and financial condition. Furthermore, in the event that any lessor's right to lease was challenged by any party with third-party interests, or if some of our leased properties were challenged by competent government authorities because of the inconsistency between actual usage and prescribed usage in the title documents that proves our ability to use, our occupation or lease of such properties is likely to be adversely affected.

Under PRC laws and regulations, all lease agreements are required to be registered with the local land and real estate administration bureau. As of the Latest Practicable Date, we leased 13 properties in Shenzhen, Beijing, Chengdu, Nanjing and Zhengzhou and most of our lease agreements had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such lease agreements. However, we may be subject to a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed within the prescribed timeframe. The aggregate amount of the maximum fine would be approximately RMB140,000, which we believe would not have a material adverse impact on our business, financial condition and results of operations. However, in the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. please refer to "Business – Properties and Facilities" in this document.

Our success depends on the continuing and collaborative efforts of our management team, and our business may be severely disrupted if we lose their services

Our success heavily depends upon the continued services of our management. In particular, we rely on the expertise and experience of Mr. Liu Jianyi, our chairman, executive Director and general manager, Ms. Yu Hairong, our chief executive officer and executive Director, and other executive officers. If one or more of our senior management were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all, and our business, financial condition and results of operations may be materially and adversely affected. If any of our senior management joins a competitor or forms a competing business, we may lose our customers, upstream sourcing partners, know-how and key professionals and staff members. Our senior management has entered into employment agreements and confidentiality and non-competition agreements with us. However, if any dispute arises between our officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce them at all. In addition, we do not have key-man insurance for any of our executive officers or other key personnel. Events or activities attributed to our executive officers or other key personnel, and related publicity, whether or not justified, may affect their ability or willingness to continue to serve our company or dedicate their full time and efforts to our company and negatively affect our brand and reputation, resulting in an adverse effect on our business, operating results and financial condition.

Our business is subject to the fluctuation of unit price of pre-owned mobile phones

We have experienced, and expect to continue to experience, fluctuations in the average unit prices of pre-owned mobile phones. The fluctuations may be impacted by the release of new phone models from electronic brands. Newly launched models tend to command higher prices initially, contributing to increases in our average unit prices, as reflected in the rise from 2021 to 2022. The average unit prices may also be influenced by the volume of pre-owned mobile phones which are of older model and have lower resalable value, or any other factors that are not currently predictable. Should there be a significant reduction in the average selling price per pre-owned consumer electronics, our business, results of operations and financial condition may also be adversely affected.

If we are unable to recruit, train and retain experienced personnel or sufficient workforce while controlling our labor costs, our business may be materially and adversely affected

We intend to hire additional experienced employees to support our business operations and planned expansion. Our future success depends, to a significant extent, on our ability to recruit, train and retain qualified personnel, particularly technical, marketing and other operational personnel with experience in the pre-owned consumer electronics transaction services industry. The effective operation of our managerial and operating systems, operation and inspection centers, customer service center and other back office functions also depends on the hard work and quality performance of our management and employees. Since our industry is characterized by high demand and intense competition for talent and labor, we can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. Labor costs in China have increased with China's economic development, particularly in the large cities where we have business operations. As we have a nationwide supply and sales network we are more vulnerable to labor costs increases than that of many of our competitors, which may put us at a competitive disadvantage. If the compensation packages offered by us are not competitive in the market, we may not be able to provide sufficient incentives to or maintain stable and dedicated operational staffs and other labor support. Any failure to address these risks and uncertainties could materially and adversely affect our results of operations and financial performance. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth on a timely fashion, or at all, and rapid expansion may impair our ability to maintain our corporate culture.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position

Since our inception in 2016, we have established and developed two core corporate brands, namely, Shanhuishou (閃回收) and Shanhui Youpin (閃回有品). Shanhuishou (閃回收) is the main brand under which we carry on our offline trade-in business and collect pre-owned consumer electronics from our upstream sourcing partners. Shanhui Youpin (閃回有品) is the main brand under which we conduct the sale of these pre-owned consumer electronics we procured to the customers on our proprietary online platform or in our own online stores on third-party e-commerce platforms.

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality and non-compete agreements with our employees and others, to protect our proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages.

Confidentiality and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we cannot assure you that the measures we implemented are, and will be, always sufficient to effectively protect our intellectual property rights against any unauthorised use, infringement or misappropriation. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We can provide no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to intellectual property disputes and infringement claims, which may divert our management's attention and harm our reputation and profitability

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. As of the Latest Practicable Date, we had, in aggregate, 114 software copyrights, 63 registered trademarks, nine registered domain names and 16 registered patents that are related to our technologies in different aspects including design and development of recycling technologies and equipment. However, there can be no assurance that the steps we have taken to protect our intellectual property rights are adequate to prevent or deter infringement or other misappropriation of our intellectual properties. Failure to successfully enforce our intellectual property rights would diminish our level of competitiveness and harm our reputation. In addition, we may be required to incur significant costs in protecting and enforcing our intellectual property. In particular, we believe that our trademarks are vital to our brand recognition and the success of our business.

We may in the future be subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third-party intellectual property that is infringed by products or services offered by us, or other aspects of our business. There could also be existing patents of which we are not aware that our products or other aspects of our business may inadvertently infringe. We cannot assure you that holders of patents purportedly relating to some aspect of our technology platform or business, if any such holders exist, would not seek to enforce such patents against us in China, the United States or any other jurisdictions. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's attention and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question.

Moreover, we use open source software in connection with our business and services. Companies that incorporate open source software into their business and services have, from time to time, faced claims challenging the ownership of open source software and compliance with open source license terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software or non-compliance with open source licensing terms. Some open source software licenses require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and make available any derivative works of the open source code on unfavorable terms or at no cost. Any requirement to disclose our source code or pay damages for breach of contract could be harmful to our business, results of operations and financial condition.

We have limited insurance coverage, which may not be adequate to cover all risks of losses associate with our business operation

We purchase and maintain insurance policies in accordance with the needs of our business and the requirements set forth in relevant laws and regulations. During the Track Record Period, we had maintained various government-mandated employee social security plans including pension insurance, medical insurance, unemployment insurance, maternity insurance, on-the-job insurance and housing provident fund plans for our employees. However, we cannot guarantee that our insurance policies will provide adequate coverage for all of the risks we face in connection with our business operations.

We do not carry any business interruption or litigation insurance policies for our operations. If we were to incur substantial liabilities that are not covered by our insurance policies or if we suffer protracted periods of disruption or interruption in our business operations, we could incur significant costs and losses that could materially and adversely affect our results of operations. In addition, due to general increases in medical costs and wages, our insurance premiums may increase in the future and we may not be able to obtain similar insurance coverage at acceptable and reasonable rates. Moreover, the occurrence of certain incidents, including earthquakes, fires, adverse weather conditions, war, floods, power outages, equipment failures, construction accidents and the consequences, damages and disruptions resulting from any of the foregoing incidents, may not be covered adequately, or at all, by our insurance policies. Any uninsured loss or liabilities may cause us to incur substantial costs and the diversion of resources, which could have a material and adverse effect on our operating results.

Our risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect our business and results of operations

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. For example, we require our users to accept terms of services under which they agree to provide certain personal information to us, to have established information security systems protecting user privacy. We also maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our internal control team conducts regular reviews to monitor the status and effectiveness of those licenses and approvals. Our in-house legal department also works with relevant business departments to obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines. For further information, please refer to "Business – Risk Management and Internal Control" in this document. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal control procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner or at all. It is not always possible to timely detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective.

Our risk management and internal controls also depend on their effective implementation by our employees. We cannot assure you that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business and results of operations. If we fail to timely adapt our risk management policies and procedures to our changing business, our business, results of operations and financial condition could be materially and adversely affected.

We face risks related to natural disasters, health epidemics (including the COVID-19), acts of war or terrorism and other factors beyond our control, which could significantly disrupt our operations

Any future occurrence of force majeure events, acts of war, terrorism, natural disasters or outbreaks of epidemics and contagious diseases, including, among others, avian influenza, severe acute respiratory syndrome, COVID-19, H1N1 influenza and Ebola virus, may materially and adversely affect our business, financial condition and results of operations. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. An outbreak of an epidemic or contagious disease or any other adverse public health development in China, or elsewhere in the world, could result in a widespread health crisis, which may restrict the level of business activities in those affected areas, and which could, in turn, materially and adversely affect our business.

We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations. Any of these factors, as well as any other factors beyond our control, could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE JURISDICTION WHERE WE OPERATE

Changes in the economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could affect our business, results of operations and financial condition

During the Track Record Period, we derive all of our revenues from our operations in the PRC. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in the PRC. In recent years, the PRC government has implemented measures emphasizing market forces for economic reform and the establishment of sound corporate governance in business enterprises. In addition, the PRC government continues to play a significant role in guiding, encouraging and regulating economic growth through the allocation of resources, monetary police's and tax policies, etc. While these measures may benefit China's macro economy as a whole, some of them may result in causing uncertainties to our business.

We cannot assure you that we may benefit from all, or any, of the measures, which are under adjustments from time to time. Our business, financial condition and results of operations could be materially affected by changes in political, economic and social and regulatory developments which are beyond our control.

Development of the PRC's legal system could affect the legal protections available to our Shareholders

During the Track Record Period, as all of our business is conducted in the PRC, our operations are governed by PRC laws and regulations. The PRC's legal system is based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. The PRC government has promulgated a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, the PRC's legal system continues to evolve rapidly. We cannot predict the effect of future developments in the PRC's legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof. These matters could affect the legal protections available to us and other foreign investors, including you.

Furthermore, any litigation or administrative proceedings may be protracted and result in substantial costs and diversion of our resources and management attention.

Difficulties may arise when effecting service of process upon, or enforcing any foreign judgments against, us or our Director and executive officers residing in the PRC

We are an exempted company incorporated in the Cayman Islands. Our Directors and executive officers reside within the PRC, and a vast majority of our assets and substantially all of the assets of those persons are located within the PRC. As such, investors may encounter difficulties in effecting service of process upon us or those persons inside the PRC or enforcing against us or them any judgments obtained from courts in foreign jurisdictions.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of court judgments in civil and commercial matters with the United States, the United Kingdom, Japan or certain other countries. Therefore, recognition and enforcement in the PRC of court judgments obtained in those jurisdictions in relation to any matter not subject to binding arbitration provisions may encounter difficulties.

On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"), and promulgated on July 3, 2008, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute have not agreed to enter into a choice of court agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), (the "**2019 Arrangement**"), which seeks to establish a bilateral legal mechanism that provides clarity and certainty for the recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and mainland China, based on criteria other than a written choice of court agreement. The 2006 Arrangement was superseded upon the effectiveness of the 2019 Arrangement on January 29, 2024 but remained applicable to a "choice of court agreement in writing" entered into before the 2019 Arrangement taking effect. However, we cannot assure you that all final judgements will be recognized and effectively enforced by the relevant PRC court.

Awards made by the PRC arbitral authorities recognized under the Hong Kong Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, we are uncertain whether any action brought in the PRC to enforce an arbitral award made in favor of holders of our Shares would succeed.

Payment of dividends or gains from the sale or other disposition of our Shares is subject to taxation under PRC laws and regulations

Under the EIT Law of the PRC and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends payable to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Similarly, any gain realized on the transfer of Shares by such investors is also subject to PRC tax at a current rate of 10%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends paid on our shares, and any gain realized from the transfer of our Shares, would be treated as income derived from sources within the PRC and would as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to individual investors who are non-PRC residents and any gain realized on the transfer of Shares by such investors may be subject to PRC tax at a current rate of 20%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions. If we or any of our subsidiaries established outside China are considered a PRC resident enterprise, there is no guarantee that the holders of our Shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends payable to our non-PRC investors, or gains from the transfer of our Shares by such investors, are deemed as income derived from sources within the PRC and thus are subject to PRC tax, the value of your investment in our Shares may decline significantly.

Payment of dividends is subject to restrictions under PRC laws and regulations

Under PRC laws and regulations, dividends may be paid only out of after-tax profits. In addition, we are required to set aside a certain amount of after-tax profits each year, if any, to fund certain statutory and other reserves. These reserves are not distributable as cash dividends. As a result, we may not have sufficient or any after-tax profits to enable to make dividend distributions to our Shareholders, including periods in which we are profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years. In addition, if we incur debt in the future, the loan agreement may impose restrictions on our ability to pay dividends or make our payments.

Policies regarding foreign currency conversion may affect our business and results of operations and our ability to remit dividends

We receive most of our revenue in RMB during the Track Record Period. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions and interest payments can be made in foreign currencies without prior approval from the local branch of SAFE subject to certain procedures. Foreign exchange transactions under the capital account items, including principal payments in respect of foreign currency-denominated obligations, is subject to requirements stipulated by the SAFE. We cannot guarantee that these foreign exchange policies in foreign currencies will not be subject to change in the future.

Any shortage in the availability of foreign exchange may restrict our ability to secure sufficient foreign exchange for dividend payments to Shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from or registered with appropriate governmental authorities to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially affected.

In addition, as most of our revenue was denominated in RMB during the Track Record Period and dividends will be paid to our Shareholders in Hong Kong dollar, any appreciation of the Hong Kong dollar against RMB would have a negative effect on the amount available to us when converted into Hong Kong dollar, and would therefore reduce our dividend payments.

Scrutiny over acquisitions from the tax authorities in mainland China may have a material impact on our business, acquisition or restructuring strategies or the value of your investment in us

The SAT promulgated several rules and notices regarding acquisitions in recent years. On February 3, 2015, the SAT issued the Public Announcement of the State Administration of Taxation on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**SAT Bulletin 7**"), which was partially abolished by the Announcement of the State Administration of Taxation on Issues concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) and the Decision of the State Administration of Taxation on Issuing the Catalogues of Tax Departmental Rules and Tax Regulatory Documents Which Are Invalidated and Repealed (《國家稅務總局關於公佈失效廢止的稅務部門規章和稅收規範性文件目錄的決定》) (the **"Circular 42"**). The SAT Bulletin 7 provided comprehensive guidelines relating to indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the "**PRC Taxable Assets**").

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

Except as provided in the SAT Bulletin 7, transfers of Chinese taxable property simultaneously satisfied all the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to mainland China enterprise income tax: (i) more than 75% of the value of the overseas enterprise is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in mainland China at any time during the year prior to the indirect transfer of Chinese taxable property, or more than 90% of the income of the overseas enterprise is directly or indirectly from mainland China during the year prior to the indirect transfer of Chinese taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold Chinese taxable property and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of Chinese taxable property payable abroad is lower than the income tax in mainland China that may be imposed on the direct transfer of such PRC Taxable Assets. Although the SAT Bulletin 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in mainland China under an applicable tax treaty or arrangement), we cannot guarantee whether any exemptions under the SAT Bulletin 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of mainland China involving PRC Taxable Assets or whether such transaction will be reclassified by applying the SAT Bulletin 7. Therefore, any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of mainland China involving PRC Taxable Assets, may be subject to the foregoing regulations, which may subject our Shareholders or us to additional mainland China tax reporting obligations or tax liabilities.

Provisions of the SAT Bulletin 7, which impose mainland China tax liabilities and reporting obligations, do not apply to "a non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market" (the "**Public Market Safe Harbor**"). In general, transfers of [**REDACTED**] by our Shareholders on [**REDACTED**] or other public markets would not be subject to mainland China tax liabilities and reporting obligations imposed under the SAT Bulletin 7 if the transfers fall under the Public Market Safe Harbor. As stated in "Information about this Document and the [**REDACTED**]" in this document, [**REDACTED**] should consult their professional advisors if they are in any doubt as to the tax implications of [**REDACTED**] in our Shares.

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

The SAFE has promulgated several regulations that require mainland China residents and mainland China corporate entities to register with and obtain approval from local counterparts of the SAFE in connection with their direct or indirect offshore investment activities. The Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Roundtrip Investment Conducted by Domestic 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**") was promulgated by the SAFE in July 2014 and requires mainland China residents or entities to register with SAFE or its local counterparts before the mainland China residents contributes assets or equity interests in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Administration Policies on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), which was promulgated by the SAFE in February 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the SAFE Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks. These regulations apply to our Shareholders who are mainland China residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, mainland China residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any mainland China resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the qualified bank, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any mainland China shareholder fails to make the required registration or update the previously filed registration, the mainland China subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws and regulations for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into the PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested mainland China residents that to our knowledge hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. However, there can be no assurance that any possible subsequent amendment of registration can be successfully completed in a timely manner. Failure by any such Shareholders to comply with the SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in mainland China and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

We cannot assure you that the interpretation, amendment and implementation of these regulations, and any future regulation concerning offshore or cross-border transactions will not be subject to change. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency denominated borrowings, which may materially and adversely affect our results of operations and financial condition. In addition, if we decide to acquire a mainland China domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could materially and adversely affect our business and prospects.

The M&A Rules and certain other PRC regulations establish additional procedures for some acquisitions of Chinese companies by foreign investors

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other established regulations and rules concerning mergers and acquisitions, as well as additional procedures and requirements, aim to provide more regulatory clarity and oversight for foreign investment. Examples include, that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or time-honored brand in mainland China. The approval from the MOFCOM shall be obtained in circumstances where overseas companies established or controlled by enterprises or residents in mainland China acquire affiliated domestic companies. For details, please refer to "Regulatory Overview – Regulations Relating to M&A Rules and Overseas Listings." The M&A Rules further require that, among others, an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by companies or individuals in mainland China, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, in particular if the special purpose vehicle acquires shares of or equity interests in the companies in mainland China in exchange for shares of offshore companies. Moreover, the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) provides that the we are required to notify relevant authorities in advance of any concentration of undertaking if certain thresholds are triggered. In addition, Provisions of the Ministry of Commerce on the Implementation of the Safety Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns, and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns, are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. Furthermore, as required by the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), promulgated by the NDRC and the MOFCOM on December 19, 2020 and effective as of January 18, 2021, investments in military, national defense-related areas or in locations in proximity to military facilities, or investments that would result in acquiring the actual control of assets in certain key sectors, such as critical agricultural products, energy and resources, equipment manufacturing, infrastructure, transport, cultural products and services, information technology, internet products and services, financial services and technology sectors, are required to obtain approval from designated governmental authorities in advance. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, which could affect our ability to expand our business or maintain our market share. We cannot assure you that we will be able to complete such transactions in a timely manner or at all.

We are required to make filings and report to CSRC in connection to the [REDACTED] and we may not be able to obtain such approval in a timely manner or at all

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, issued the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) (the "**July 6 Opinion**"), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities.

To echo and reflect the July 6 Opinion, on February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and their implementation guidelines. The Trial Measures, which took effect on March 31, 2023, provide the scope of activities subject to the filing requirement, the entities subject to filing obligations, and the filing procedures. For more details, please refer to "Regulatory Overview – Regulations Relating to M&A Rules And Overseas Listings" in this document.

Based on the foregoing, we are required to file with the CSRC in accordance with the Trial Measures after our application for the [**REDACTED**] is submitted, and there is uncertainty as to whether we will be able to complete the filing procedures or obtain approval for this [**REDACTED**] in a timely manner or at all. In addition, according to the Trial Measures, any future issuance after the [**REDACTED**] will also be subject to filing procedure of CSRC and we are also required to report certain material matters to CSRC after the [**REDACTED**]. Any failure to complete such filing or reporting procedure would subject us to administrative penalties by CSRC which could harm our reputation and may affect our financial condition.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and their liquidity and market price may be volatile

Prior to the [**REDACTED**], there was no public market for our Shares. The [**REDACTED**] for our Shares will be determined by us and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) based on, among other things, market and economic conditions on the date the [**REDACTED**] is determined, our results of operations, market valuations of other companies engaged in similar activities, the present state of our business operations, our management, indications of interest from [**REDACTED**] in our Shares and other factors deemed relevant, and may differ significantly from the [**REDACTED**] of our Shares following the [**REDACTED**]. We have applied for [**REDACTED**] of, and permission to [**REDACTED**], our Shares on the Stock Exchange. There is no assurance that the [**REDACTED**] will result in the development of an active and liquid public trading market or that such market will be sustained. If an active public market for our Shares does not develop following the completion of the [**REDACTED**], the market price and liquidity of our Shares could be materially and adversely affected.

The price and [**REDACTED**] volume of our Shares may be subject to significant volatility in response to, among others, the following factors:

- variations in our results of operations and/or financial condition;
- changes in securities analysts' estimates of the results of operations and/or our financial condition, regardless of the accuracy of information on which their estimates are based;
- changes in investors' perception of us and the investment environment generally;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic alliances or acquisitions;
- potential litigations or regulatory investigations;
- loss of key personnel;
- announcements made by us or our competitors;
- changes in pricing adopted by us or our competitors;
- the liquidity of the market for our Shares; and
- general economic and other factors.

Since there will be a gap of two business days between the [REDACTED] and [REDACTED] of the [REDACTED], holders of the [REDACTED] are subject to the risk that the price of the [REDACTED] could fall during the period before the trading of our Shares begins

Our Shares will not commence [**REDACTED**] on the Hong Kong Stock Exchange until they are delivered, which is expected to be two Hong Kong business days after the closing of the [**REDACTED**] and the [**REDACTED**] of our Shares. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before [**REDACTED**] begins as a result of unfavorable market conditions or other adverse developments that could occur between the time of the closing of [**REDACTED**] and the [**REDACTED**] and the time [**REDACTED**].

Future sales, or market perception of sales, of substantial amounts of our Shares or other securities relating to our Shares in the public market could materially and adversely affect the prevailing [REDACTED] of our Shares

Future sales by our shareholders of substantial amounts of our Shares or other securities relating to our Shares in the public markets after the [**REDACTED**], or the perception that these sales may occur, could adversely affect prevailing [**REDACTED**] from time to time. Please refer to "[**REDACTED**]" in this document for a more detailed discussion of restrictions that may apply to future sales of our Shares.

After these restrictions lapse, the market price of our Shares may decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. This could also materially adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate.

Investors will experience dilution in [REDACTED] adjusted net tangible assets because the [REDACTED] is higher than our net tangible assets per Share

Because the [**REDACTED**] of our Shares is higher than the net tangible assets per Share immediately prior to the [**REDACTED**], purchasers of our Shares in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] adjusted consolidated net tangible assets of HK$[**REDACTED**] per Share (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the stated [**REDACTED**] range, and assuming that the [**REDACTED**] for the [**REDACTED**] is not exercised). If we issue additional Shares in the future, purchasers of our Shares may experience further dilution in their ownership percentage.

Forward-looking information in this document may prove inaccurate

This document contains certain forward-looking statements and information relating to us that are based on our management's belief and assumptions. The words "anticipate", "believe", "estimate", "expect", "going forward" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect our management's current views with respect to future events and are subject to certain risks, uncertainties, and assumptions, including the risk factors described herein. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated, or expected.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and Controlling Shareholders, could adversely affect the [REDACTED] of our Shares

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the [**REDACTED**] of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which [**REDACTED**] in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

There is no assurance if and when we will pay dividends in the future

Distribution of dividends will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong

Our corporate affairs are governed by the Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This means that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and the Cayman Companies Act is set out in Appendix IV to this document.

We cannot guarantee the accuracy of certain facts and statistics derived from government sources contained in this document

We have derived certain facts and other statistic in this document relating to the PRC, the PRC economy and the pre-owned consumer electronics transaction services industry from various government publications or communications with various government agencies that we believe to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], or any of our or their respective directors and advisers or any other persons or parties involved in the [**REDACTED**], and no representation is given as to its accuracy. The facts and other statistics include but not limited to the facts and statistics included in the sections entitled "Risk Factors", "Industry Overview" and "Business".

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and you should not place undue reliance on them. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the [REDACTED]

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the [**REDACTED**]. Prior to the date of this document, there has been press and media coverage regarding us and the [**REDACTED**], which included certain financial information, projections, valuations, capital expenditure and other information about us and the [**REDACTED**] that do not appear in this document. 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 articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any such information included in or referred to by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding us or the [**REDACTED**]. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we would not accept any responsibility for it and you should not rely on any such information.

Accordingly, you are cautioned that, in making your decisions as to whether to purchase our [**REDACTED**], you should rely on the financial, operational, and other information included in this document. By applying to purchase our [**REDACTED**] in this [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than the information contained in this document.

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

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant for listing on the Stock Exchange must have sufficient management presence in Hong Kong, which normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since our headquarters and principal business operations and management of our Group are carried out in the PRC, our executive Directors are based in the PRC to better manage and attend to our Group's business operations. Therefore, 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 agreed to grant,] a waiver from strict compliance with the requirement 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. The two authorized representatives are Mr. Liu, our executive Director and Ms. Li Ching Yi (李菁怡), our joint company secretary. The authorized representatives will act as the principal channel of communication between the Stock Exchange and our Company. The authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;

(b) each of the authorized representatives has means to contact all Directors (including the non-executive Director and the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. We have provided the Stock Exchange with the contact details, including, mobile phone number, office phone number and email address, of all Directors to facilitate communication with the Stock Exchange;

(c) in compliance with Rule 3A.19 of the Listing Rules, we have retained Zero2IPO Capital Limited to act as our compliance advisor, will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the [**REDACTED**] and ending on the date that our Company publishes our financial results for the first full financial year after the [**REDACTED**] pursuant to Rule 13.46 of the Listing Rules;

(d) our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives and compliance advisor;

(e) each Director who is not ordinarily resident in Hong Kong has confirmed that each of them possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and

(f) we will retain a Hong Kong legal adviser to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations after our [**REDACTED**].

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

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

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

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

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

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

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

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules (i.e. not less than 15 hours of relevant professional training in each financial year); and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Pan Jianhong (潘劍虹) ("**Ms. Pan**"), our chief financial officer, as one of the joint company secretaries. Although Ms. Pan does not possess the qualification and sufficient relevant experience as stipulated in the Notes to Rule 3.28 of the Listing Rules, we would like to appoint her as our joint company secretary due to her past management experience and her thorough understanding of the internal administration and business operations of our Group. In addition, we have appointed Ms. Li Ching Yi ("**Ms. Li**"), who fulfils the requisite qualification as required under Note 1 to Rule 3.28 of the Listing Rules, to act as the other joint company secretary and to assist Ms. Pan to acquire the necessary qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules. Please refer to "Directors and Senior Management" for further information regarding the qualifications and experience of our joint company secretaries.

Apart from discharging her functions in her role as one of our joint company secretaries, Ms. Li will assist Ms. Pan in enabling her to acquire the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws. In addition, Ms. Pan will also attend relevant professional training during each financial year as required under Rule 3.29 of the Listing Rules.

We have applied for[, and the Stock Exchange has granted,] a waiver from strict compliance of Rules 3.28 and 8.17 of the Listing Rules in respect of the appointment of Ms. Pan as one of our joint company secretaries pursuant to paragraph 13 of Chapter 3.10 under the Guide on the following conditions:

(a) Ms. Pan must be assisted by Ms. Li, who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary of our Company throughout the validity period of the waiver;

(b) the waiver is valid for an initial period of three years commencing from the [**REDACTED**] and will be revoked immediately if Ms. Li ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company; and

(c) for as long as Ms. Pan is appointed as one of the joint company secretaries, during each financial year she will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules to enhance her knowledge of the Listing Rules.

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Liu Jianyi (劉劍逸)	Room 1202, Building 7 Xilirun City Garden Nanshan District, Shenzhen City Guangdong Province PRC	Chinese
Ms. Yu Hairong (余海容)	Room 501, Building 8, Science and Technology Park Area 58 2 Qingwu Road Nanshan District, Shenzhen City Guangdong Province PRC	Chinese
Mr. He Xiaomin (何小敏)	Room 13B, Building B Yuehua Pavilion Huali Road, Luohu District Shenzhen City Guangdong Province PRC	Chinese
Mr. Lin Lexin (林樂新)	Room 6, 15/F, Unit 1, Block C Jinling Holiday Apartment Futian District, Shenzhen City Guangdong Province PRC	Chinese
Non-executive Director		
Mr. Jiang Wen (蔣文)	Room 311, Building 5 Yueyuan Sancun, Xuanwu District Nanjing Jiangsu Province PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. How Sze Ming (侯思明)	Flat A, G/F, Block 3 Sandalwood Court St. Barths, 9 Yiu Sha Road Ma On Shan, New Territories Hong Kong	Chinese
Dr. Leung Kin Cheong Laurent (梁健昌博士)	Flat A, 3/F, Lok Yuen 24 College Road Kowloon City Kowloon, Hong Kong	Chinese
Ms. Wen Zhuyun (溫竹韻)	Room C, 5/F Fortune Villa, 63 Hill Road Pok Fu Lam, Hong Kong	Chinese

Please refer to "Directors and Senior Management" in this document for further information on our Directors.

Sole Sponsor	**Zero2IPO Capital Limited** Unit No. 1506B, Level 15 International Commerce Centre 1 Austin Road West Kowloon Hong Kong

[REDACTED]

Legal advisors to our Company	*As to Hong Kong law:* **Fangda Partners** 26/F, One Exchange Square 8 Connaught Place Central Hong Kong *As to PRC law:* **Han Kun Law Offices** 20/F, Kerry Plaza Tower 3 1-1 Zhongxinsi Road Futian District Shenzhen 518048 Guangdong PRC

	As to Cayman Islands law: **Conyers Dill & Pearman** 29th Floor One Exchange Square 8 Connaught Place Central Hong Kong
Legal advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law:* **Dentons Hong Kong LLP** Suite 3201, 32/F Jardine House, 1 Connaught Place Central, Hong Kong *As to PRC law:* **DeHeng Law Offices** 11/F, Building B, Anlian Building No. 4018 Jintian Road Futian District Shenzhen PRC
Auditors and Reporting Accountants	**KPMG** *Certified Public Accountants* 8/F, Prince's Building 10 Chater Road 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	**Zero2IPO Capital Limited** Unit No. 1506B, Level 15 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
[REDACTED]	[●]

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head office and principal places of business in the PRC	Room 001 No. 1397 Qingyuan Road Lingfeng Street Anji County, Huzhou City Zhejiang Province PRC 6/F, Building A, Incubation Building Taohuayuan Science and Technology Invocation Park, Xixiang Street Bao'An District, Shenzhen City Guangdong Province PRC
Principal place of business in Hong Kong	19/F, Golden Centre 188 Des Voeux Road Central Hong Kong
Company's website	www.shanhs.com *(the contents of this website do not form part of this document)*
Joint company secretaries	**Ms. Pan Jianhong (潘劍虹)** Room 935, Building C3 Vanke Wisdom Commercial Plaza, Guangzhou City Guangdong Province PRC **Ms. Li Ching Yi (李菁怡)** *ACG HKACG* 19/F, Golden Centre 188 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Authorised representatives (for the purpose of the Listing Rules)	**Mr. Liu Jianyi (劉劍逸)** Room 1202, Building 7, Xilirun City Garden, Nanshan District, Shenzhen City Guangdong Province PRC
	Ms. Li Ching Yi (李菁怡) *ACG HKACG* 19/F, Golden Centre 188 Des Voeux Road Central Hong Kong
Audit Committee	Mr. How Sze Ming (侯思明) *(Chairman)* Dr. Leung Kin Cheong Laurent (梁健昌) Ms. Wen Zhuyun (溫竹韻)
Remuneration Committee	Dr. Leung Kin Cheong Laurent (梁健昌) *(Chairman)* Mr. How Sze Ming (侯思明) Ms. Wen Zhuyun (溫竹韻)
Nomination Committee	Mr. Liu Jianyi (劉劍逸) *(Chairman)* Mr. How Sze Ming (侯思明) Dr. Leung Kin Cheong Laurent (梁健昌)

[**REDACTED**]

Principal banks	**Bank of China Limited, Shenzhen Longhua Branch** No. 442, Longhua Renmin North Road Longhua District Shenzhen City Guangdong Province PRC
	China Merchants Bank Limited, Shenzhen Hi-Tech Park, Kechuang Sub-branch 1/F, Devison Building No. 16 Gaoxin Nanqi Road, Hi-Tech Industrial Zone Nanshan District Shenzhen City Guangdong Province PRC

This section contains certain information, statistics and data which are derived from a commissioned report from Frost & Sullivan, an Independent Third Party (the "F&S Report"). We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Neither we nor any other party involved in the [**REDACTED**] *have independently verified information from official government sources, and neither we nor any other party involved in the* [**REDACTED**] *are giving any representation as to the accuracy or completeness of such information. Investors are cautioned not to place any undue reliance on the information, including statistics and estimates, set forth in this section or similar information included elsewhere in this document. For a discussion of risks relating to our industries, see the section headed "Risk Factors – Risks Related to Our Business and Industry."*

SOURCE OF INFORMATION

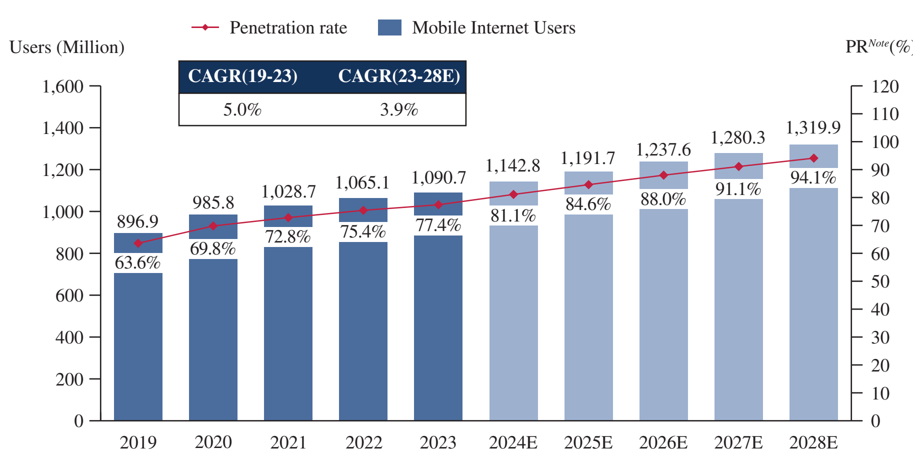
We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis and prepare a report on the pre-owned consumer electronics products transaction market and mobile phone recycle market in China for the use in this Document, which was commissioned by us for a fee of RMB1,440,000. In compiling and preparing the F&S Report, Frost & Sullivan adopted the following assumptions: (i) The social, economic and political conditions in China currently discussed will remain stable during the forecast period; (ii) Government policies on pre-owned consumer electronics products transaction market and mobile phone recycle market in China discussed will remain consistent during the forecast period; (iii) China's pre-owned consumer electronics products transaction market and mobile phone recycle market will be driven by the factors which are stated in this report. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the F&S Report and up to the date of this document that would materially qualify, contradict or have an impact on such information.

OVERVIEW OF MACRO ECONOMY IN CHINA

Number of Mobile Internet Users with Penetration Rate

With the government's continuous efforts on the development of relevant network infrastructure, more people have access to internet in China. In recent years, mobile devices are becoming more prevalent in China with growth coming from new mobile phone users in the younger and older age groups. The robust growth of mobile devices promotes the mobile Internet usage. The number of mobile Internet users has increased from 896.9 million in 2019 to 1,090.7 million in 2023, representing a CAGR of 5.0%. The penetration rate of mobile Internet users increased from 63.6% in 2019 to 77.4% in 2023. With continual improvement of features and applications, mobile Internet penetration rate is expected to further increase to 94.1% in 2028.

Number of Mobile Internet Users, China, 2019-2028E



Note: PR represents penetration rate, equals to number of mobile internet accounts owned by users divided by total population.

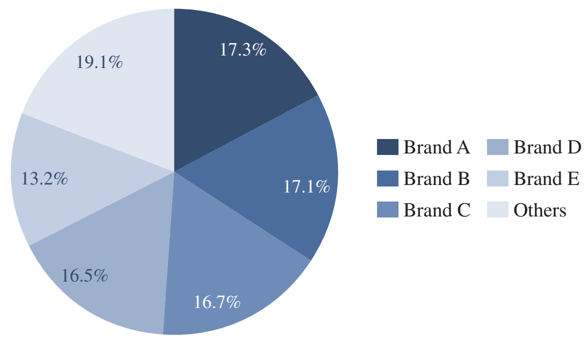
Source: Ministry of Industry and Information Technology, Frost & Sullivan

New Mobile Phone Shipments

China's mobile phone shipments has gained global leadership over the past decade, despite the recent decrease in volume due to the pandemic impact, China is forecasted to maintain its leading position. Launch and commercialization of 4G mobile phone has led to the mobile phone shipment to reach a spike in 2019, which subsequently is followed by a downward trend after the mass commercialization of 4G technology in 2019. The mobile phone shipments in China was 289.0 million in 2023, representing a 6.3% increase compared to 2022 due to the recovery of the pandemic. In future, new mobile phone shipments in China are expected to increase at a CAGR of 3.4% during 2023 to 2028, reaching around 340.9 million units in 2028.

Consumption upgrade of new mobile phones will lead to the increase in consumers' needs to deal with their used or idle mobile phones, leading to future growth of pre-owned consumer electronics products transaction market and mobile phone recycle market in China.

New Mobile Phones Shipment of Major Brands, China, 2023



Source: Frost & Sullivan

ANALYSIS OF MOBILE PHONE RECYCLE MARKET IN CHINA

Definition and Classification

Mobile phone recycle activities refer to the recycling of mobile phones either from individual consumers or merchant users.

Before 2010, the majority of participants in the mobile phone recycle market in China were conventional offline merchants such as regional dealers and recyclers. During 2010 to 2017, increasing number of online pre-owned consumer electronics service providers were established, leading the mobile phone recycle industry to enter the internetization stage. After 2017, online recycling pre-owned consumer electronics service providers have been developing rapidly, with focus on investing and build up their proprietary automated appraisal, inspection, pricing, and payment systems with innovative technologies including big data and artificial intelligence, which helps to set up benchmarks for quality and pricing of the mobile phone recycle market in China.

The recycling of mobile phones solutions can be classified into two types, namely trade-in solution (以舊換新) and sale solution (閒置回收). Individual consumers or merchant users typically obtain the estimated pricing given by pre-owned consumer electronics service providers or merchants, and then can decide whether to proceed with trade-in or sale based on the estimated pricing and the need of new mobile phone purchase.

- For trade-in solution, individual consumers or merchant users usually recycle their pre-owned mobile phones to online pre-owned consumer electronics service providers or merchants to compensate the purchase of new mobile devices. Leading online pre-owned consumer electronics service providers usually choose to establish business partnerships with e-commerce or other online pre-owned consumer electronics service providers, consumer electronic brands, mobile phone dealers and mobile network operators to offer new devices, and customers will receive coupon or discount for purchasing new device. The trade-in solutions not only help business partners drive up new device sales, but also cultivate the loyalty of consumers and help online pre-owned consumer electronics service providers expand their sources of recycled mobile phones.

- For sale solution, individual consumers or merchant users recycle devices in exchange for cash or environmental reward points without purchasing the new one. The price is typically determined automatically by pricing system based on the data pool cumulated by online pre-owned consumer electronics service providers or determined manually, and consumers can decide whether to proceed with selling or wait for a new buyer.

Value Chain

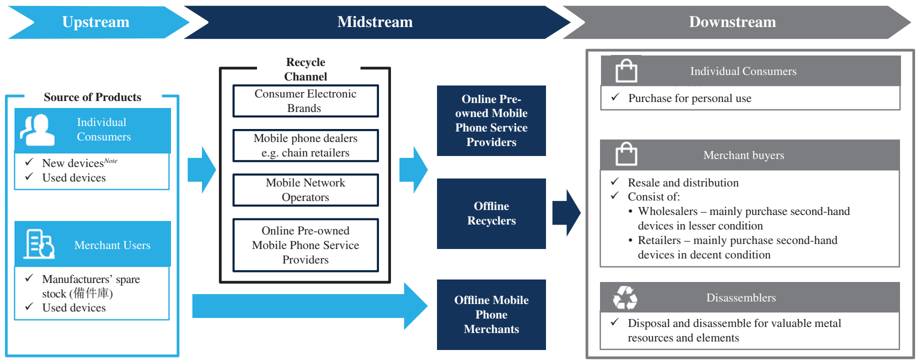
Upstream of mobile phone recycle market refers to the sources of pre-owned mobile phones, which include individual consumers and merchant users. Individual consumers are the major source, making the supply of pre-owned mobile phones highly dispersed.

Through recycle channels, mobile phones will flow to the midstream of the market, which mainly include online pre-owned consumer electronics service providers, consumer electronic brands, mobile phone dealers inclusive of chain retailers, and mobile network operators. Recycle channels such as consumer electronic brands, mobile phone dealers and mobile network operators are also the typical channels for customers to opt trade-in solution of their pre-owned mobile phones.

Midstream of the market includes pre-owned consumer electronics service providers, recyclers and mobile phone dealers. Recyclers and mobile phone merchants refer to the entities which intend to recycle or resell the mobile phones for profits. They usually operate in the offline channel. Recycling online pre-owned consumer electronics service providers usually operate the omni-channel recycling business, which own advanced proprietary technological capabilities such as appraisal, inspection, pricing, data erasing and other value-added services.

Downstream of the market includes individual consumers, merchant buyers and disassemblers. Individual consumers purchase for personal use. Merchant buyers purchase for resale and distribution, which consist of wholesalers and retailers. Among them, the wholesalers mainly purchase second-hand devices that are in lesser condition. The retailers mainly purchase devices that are in decent condition, which may have minor defects and are generally resold directly after purchase. Disassemblers deal with disposal if the recycled devices are considered to be defective or with little usage value.

Industry Value Chain of Mobile Phone Recycle Market, Mainland China



Note: New devices refer to those new mobile phones which remain idle or redundant for owners.

Source: Frost & Sullivan

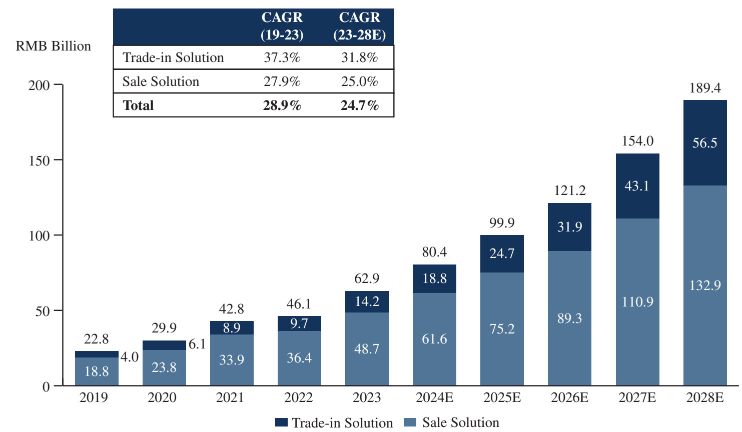
Transaction Value of Mobile Phone Recycle Market in China

Transaction value of mobile phone recycle market takes into account the transaction value of pre-owned mobile phones recycled from either individual consumers or merchant users. In terms of the transaction value of mobile phones recycled under trade-in solution, the market climbed rapidly from RMB4.0 billion in 2019 to RMB14.2 billion in 2023, representing a CAGR of approximately 37.3%, and is expected to grow further to approximately RMB56.5 billion in 2028 in China.

Regarding the transaction value of mobile phones recycled under sale solution, the figure increased from approximately RMB18.8 billion in 2019 to approximately RMB48.7 billion in 2023, and is expected to grow further to approximately RMB132.9 billion in 2028.

In future, considering the world's declaration of the end to COVID-19 as an public health emergency and China's economy is in recovery phase, the increasing consciousness of environmental protection and developing recycling and circulation economy, the market will further grow. The sale solution is the major way of recycling mobile phones in the PRC in 2023.

Transaction Value of Mobile Phone Recycle Market*Note*, China, 2019-2028E



Note: The transaction value of mobile phone recycling service market only includes the transaction value of the mobile phone recycling process.

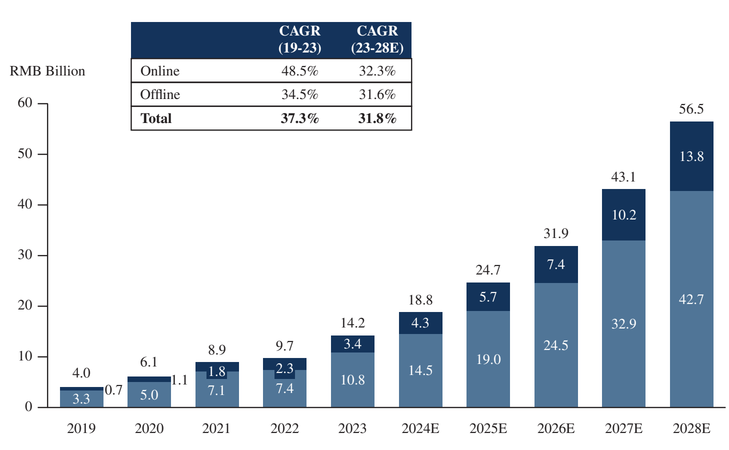
Source: Frost & Sullivan

Transaction Value of Mobile Phone Recycled under Trade-in Solution

In terms of channel breakdown of transaction value, offline channel remains the major channel for mobile phone recycled under trade-in solution, taking up approximately 77% of the total market size in 2023.

The offline number increased from approximately RMB3.3 billion in 2019 to approximately RMB10.8 billion in 2023, with a CAGR of approximately 34.5%. In future, following the trend of increasing volume of mobile phone recycled under trade-in solution through offline channel, the market is expected to maintain the upward momentum, with the figure reaching approximately RMB42.7 billion in 2028, representing a CAGR of approximately 31.6% during 2023 to 2028.

Channel Breakdown of Transaction Value of Mobile Phone Recycled under Trade-in Solution, China, 2019-2028E

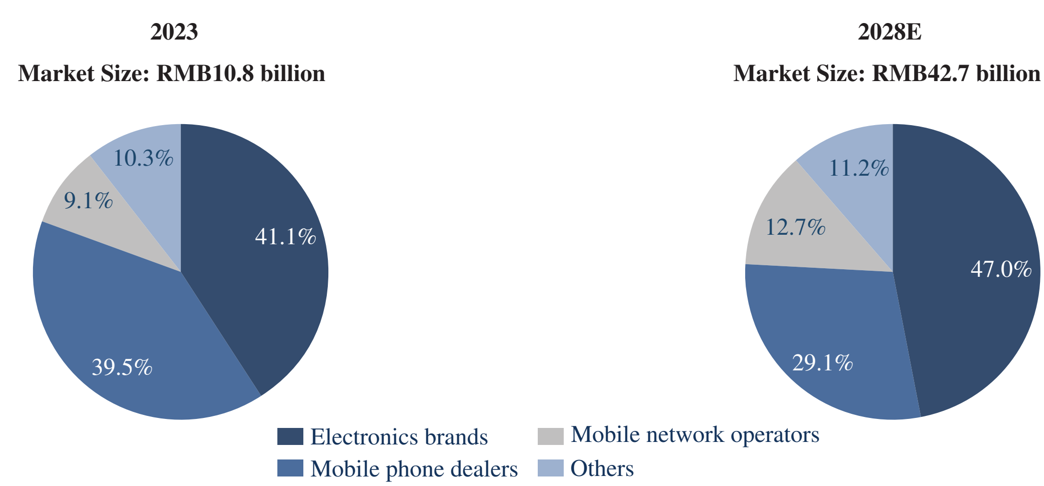


Source: Frost & Sullivan

In terms of transaction value of mobile phone recycle market through offline trade-in solutions, consumer electronic brands and mobile phone dealers inclusive of chain retailers are the main channels in 2023, accounting for around 41.1% and 39.5% respectively. Other channel inclusive of those offline counters or stores operated by pre-owned consumer electronics service providers, takes up around 10.3% of the total market.

Considering the rapid development of consumer electronic brands channel, mobile network operators and offline counters or stores operated by pre-owned consumer electronics service providers, in 2028, market share of consumer electronic brands, mobile phone dealers, mobile network operators and others are expected to be around 47.0%, 29.1%, 12.7% and 11.2%, respectively. Mobile network operators are cooperating with pre-owned consumer electronics service providers and mobile phone dealers to offer trade-in solutions and therefore its market share is expected to increase further in the forecast period.

Channel Breakdown of Transaction Value of Mobile Phone Recycled under Offline Trade-in Solution, China, 2023 & 2028E



Source: Frost & Sullivan

ANALYSIS OF PRE-OWNED CONSUMER ELECTRONICS PRODUCTS TRANSACTION MARKET IN CHINA

Definition and Classification

The pre-owned consumer electronics products transaction market refers to the buying, selling, and trading of secondhand or refurbished electronic devices such as smartphones, laptops, tablets, and others, which include both the recycling and sales sides.

The pre-owned consumer electronics market operates through various business models, including C2B, B2C, C2B2C, B2B, and C2C. C2C involves direct consumer-to-consumer transactions, while C2B enables consumers to sell products to platforms/merchants first for recycling and then sold to following step merchants through B2B model or end customers through B2C model. B2C platforms/merchants sell pre-owned consumer electronics to consumers after buying the products first, while C2B2C involves platforms acting as intermediary between consumers providing services such as quality inspection and pricing assessment. In addition, B2B transactions occur between platforms/merchants often in bulk.

Business Models of Pre-owned Consumer Electronics Products Transaction Market

C2B (consumer to business)	• Company combines online recycling, offline establishment of stores, and cooperation with retail stores Generally, the C2B model does not exist independently, and after the second-hand consumer electronics devices are recycled, they will flow into the market again after quality inspection and other processes through B2B or B2C models.
B2B (business to business)	• Company provides option of high-efficiency bulk transactions for small and medium-sized merchants, which helps with shortening the business side transaction process. It is another development direction for upstream companies to further penetrate the secondhand transaction industry chain. In addition, it can provide certification service, pricing suggestions and inventory turnover optimization for small businesses.
B2C (business to consumer)	• Company integrates resources and sells consumer electronics products to consumers with a self-operated model, and provides after-sales service, which solves consumers' concerns about the quality of second-hand mobile phones. The sales channels include both online and offline to end customers.
C2C (consumer to consumer)	• Platform gathers fragmented transaction needs connecting individual transaction parties directly acting as information intermediary without providing services such as quality inspection and pricing assessment. Or the transaction can happen between individual sellers and buyers directly without the market place platform.
C2B2C (consumer to business to consumer)	• Company connects both transaction parties by providing services such as quality inspection, quality assurance, pricing assessment and after-sales services. It can also help eliminating the information transparency issue of transaction participants compared with C2C model.

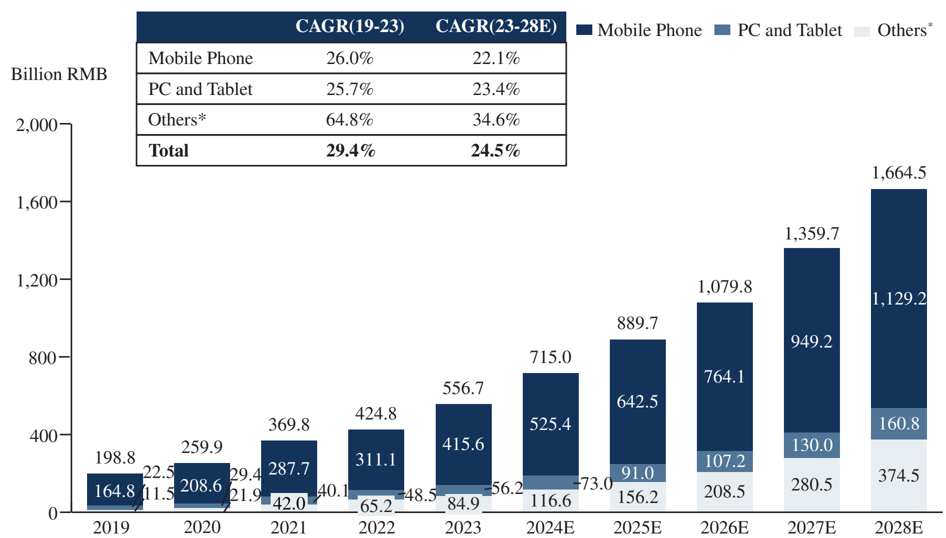
Source: Frost & Sullivan

Market Size

China's pre-owned consumer electronics products transaction market has been developing rapidly in the past five years. From 2019 to 2023 and measured by distribution transaction value, which includes transaction value of consumer electronics in between consumers and consumers, consumers and merchants, and merchants and merchants, the market grew from RMB198.8 billion to RMB556.7 billion, with a CAGR of 29.4%. Among all categories, mobile phone took the majority of market share, with around 75% in 2023. In February 2024, the General Office of the State Council issued the Opinions on Accelerating the Construction of a Waste Recycling System which, among others, calls for the standardization of trading activities in connection with second-hand goods and encourages the development of the "internet & second-hand" business model. It also proposes to introduce regulations related to information clearance methods for consumer electronic products such as tablets and mobile phones when traded by second-hand goods trading enterprises, ensuring the security of seller information during such transactions.

In the forecast period, driven by government supports on circulation economy, consumers' demand for disposing or replacing used consumer electronics products due to technology upgrade such as the adoption and popularization of 5G network, as well as the vigorous development of offline recycling channels for pre-owned consumer electronics which provides more convenience to consumers to sell and purchase pre-owned products, the market is expected to experience further growth, reaching RMB1,664.5 billion in 2028 with a CAGR of 24.5% in the forecast period. Consumers' increasing needs of dealing with used or idle consumer electronics products contribute to the flourishing of consumer electronics product recycling activities.

Market Size of Pre-owned Consumer Electronics Products Transaction Market (by Distribution Transaction Value[(1)]), China, 2019-2028E



Notes:

(1) Distribution transaction value refers to the total transaction value of pre-owned products circulating in the market through all process, including recycling, end sales, B2B circulation, direct transactions between pre-owned products sellers and end buyers, etc.

(2) Others include headphones, cameras, portable players and wearable electronics.

Source: Frost & Sullivan

Market Drivers

Abundant Supply of Consumer Electronics Products

With the largest population base in the world, China has vast demand for consumer electronics products, creating abundant potential supply of secondhand goods available for resale. The consumer electronics products brands launch products with different consumer needs 1-2 times a year. Also, the consumption power of consumers will increase due to the continuous development of economy, and consumers tend to change their electronic devices more often, which has resulted in an abundant supply of pre-owned consumer electronics goods. For instance, among 3C products, new mobile phones shipments is expected to grow from 289.0 million to 340.9 million during 2023 to 2028, with a CAGR of 3.4%, and pre-owned or idle mobile phones available for resale or recycle is estimated to be 1,016.7 million in terms of volume by 2028, considering the commercialization of 5G technology and telecom device upgrade, the 3C products figure is expected to be 1,497.0 million by 2028.

Improving Consumer Electronics Products Recycling Services

As the pre-owned consumer electronics products transaction market becomes more mature, players in the industry are striving to provide users with transparent, diversified and comprehensive value-added services. The communication channel between buyers and sellers is more convenient and direct. Leading recycling service providers are investing heavily to establish their operation centers equipped with proprietary technologies such as big data and artificial intelligence to facilitate the process of appraisal. When pre-owned consumer electronics products are recycled, the devices can be thoroughly tested and appraised for quality assurance purposes. During the purchasing process, players in the industry are providing value-added services such as price protection, product warranty, and personal after-sales customer service to attract consumers. At the same time, players in the mobile phone recycling industry will also benefit from the gradual maturity of the market, which can then lead to increasing sales volume and revenue.

Favorable Policy Support of the Government

The government has been advancing equipment upgrades and trade-in initiatives for consumer goods. In March 2024, the State Council issued the Action Plan for Promoting Large-Scale Equipment Upgrades and Trade-in Programs for Consumer Goods (《推動大規模設備更新和消費品以舊換新行動方案》), putting forward to improve the recycling network for used products and equipment, and supporting the circulation and trade of second-hand goods, which further creates favorable political environment for pre-owned consumer electronics transaction market. The government also has been encouraging the development of green and recycling economy. China raised "Double Carbon Target" (雙碳目標) in United Nations Congress, i.e. carbon emission to reach peak by 2030 and to become neutral by 2060, showing the determination and ambitions to fight against the global climate change and move towards sustainable, green and recycling economy development.

Consumption Behaviour Changes towards Pre-owned Mobile Phones

People's consumption philosophy is changing towards rational decision-making purchase, and it becomes not necessarily important for people to purchase brand new mobile phones, due to the high price of new mobile phones with no major breakthroughs in technology make it an alternative for consumers who cannot afford new mobile phones to look for cheap pre-owned mobile phones. Meanwhile, the recovery of new mobile phone shipment and sales with upgrading demand support the market activity of pre-owned mobile phones. Moreover, with the increasing consciousness on the importance of environmental protection and realization of social responsibility, it becomes more acceptable for people to consider buying pre-owned mobile phones, so as to make contributions to developing green and recycling economy. In 2023, developed countries such as the US and Japan have the mobile phone recycling rate, measured as transaction volume of mobile phones recycled over sales volume of new mobile phones during given period, ranging from approximately 55% to 75%, whilst China's mobile phone recycling rate is approximately 32.1% in 2023, which is a significant improvement from 11.5% in 2019. In spite of this, there is still a large room for growth compared to developed countries, indicating the potential development and market growth of China's mobile phone recycle industry.

Longer Life-cycle of Smartphones

Mobile phone is the most commonly used consumer electronic device, which plays an essential role in people's daily life in Mainland China. Leading consumer electronic brands such as Xiaomi and Huawei have taken product quality and battery life extremely seriously in their developments of product models. With the advancement of the lithium battery technology, the lifetime and turnover rates of used devices are expected to increase in the forecast periods. Extending the lifespan of smartphones will lead to an overall improvement in the quality and condition of pre-owned mobile phones, which will contribute to higher acceptance of pre-owned mobile phones from buyer side and thus drive the market demand growth. Therefore, the mobile phone recycle market in China is expected to embrace a rapid growth in the forecast periods.

AI Smartphones Upgrading Demand

In recent years, the rise of artificial intelligence technology has begun to take root in the smartphone domain, with OPPO's flagship AI smartphone Find X7, featuring a platform equipped with generative AI capabilities, launched in 2024. It is expected that AI-driven devices will become the next stage after the era of smartphones. As consumers seek for the latest AI features and performance, the trend is expected to lead to a wave of phone upgrades and replacement. Consequently, the mobile phone recycle market is expected to be driven by the introduction of AI mobile phone with increasing supply of pre-owned mobile phones.

Challenges and Threats

Longer Consumer Habits Formation Period

The prolonged consumer habits formation period presents a potential challenge to the mobile phone recycle market. It may take longer for consumers than expected to engage in the buying and selling of pre-owned mobile phones, resulting in a reduced turnover of devices for recycling. Efforts to address this challenge can focus on enhancing consumer awareness and participation in recycling initiatives.

Lack of Unified Recycling Standards

Currently, the mobile phone recycling industry in China lacks unified recycling standards. Different recycling companies use their own standards, which not only affects the overall efficiency of the industry but also may cause confusion and inconvenience for consumers. It is anticipated that the industry will see more standardized regulations in the future, promoting uniformity and ensuring proper operations. This will enhance transparency, improve product quality, and bolster environmental sustainability efforts.

Development Trend

Development of Recycling Service Providers

From 2019 to 2023, the majority of pre-owned mobile phones were recycled by merchants in Mainland China in the offline channel, while increasing market share of mobile phones recycled by service providers companies is expected to become the main market development trend in the forecast periods due to the rapid developments of Internet Infrastructure and continuous expansion of online internet users. Existing recycling service providers are leveraging e-commerce channels to access potential customers, and guide customers either to their offline stores or online portals ranging from WeChat or Alipay mini program to online mobile app. Recycling service providers value-added services including appraisal, inspection, pricing, and data erasing, which makes recycling service providers more favorable to both suppliers and consumers in the mobile phone recycle market. The emergence of online pre-owned consumer electronics recycling service providers primarily affects the sales solution, while the trade-in solution, mainly conducted through offline channels, is less affected.

High Inventory Turnover with No Shortage of Purchasers

Pre-owned mobile phones have always been in short supply in the Chinese market and is estimated to continue to be so in the future. In the recycling industry, there are generally no shortage of purchasers of pre-owned mobile phones as there will always be a right buyer for any pre-owned mobile phone across the entire quality spectrum. The average inventory turnover was approximately 10 to 15 days.

In-depth Cooperation with New Mobile Phone Suppliers

The leading mobile phone recycling service providers will choose to cooperate with renown consumer electronic brands such as Samsung and Xiaomi, which establishes the mutually beneficial business model for each party. For example, under trade-in solution, recycling service providers offer customers new devices, and service providers will receive subsidies from consumer electronic brands for every trade-in transaction happened. Trade-in not only helps those business partners to accelerate sales and marketing of their new devices, but also help recycling service providers expand their sources of supply leveraging the huge customer base of those consumer electronic brands.

COMPETITIVE ANALYSIS OF MOBILE PHONE RECYCLE MARKET IN CHINA

Market participants of mobile phone recycle market in Mainland China can be categorised into three types based on product categories and channels, namely vertical mobile phone recycling service providers, comprehensive secondhand and resale service providers, and merchants.

With the rapid development of mobile phone recycling service providers in China, they are continuously improving the transaction speed of pre-owned mobile phones by facilitating trade-in and sale services, which further empower market participants and standardize the mobile phone recycle ecosystem in Mainland China.

- ***Vertical mobile phone recycling service providers*** that are typically with diverse sources of supply of mobile phones, and have established the omni-channel mobile phone recycle business specializing in the collection of pre-owned mobile phones.

- ***Comprehensive secondhand and resale service providers*** that are typically with rich resources, diversified categories, large user base and large transaction volume. These service providers usually cooperate with leading e-commerce service providers to facilitate the transactions in China.

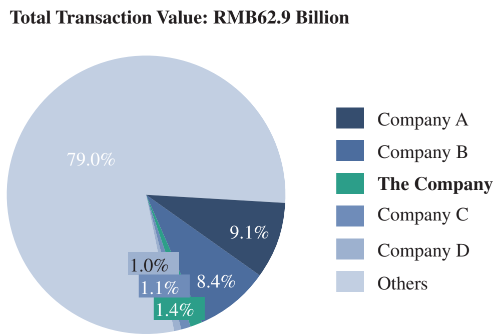
- ***Merchants*** that mainly operate in the offline channel, and the majority of merchants are regional mobile phone dealers, which have relatively dispersed sources of supply. Therefore, an increasing number of merchants choose to recycle mobile phones through recycling service providers, which will charge commission fees upon every mobile device transacted.

Mobile Phone Recycling Service Providers Ranking by Total Transaction Value in China, 2023

In 2023, the top five market players contributed 21.0% market shares of China's mobile phone recycle market in terms of total transaction value of mobile phones.

Our Company is the third largest mobile phone recycling service providers in terms of total transaction value of mobile phones in 2023, with a transaction value of RMB0.9 billion, accounting for 1.4% of the market.

Top 5 Mobile Phone Recycling Service Providers (by total transaction value[1]), China, 2023



Rank	Company	Total Transaction Value (RMB Billion)	Market Share
1	Company A[2]	5.7	9.1%
2	Company B[3]	5.3	8.4%
3	**The Company**	**0.9**	**1.4%**
4	Company C[4]	0.7	1.1%
5	Company D[5]	0.6	1.0%
	Others	49.7	79.0%
	Total	**62.9**	**100.0%**

Notes:

(1) Total transaction value refers to the total transaction value of mobile phones recycled from consumer side.

(2) Company A, established in 2011, is a company listed on the New York Stock Exchange and headquartered in Shanghai, and focus on cell phones, laptops and other electronic digital products recycling businesses and trade-in service providers.

(3) Company B, established in 2015, is a company headquartered in Beijing, and the second-hand trading categories such as cell phones, 3C digital, books, clothing, shoes and hats, furniture and home appliances, etc.

(4) Company C, established in 2014, is a company headquartered in Shenzhen, and which is an enterprise with the core of trading using mobile digital products.

(5) Company D, established in 2020, is a company headquartered in Shenzhen, and the core business is the recycling, disposal and sale of second-hand 3C products.

Source: Frost & Sullivan

Mobile Phone Recycling Service Providers Ranking by Sales Value in China, 2023

In 2023, the Company was the third largest mobile phone recycling service provider in terms of the sales value of mobile phones recycled from consumers.

Top 5 Mobile Phone Recycling Service Providers (by sales value[1]), China, 2023

Rank	Company	Sales Value (RMB Billion)
1	Company B[3]	7.3
2	Company A[2]	7.1
3	**The Company**	**1.0**
4	Company C[4]	0.9
5	Company D[5]	0.7

Notes:

(1) Sales value refers to the sales value of mobile phones recycled from consumer side.

(2) Company A, established in 2011, is a company listed on the New York Stock Exchange and headquartered in Shanghai, and focus on cell phones, laptops and other electronic digital products recycling businesses and trade-in service providers.

(3) Company B, established in 2015, is a company headquartered in Beijing, and the second-hand trading categories such as cell phones, 3C digital, books, clothing, shoes and hats, furniture and home appliances, etc.

(4) Company C, established in 2014, is a company headquartered in Shenzhen, and which is an enterprise with the core of trading using mobile digital products.

(5) Company D, established in 2020, is a company headquartered in Shenzhen, and the core business is the recycling, disposal and sale of second-hand 3C products.

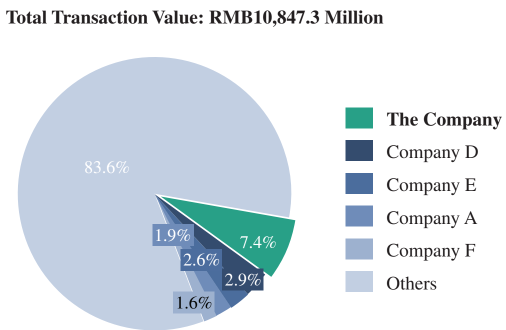
Source: Frost & Sullivan

Mobile Phone Recycling Service Providers Ranking by Offline Trade-in Transaction Value in China, 2023

In 2023, the top five market players contributed 16.4% market shares of China's offline trade-in mobile phone recycle market in terms of total transaction value of mobile phones.

Our Company has established business partnerships with consumer electronic brands, merchants inclusive of chain retailers and mobile network operators to offer trade-in service to customers in the offline channel. In 2023, our Company has over 100 thousand offline partnership stores with sustainable store visits, which help our Company establish competitive advantages in the offline trade-in solution. Our Company is the largest offline trade-in mobile phone recycling service providers in terms of total transaction value of mobile phones in 2023, with a transaction value of RMB799.9 million, accounting for 7.4% of the market.

Top 5 Mobile Phone Recycling Service Providers (by offline trade-in transaction value[(1)]), China, 2023



Rank	Company	Offline Trade-in Transaction Value (RMB Million)	Market Share
1	**The Company**	**799.9**	**7.4%**
2	Company D[(3)]	316.4	2.9%
3	Company E[(4)]	286.1	2.6%
4	Company A[(2)]	205.8	1.9%
5	Company F[(5)]	177.4	1.6%
	Others	9,061.7	83.6%
	Total	**10,847.3**	**100.0%**

Notes:

(1) Offline trade-in transaction value refers to the total transaction value of mobile phones recycled from consumer side through offline channel under trade-in solution.

(2) Company A, established in 2011, is a company listed on the New York Stock Exchange and headquartered in Shanghai, and focus on cell phones, laptops and other electronic digital products recycling businesses and trade-in service providers.

(3) Company D, established in 2020, is a company headquartered in Shenzhen, and the core business is the recycling, disposal and sale of second-hand 3C products.

(4) Company E, established in 2013, is a company headquartered in Guangzhou, and which is a one-stop cell phone recycling service platform with patented technology and brand.

(5) Company F, established in 2015, is a company headquartered in Beijing, and support second-hand recycling, repair and trade-in of cell phones, tablets, computers and home appliances.

Source: Frost & Sullivan

Entry Barriers

Recycle Channel Barrier

The leading mobile phone recycling service providers have established omni-channel recycle network with rich sources of supply and large user base. In the offline channel, existing recycling service providers choose to jointly operate offline stores with consumer electronic brands providing trade-in services for customers, which can not only help those business partners to accelerate sales and marketing of their new devices, but also help recycling service providers expand their sources of supply. In the online channel, service providers choose to establish business partnerships with e-commerce service providers to leverage their online traffic to access potential customers. However, it is difficult for new entrants to establish recycle business in various channels, and obtain sustainable sources of supply.

Fulfillment and Service Barrier

Due to high price characteristics of pre-owned mobile devices, customers become more price sensitive and concerned about the authenticity of the electronics. Existing mobile phone recycling service providers usually provide value-added services including appraisal, inspection, pricing, data erasing and other services. They have established mature evaluation metrics to create objective evaluation reports for users. Mature and outstanding after-sales service systems could solve potential concerns of customers, which can help service providers further build their brand equity in the market. For the new entrants, it would be difficult to establish the comprehensive service systems in the short term.

Brand and Trust Barrier

Because of the lack of information transparency in traditional mobile phone recycle market, user complaints such as false description, artificially high price, fake products, and lack of after-sales services, can create adverse impacts on the service providers. With service providers offering detailed inspection reports and quality guarantees for items being sold, stable order fulfillment and high product turnover will be ensured. New entrants have to figure out solutions to enhance service providers in a manner to enhance information transparency and build up trust, to continuously attract, engage, and retain active customers.

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China.

REGULATIONS RELATING TO FOREIGN INVESTMENT

On March 15, 2019, the National People's Congress (the "**NPC**") promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**") which became effective on January 1, 2020 and replaced the Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), the Law of the PRC on Chinese-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) and the Law of the PRC on Chinese foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》). The FIL, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition. Pursuant to the FIL, "foreign investments" refer to any direct or indirect investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) 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) other forms of investments as specified in laws, administrative regulations, or as stipulated by the State Council.

According to the FIL, foreign investment shall enjoy the 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." The FIL provides that foreign-invested entities operating in foreign "restricted" or "prohibited" industries will require entry clearance and other approvals.

On December 26, 2019, the State Council promulgated the Implementation Rules for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementation Rules**") 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.

On October 26, 2022, the Ministry of Commerce of the PRC (the "**MOFCOM**") and the National Development and Reform Commission of the PRC (the "**NDRC**") released the Catalog of Encouraged Industries for Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the "**Encouraged Catalog**") which became effective on January 1, 2023, to replace the previous encouraged catalog. On December 27, 2021, MOFCOM and the NDRC released the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) (《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 Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version) (《外商投資准入特別

管理措施(負面清單)(2020年版)》), which was promulgated on June 23, 2020. The Encouraged Catalog and the 2021 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 Encouraged Catalog or the 2021 Negative List are generally deemed as falling into a fourth category "permitted" unless specifically restricted by other PRC laws.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation (the "**SAMR**") issued the Measures on Reporting Foreign Investment Information (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the Measures on Reporting Foreign Investment Information, 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.

As Zhejiang Shanhui and Shenzhen Xinghe, direct wholly-owned subsidiaries of Shanhui Technology, are foreign-invested enterprises and Zhejiang Shanhui is the holding company of our other PRC subsidiaries, our business operations in the PRC are subject to the PRC laws and regulations relating to foreign investment.

REGULATIONS RELATING TO INTERNET INFORMATION SERVICES AND VALUE-ADDED TELECOMMUNICATIONS SERVICES

Internet Information Services

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the "**Internet Measures**"), which was promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, Internet information services are categorized as either commercial or non-commercial services. Commercial Internet information services are subject to a permit system while non-commercial Internet information services to a record-filing system. Entities engaged in providing commercial Internet information services shall apply for a license for value-added telecommunications services of Internet information services with the competent telecom administrative authority or the State Council's department in charge of the information industry. As for the operation of non-commercial Internet information services, only a filing with the competent telecom administrative authority or the State Council's department in charge of the information industry is required.

Mobile Internet Application Information Services

According to the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (the "**Mobile Applications Administrative Provisions**"), which was issued by the Cyberspace Administration of China (the "**CAC**") on June 28, 2016 and last amended on June 14, 2022 and came into effect on August 1, 2022. Pursuant to the Mobile Applications Administrative Provisions, application information service providers shall obtain the relevant qualifications prescribed by laws and regulations, strictly implement their information content administrator responsibilities and carry out certain duties, including authenticating the real identity information of users, establishing and completing information content inspection and management mechanisms, fulfilling the data security protection obligations and regulating personal information processing activities. Furthermore, internet application information service providers shall sign service agreements with registered users to determine both sides' rights and obligations.

License for Value-added Telecommunications Services

According to the Administrative Measures on Telecommunications Business License (《電信業務經營許可管理辦法》) promulgated by the Ministry of Industry and Information Technology of the PRC (the "**MIIT**") on March 1, 2009, last amended on July 3, 2017, and subsequently effective on September 1, 2017, the telecommunications business may be operated only after a business permit has been obtained from the telecommunications administrative department in accordance with the law. According to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**"), which was enacted on September 25, 2000 and amended on February 6, 2016, telecommunications services are divided into basic telecommunications services and value-added telecommunications services. The telecommunications business operator shall indicate its business license number on a prominent place such as the main business premise, website homepage and business promotion materials. In addition, the holder of a value-added telecommunications services license is required to obtain approval from the original issuing authority in respect of any change of its operating entity, business scope or shareholders. In addition, according to the Classification Catalog of Telecommunications Services (2015 version) (《電信業務分類目錄(2015年版)》) (the "**2015 Telecom Catalog**") which came into force on March 1, 2016 and amended on June 6, 2019 by MIIT, "B21 Online Data Processing and Transaction Processing Services" under the same category refer to the services of online data processing and transaction/affair processing provided for users through public communication networks or the Internet, by utilizing various kinds of data and affair/transaction processing application platforms that are connected to public communication networks or the Internet. The services of online data processing and transaction processing include transaction processing services, electronic data exchange services and network/electronic equipment data processing services.

Foreign Investment in Valued-Added Telecommunications Business

According to the Circular of the Ministry of Information Industry of the PRC on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) promulgated by Ministry of Information Industry of the PRC (which has now been merged into MIIT) and effective on July 13, 2006, foreign investors can only operate a telecommunications business in the PRC through establishing a foreign-invested telecommunications enterprise with a valid telecommunications business operation license; domestic license holders are prohibited from leasing, transferring or selling telecommunications business operation licenses to foreign investors in any form, or providing any resource, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunications business in the PRC.

According to the Administrative Regulations for Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "**FITE Regulations**"), promulgated by the State Council on December 11, 2001 and amended on September 10, 2008, February 6, 2016 and March 29, 2022, foreign-invested value-added telecommunications enterprises in the PRC shall be established as sino-foreign equity joint ventures, and the ultimate foreign equity ownership in a foreign-invested value-added telecommunications enterprise shall not exceed 50%. In addition, foreign-invested value-added enterprises shall obtain approvals from the MIIT or its authorized local counterparts after its establishment.

According to the Notice of the MIIT concerning Lifting Restrictions on the Proportion of Foreign Equity in Online Data Processing and Transaction Processing Business (for-profit E-commerce) (《工業和信息化部關於放開在線數據處理與交易處理業務(經營類電子商務)外資股比限制的通告》) promulgated on June 19, 2015, foreign investors are allowed to hold up to 100% of all equity interest in the online data processing and transaction processing business (operational e-commerce) in the PRC. An e-commerce operator shall obtain a license for value-added telecommunications services with the specification of online data processing and transaction processing business from appropriate telecommunications authorities, pursuant to the Telecommunications Regulations and the 2015 Telecom Catalog.

As of the Latest Practicable Date, Shenzhen Shanhui, one of our PRC subsidiaries, has obtained a value-added telecommunications business operation license for online data processing and transaction processing services as we may seek opportunities in the relevant business and is subject to the PRC laws and regulations relating to value-added telecommunications services.

REGULATIONS RELATING TO THE CIRCULATION OF PRE-OWNED ELECTRONICS

The Measures for Administration of the Circulation of Second-hand Goods (for Trial Implementation) (《舊貨流通管理辦法(試行)》) issued by the Ministry of Internal Trade of the PRC (which is the predecessor of the MOFCOM) and the Ministry of Public Security of the PRC (the "**MPS**") on March 9, 1998 requires that second-hand goods operators shall record the names of entities and the resident identity cards of individuals that/who sell or consign for sale or are entrusted to sell or consign for sale second-hand goods; and shall strictly check the power of attorney of the entrusting entities and resident identity cards of the entrusting individuals. Violation of the above provision may result in a fine up to RMB500 to be imposed on any directly liable person in charge and any other directly liable persons, together with a fine up to RMB10,000 to be imposed on the second-hand goods operators, or criminal liability in accordance with the law where a crime is constituted.

The Administrative Measures on the Circulation of Pre-owned Electrical and Electronic Products (《舊電器電子產品流通管理辦法》) (the "**Pre-owned Electronics Circulation Measures**"), promulgated by the MOFCOM on March 15, 2013 and effective on May 1, 2013, further specifies that recycling operators engaging in the purchase and sale of pre-owned electric appliances and electronic products shall record information of the purchased products, including the product name, trademark, model, original purchase voucher or identity information of sellers of the products. Pre-owned electric appliances and electronic products to be sold shall be labeled as used products in a prominent position. Recycling operators are prohibited from purchasing the following electric appliances and electronic products: (i) those sealed up or impounded according to the law, (ii) those that are obtained by stealing, robbing, swindling, smuggling or other illegal criminal means by the sellers and clearly known by such operator, (iii) those whose legitimate sources cannot be explained, and (iv) other used electrical and electronic products which are forbidden to be purchased according to laws and administrative regulations. Violation of the above provision may result in a fine up to RMB30,000 to be imposed on the recycling operator, or even criminal liability if the case is serious enough. It is also clarified that the purchase and sale of pre-owned electric appliances and electronic products through the Internet shall also comply with the requirements under the Pre-owned Electronics Circulation Measures.

REGULATIONS ON ONLINE TRADING

In January 2014, the State Administration for Industry & Commerce (the "**SAIC**", which has now been merged into the SAMR) promulgated the Administrative Measures on Online Trading (《網絡交易管理辦法》) (the "**Online Trading Measures**"), which became effective on March 15, 2014, to regulate all operating activities of commodities trading and relevant service provision via the Internet (including mobile Internet). It stipulates the obligations of online commodity dealers and relevant service providers. These measures impose stringent requirements and obligations on online commodity dealers and relevant service providers. For example, online commodity dealers are required to issue invoices to consumers for online products and services. Consumers are generally entitled to return products purchased from online commodity dealers within seven days upon receipt, without giving any reason, except for certain kinds of commodities. Online business operators are prohibited from collecting any information on consumers and business operators, disclosing, selling or providing any such information to any third party, or sending commercial electronic messages to consumers, without their consent.

Furthermore, on March 15, 2021, the SAMR promulgated the Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》) (the "**Online Transactions Measures**"), which took effect on May 1, 2021, and simultaneously replace the Online Trading Measures, providing more detailed requirements for the operators and platforms, such as clarifying the specific acts infringing consumers' personal information in online transactions, the prohibited contents contained in the standard terms used by the operators, and elaborating the measures shall be applicable to the operating activities of selling goods or providing services through social network and network live-streaming. In particular, the Online Transactions Measures require that online transaction operators shall not force customers, whether or not in a disguised manner, to consent to the collection and use of information not directly related to their business activities using one-off general authorization, default authorization, bundling with other authorizations, or the suspension of installation and use. Collection and use of the customers' sensitive information, such as personal biological characteristics, medical health, financial accounts, and personal whereabouts, shall obtain the consent of such customers on an item-by-item basis.

On August 31, 2018, the Standing Committee of the National People's Congress of the PRC (the "**SCNPC**") promulgated the E-Commerce Law of the PRC (《中華人民共和國電子商務法》) (the "**E-Commerce Law**"), which became effective on January 1, 2019, and aims to regulate the e-commerce activities conducted within the territory of the PRC. Pursuant to the E-Commerce Law, an e-commerce business operator shall fully, authentically, accurately, and timely disclose the information on commodities or services to safeguard consumers' right to know and right of choice and may not conduct false or misleading commercial promotion by fabricating transactions, making up user comments or any other means, to defraud or mislead consumers. The E-Commerce Law further provides that an e-commerce business operator shall, when collecting or using the individual information of its users, observe the provisions on the protection of individual information in the relevant laws and administrative regulations.

REGULATIONS ON ONLINE LIVE-STREAMING MARKETING ACTIVITIES

On November 5, 2020, the SAMR promulgated the Guiding Opinions of the State Administration for Market Regulation on Strengthening the Regulation of Online Livestreaming Marketing Activities (《市場監管總局關於加強網絡直播營銷活動監管的指導意見》), which specifies that commodity operators selling commodities or providing services through online live-streaming shall abide by the relevant laws and regulations, and establish and implement system for inspection and acceptance of the purchased goods. It is not allowed to sell through online live-streaming any goods or services whose production or sale is prohibited by laws and regulations; it is not allowed to use online live-streaming to release commercial advertisements whose publication in mass media is prohibited by laws and regulations; and it is not allowed to sell through online live-streaming any goods or services prohibited from online trading. On April 23, 2021, the CAC, the MPS, the MOFCOM, the Ministry of Culture and Tourism, the SAT and the State Administration of Radio and Television jointly promulgated the Administrative Measures for Online Live-Streaming Marketing (for Trial Implementation) (the "**Online Live-Streaming Marketing Measures**") (《網絡直播營銷管理辦法(試行)》), which became effective on May 25, 2021. Pursuant to the Online Live-Streaming Marketing Measures, operators of live studios and live-streaming marketing personnel engaging in online live-streaming marketing activities shall truthfully, accurately and comprehensively release information on goods or services, perform their responsibilities and obligations of protecting consumers' rights and interests in accordance with laws and regulations, and shall not deliberately delay or refuse without justifiable reasons the legitimate and reasonable requests put forward by consumers. On March 25, 2022, the CAC, the SAT and the SAMR jointly issued the Opinions on Further Regulating the Profit-making Behaviour of Online Live-Streaming to Promote the Healthy Development of the Industry (《關於進一步規範網絡直播營利行為促進行業健康發展的意見》), which provides further requirements on maintaining a level playing field for online live-streaming and safeguarding the legitimate rights and interests of merchants and consumers.

REGULATIONS ON CONSUMER PROTECTION AND PRODUCT QUALITY

Consumers Protection

The Law on the Protection of Rights and Interests of Consumers of the PRC (《中華人民共和國消費者權益保護法》) (the "**Consumer Protection Law**") promulgated by SCNPC, which was latest amended on October 25, 2013, and effective on March 15, 2014, sets out the obligations of business operators and the rights and interests of the consumers in the PRC. Pursuant to this law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacement of commodities, repairing, ceasing damages, compensation, and restoring reputation, and even subject the business operators to criminal penalties. Moreover, if business operators deceive consumers, they should not only compensate consumers for their losses but also pay additional damages equal to three times the price of the goods or services on the demand of consumers. If business operators knowingly provide substandard or defective products or services, causing death or serious damage to the health of consumers or other victims, the victims shall have the right to require compensation for their losses and to claim punitive compensation of not more than two times the amount of losses incurred.

Product Quality

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by SCNPC which was latest amended on December 29, 2018 and effective on the same day, applies to all production and sale activities in the PRC. Pursuant to this law, products offered for sale must satisfy relevant quality and safety standards. Enterprises may not produce or sell counterfeit products in any fashion, including forging brand labels or giving false information regarding a product's manufacturer. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes physical injury or damage to property, the victim may claim compensation from the manufacturer or the seller of the product. If the seller pays compensation and it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer. Similarly, if the manufacturer pays compensation and it is the seller that should bear the liability, the manufacturer has a right of recourse against the seller.

REGULATIONS RELATING TO CYBERSECURITY, DATA SECURITY AND PROTECTION OF PERSONAL INFORMATION

Cybersecurity and data security

On December 13, 2005, the MPS, issued the Regulations on Technological Measures for the Internet Security Protection (《互聯網安全保護技術措施規定》) (the "**Internet Protection Measures**"), which became effective on March 1, 2006. The Internet Protection Measures requires internet services providers to take proper measures including anti-virus, data back-up and other related measures, and to keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, discover and detect illegal information, stop transmission of such information, and keep relevant records. Internet services providers are prohibited from unauthorized disclosure of users' information to any third parties unless such disclosure is required by laws and regulations. Internet services providers are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users' correspondences. Under the Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》) (the "**Measures for the Hierarchical Protection**"), which was promulgated jointly by the MPS and certain other PRC government authorities and effective on June 22, 2007, the national hierarchical protection of the information security shall follow the principle of "independent grading and independent protection". Companies operating or using information systems shall determine the security protection level of the information system pursuant to the Measures for the Hierarchical Protection and the Classification Guidelines for Classified Protection of Cybersecurity (《網絡安全等級保護定級指南》) (the "**Guidelines for Classified Protection**"), and report the level to the relevant department for examination and approval. According to the Measures for the Hierarchical Protection and the Guidelines for Classified Protection, the security protection of an information system may be classified into five levels, and for any system equal to or above level II as determined in accordance with these measures, a record-filing with the competent authority is required.

According to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》)which was promulgated by the SCNPC on November 7, 2016 and effective on June 1, 2017, network operators shall comply with laws and regulations and fulfill their obligations to safeguard the security of the network when conducting business and providing services. Those who construct or operate networks or provide services through networks shall take technical measures and other necessary measures pursuant to laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data, and the network operator shall not collect the personal information irrelevant to the services it provides or collect or use the personal information in violation of the provisions of laws or agreements between both parties, and operators of critical information infrastructure shall store within the territory of the PRC all personal information and important data collected and produced within the territory of the PRC. The purchase of network products and services by critical information infrastructure operators that may affect national security shall be subject to national cybersecurity review.

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**"), which came into effect on September 1, 2021. The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data processing activities. The Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data shall designate the personnel and the management body responsible for data security, carry out risk assessments for its data processing activities and file the risk assessment reports with the competent authorities. In addition, the Data Security Law provides a national data security review procedure for those data processing activities which may affect national security and imposes export restrictions on certain data and information. No entity or individual within the territory of the PRC may provide foreign judicial or law enforcement authorities with the data stored within the territory of the PRC without the approval of the competent PRC authorities.

On July 30, 2021, the State Council promulgated the Regulations on the Protection of the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), effective on September 1, 2021. According to the regulations, a "critical information infrastructure" refers to an important network facility and information system in important industries such as, among others, public communications and information services, as well as other important network facilities and information systems that may seriously endanger national security, the national economy, the people's livelihood, or the public interests in the event of damage, loss of function, or data leakage. The regulations supplement and specify the provisions on the security of critical information infrastructure as stated in the Cybersecurity Law of the PRC, and provide, among others, that the competent governmental authorities and supervision and management authorities of the aforementioned important industries will be responsible for (i) organizing the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (ii) promptly notifying the identified operators and the MPS of the identification results. These regulations require that the relevant operator shall submit a report to the competent PRC governmental authority in accordance with relevant provisions upon the occurrence of any major cybersecurity incident or discovery of any major cybersecurity threat to the critical information infrastructures, and the operators of critical information infrastructures shall purchase the safe and trusted network products and services in the first place. If the purchase of network products and services may affect national security, such operators shall pass the cybersecurity review accordingly.

On November 14, 2021, the CAC published a draft of the Administrative Regulations for Network Data Security (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Cyber Data Security Regulations**"), providing that data processors conducting the following activities must apply for the cybersecurity review: (i) merger, reorganization, or division of internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests affects or may affect national security, (ii) a foreign listing by data processors processing over one million users' personal information, (iii) a listing in Hong Kong that affects or may affect national security, or (iv) other data processing activities that affect or may affect national security. However, the Draft Cyber Data Security Regulations do not provide the standard to determine the circumstances that would be determined to "affect or may affect national security." The CAC solicited comments until December 13, 2021, but there is no timetable as to when it will be enacted, and uncertainties exist with respect to its interpretation and implementation if enacted.

On December 28, 2021, the CAC, the NDRC, the MIIT and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on February 15, 2022 and replaced the Cybersecurity Review Measures published on April 13, 2020. Pursuant to Cybersecurity Review Measures, critical information infrastructure operators that purchase network products and services, and network platform operators engaging in data processing activities that affect or may affect national security are subject to cybersecurity review under the Cybersecurity Review Measures. In addition, network platform operators with personal information of over one million users shall be subject to cybersecurity review before listing abroad (國外上市). The competent governmental authorities may also initiate a cybersecurity review against the operators if the authorities believe that the network product or service or data processing activities of such operators affect or may affect national security. The Cybersecurity Review Measures provide that the relevant violators shall be subject to legal consequences in accordance with the PRC Cybersecurity Law and the PRC Data Security Law.

On July 7, 2022, the CAC promulgated the Cross-border Data Transfer Security Assessment Measures (《數據出境安全評估辦法》) (the "**Security Assessment Measures**"), which became effective on September 1, 2022. The Security Assessment Measures provide that, among others, data processors shall apply to competent authorities for security assessment when (i) the data processors transferring important data abroad, (ii) a critical information infrastructure operator or a personal information processor that has processed personal information of more than one million people, transferring personal information abroad, (iii) a data processor who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals abroad, in each case as calculated cumulatively, since January 1 of the last year, transferring personal information abroad, and (iv) other circumstances where the security assessment of data cross-border transfer is required as prescribed by the CAC.

Protection of Personal Information

Under the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》) (the "**Internet Information Services Provisions**") issued by the MIIT in 2011, without the consent of users, internet information service providers shall not collect information relevant to the users that can lead to the recognition of the identity of the users independently or in combination with other information (hereinafter referred to as "**Users' Personal Information**"), nor shall they provide Users' Personal Information to others, unless otherwise required by laws and administrative regulations. An internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such Users' Personal Information and may only collect such information necessary for the provision of its services. An internet information service provider is also required to properly keep the Users' Personal Information, and in case of any leak or likely leak of the Users' Personal Information, the internet information service provider must take immediate remedial measures and, in severe circumstances, to make an immediate report to the telecommunications regulatory authority.

In addition, pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》) issued by the SCNPC on December 28, 2012 and the Order for the Protection of Telecommunications and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》) issued by the MIIT on July 16, 2013, any collection and use of users' personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. Any violation of the above decision or order may subject the internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancelation of filings, closedown of websites and/or even criminal liabilities. Furthermore, the Mobile Applications Administrative Provisions strengthens the regulation of the mobile app information services. Pursuant to the Mobile Applications Administrative Provisions, owners or operators of mobile apps that provide information services are required to be responsible for personal information protection, observe the principles of legality, appropriateness, necessity and good faith, and comply with the relevant provisions.

On November 28, 2019, the CAC, the MIIT, the MPS and the SAMR promulgated the Identification Method of Illegal Collection and Use of Personal Information Through App (《APP違法違規收集使用個人信息行為認定方法》), which provides guidance for the regulatory authorities to identify illegal collection and use of personal information through mobile apps, and for the app operators to conduct self-examination and self-correction and for other participants to voluntarily monitor compliance thereof. Pursuant to the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》), which was promulgated jointly by the CAC, the MIIT, the MPS and the SAMR on March 12, 2021 and became effective on May 1, 2021, "necessary personal information" refers to personal information necessary for ensuring the normal operation of an application's basic functional services. Specifically, it refers to the personal information of the consumers, excluding the personal information of the suppliers. Any mobile internet application shall not refuse users to use its basic functional services on the ground that users disagree to provide unnecessary personal information.

On May 28, 2020, the NPC adopted the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and shall ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally buy or sell, provide or make public personal information of others. Personal information refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify the natural persons' names, date of birth, ID numbers, biometric information, addresses, telephone numbers, e-mail addresses, health information, whereabouts, etc.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), which became effective on November 1, 2021. The Personal Information Protection Law requires, among others, that the processing of personal information should have a clear and reasonable purpose and should be limited to the minimum scope necessary to achieve the processing purpose, adopt a method that has the least impact on personal rights and interests, and shall not process personal information that is not related to the processing purpose. The processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information. The Personal Information Protection Law applies to the processing of personal information of natural persons within the territory of the PRC, as well as personal information processing activities outside the territory of PRC, for the purpose of providing products or services to natural persons located within China, for analysing or evaluating the behaviours of natural persons located within China, or for other circumstances as prescribed by laws and administrative regulations. A personal information processor may process the personal information of this individual only under the following circumstances: (i) where consent is obtained from the individual, (ii) where it is necessary for the execution or performance of a contract to which the individual is a party, or where it is necessary for carrying out human resource management pursuant to employment rules legally adopted or a collective contract legally concluded, (iii) where it is necessary for performing a statutory responsibility or statutory obligation, (iv) where it is necessary in response to a public health emergency, or for protecting the life, health or property safety of a natural person in the case of an emergency, (v) where the personal information is processed within a reasonable scope to carry out any news reporting, supervision by public opinions or any other activity for public interest purposes, (vi) where the personal information, which has already been disclosed by an individual or otherwise legally disclosed, is processed within a reasonable scope, or (vii) any other circumstance as provided by laws or administrative regulations. In principle, the consent of an individual must be obtained for the processing of his or her personal information, except under the circumstances of the aforementioned items (ii) to (vii). Where personal information is to be processed based on the consent of an individual, such consent shall be a voluntary and explicit indication of intent given by such individual on a fully informed basis. If laws or administrative regulations provide that the processing of personal information shall be subject to the separate consent or written consent of the individual concerned, such provisions shall prevail. In addition, the processing of the personal information of a minor under 14 years old must obtain the consent by a parent or a guardian of such minor and the personal information processors must adopt special rules for processing the personal information of minors under 14 years old.

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), issued by the SCNPC in August 2015, which became effective in November 2015, any Internet services provider that fails to fulfill its obligations related to Internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty. In addition, Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), issued on May 8, 2017 and effective as of June 1, 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement.

The Administrative Provisions on the Account Information of Internet Users (《互聯網用戶賬號信息管理規定》), which was promulgated by the CAC on June 27, 2022 and became effective on August 1, 2022, sets out guidelines on the provision of the account information of internet users. Internet-based information service providers shall perform their responsibilities as the administrative subjects of the account information of internet users, have in place professionals and technical capacity appropriate to the scale of services, and establish, improve and strictly implement the authentication of real identity information, verification of account information, security of information content, ecological governance, emergency responses, protection of personal information and other management systems.

As mentioned above, the Security Assessment Measures provide that, among others, data processors shall apply to competent authorities for security assessment when certain conditions are met. In addition, on February 22, 2023, the Provisions on the Prescribed Agreement on Cross-border Data Transfer of Personal Information (《個人信息出境標準合同辦法》) (the "**Provisions on Prescribed Agreement**") were promulgated by the CAC, which took effect on June 1, 2023. The Provisions on Prescribed Agreement attach the prescribed template for a cross-border data transfer agreement that could be used to satisfy one of the conditions for the cross-border transfer of personal information under Article 38 of the Personal Information Protection Law.

REGULATIONS RELATING TO ALGORITHMS

On December 31, 2021, the CAC and certain other PRC governmental authorities promulgated the Provisions on the Administration of Algorithm Recommendation for Internet Information Services (《互聯網信息服務算法推薦管理規定》), which took effect on March 1, 2022. These provisions apply to the use of generation and synthesis, personalized push, selection and sort, search and filtering, scheduling and decision, and other algorithm technologies to provide information to users in the provision of internet information services. These provisions require that algorithmic recommendation service providers shall inform users in a conspicuous manner of their provision of algorithmic recommendation services, and publicize the basic principles, purposes, and main operating mechanisms of algorithmic recommendation services in an appropriate manner. Where algorithm recommendation service providers sell goods or provide services to consumers, they shall protect consumers' rights to fair transactions, and shall not use algorithms to implement unreasonably differential treatment in transaction prices and other transaction conditions based on consumers' preferences, transaction habits, and other characteristics and other illegal acts. Our use of model and algorithms in proposing the recycling prices of pre-owned consumer electronics may be regarded as using scheduling and decision algorithm in the provision of internet information services under the aforesaid provisions as the recycling prices proposed by the algorithm are shown to consumers for their consideration and acceptance in relevant transactions. We have necessary technical and managerial measures in place and are also filing the pricing model and algorithm with the competent regulators as required to comply with the Provisions on the Administration of Algorithm Recommendation for Internet Information Services. We do not foresee there will be material hurdles in completing the filing.

REGULATIONS RELATING TO FOREIGN EXCHANGE

General Provisions on Foreign Exchange

Due to the foreign exchange control policy of the PRC, cross-border currency transactions in the business activities and dividend distribution to the foreign investors of our PRC subsidiaries shall comply with various administration of foreign exchange in the PRC.

The principal regulation governing foreign exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on January 29, 1996, took effect on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008, respectively. Under these rules, the current account incomes of foreign exchanges can be retained or sold to financial authorities which manage exchange settlement and sale and purchase of foreign exchange. However, approval from the State Administration of Foreign Exchange (the "**SAFE**") or its local branches is required for the relevant capital account transactions of the foreign-invested enterprises, such as the capital increase and decrease. Foreign-invested enterprises may purchase foreign exchange without the approval of the SAFE for trade and service-related foreign exchange transactions by providing documents evidencing such transactions. In addition, foreign exchange transactions involving direct investment, loans and investment in securities outside the PRC are subject to limitations and require approvals from the SAFE.

According to the Circular of the SAFE on Further Simplifying and Improving Foreign Exchange Management Policies on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), which was promulgated on February 13, 2015, took effect on June 1, 2015 and was further amended on December 30, 2019, the SAFE has canceled (i) confirmation of foreign exchange registration under domestic direct investment and confirmation of foreign exchange registration under overseas direct investment, (ii) registration for confirmation of the non-cash capital contribution of foreign investors under domestic direct investment and the registration for confirmation of the capital contribution made by foreign investors for the acquisition of the equity interests of the Chinese side, (iii) filling of overseas re-investment, and (iv) annual inspection on direct investment foreign exchange. Pursuant to SAFE Circular 13, investors should register with banks for direct domestic investment and direct overseas investment.

Pursuant to the Circular of 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 Circular 59**") promulgated by SAFE on November 19, 2012, which became effective on December 17, 2012 and was further amended on May 4, 2015, October 10, 2018 and December 30, 2019, approval is not required for the opening of and account entry in foreign exchange accounts under direct investment. SAFE Circular 59 also simplified the capital verification and confirmation formalities for foreign-invested entities, the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire equities from Chinese party, and further improved the administration on exchange settlement of foreign exchange capital of foreign-invested entities.

According to the Circular of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was promulgated on June 9, 2016, took effect on the same day and was further amended by the SAFE Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) (the "**SAFE Circular 28**") on December 4, 2023, the settlement of foreign exchange under the capital account (including foreign exchange capital, external debts, funds repatriated from overseas listing, etc.) entitled to discretionary settlement according to relevant policies, shall be conducted in the banks for real business needs. The use of foreign exchange under capital accounts of a domestic institution and the RMB funds obtained thereby from foreign exchange settlement are prohibited from the following uses: (i) direct or indirect expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the State, (ii) direct or indirect investments in securities or other investment (except for wealth management products with a risk rating not higher than level 2 and structured deposits), unless otherwise provided, (iii) granting of loans to non-affiliated enterprises, except where such granting is expressly permitted in the business license, and (iv) purchase of residential real estate for purposes other than self-use (except for enterprises engaged in real estate development and real estate leasing operations).

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

In accordance with the Circular of the SAFE on Further Promoting Cross-border Trade and Investment Facilitation (《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》) which was promulgated on October 23, 2019, became effective on the same day and was further amended by the SAFE Circular 28, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to laws and regulations under the condition that the Negative List is not violated and the relevant domestic investment projects are authentic and compliant.

Foreign Exchange Registration of Offshore Investment by PRC Residents

On July 4, 2014, the SAFE promulgated the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Roundtrip Investment Conducted by Domestic 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**"). Pursuant to the SAFE Circular 37, (i) "a special purpose vehicle" is defined as offshore enterprise directly established or indirectly controlled by domestic residents (including domestic institution and individual resident) with their legally owned assets or equity of domestic enterprises, or legally owned offshore assets or equity, for the purpose of offshore investment and financing, (ii) a domestic resident must register with the SAFE before he or she contributes assets or equity interests to a special purpose vehicle, (iii) following the initial registration, any major changes such as changes in the overseas special purpose vehicle's domestic resident shareholders, names of the special purpose vehicle and terms of operation or any increase or reduction of the registered capital of the special purpose vehicle, share transfer or swap, merger or division, or similar development, shall be reported to the SAFE for registration in time, and failing to comply with the registration procedures as set out in SAFE Circular 37 may result in penalties.

The SAFE Circular 13 allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing and the qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

Foreign Exchange Registration of Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company

On February 15, 2012, the SAFE promulgated the Circular on the Relevant Issues Concerning the Administration of Foreign Exchange for Domestic Individuals' Participation in Equity Incentive Programs of Overseas Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**SAFE Circular 7**"). According to the SAFE Circular 7, individuals participating in any stock incentive plan of any overseas publicly listed company, who are Chinese citizens or foreign citizens who reside in mainland China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE or its local branches and complete certain other procedures through a domestic qualified agent, which could be a Chinese subsidiary of such overseas listed company. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the agent in mainland China is required to further amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the mainland Chinese agent or the overseas entrusted institution or other material changes. The mainland Chinese agents must, on behalf of the mainland Chinese residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the mainland Chinese residents' exercise of the employee share options. The foreign exchange proceeds received by the mainland Chinese residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in mainland China opened by the mainland Chinese agents before distribution to such mainland Chinese residents.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

On March 16, 2007, the NPC passed the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which became effective from January 1, 2008 and subsequently amended by the SCNPC on February 24, 2017 and December 29, 2018. According to the EIT Law, the enterprise income tax rate is 25%, and that for high and new technology enterprises is 15%. A non-resident enterprise refers to an enterprise lawfully incorporated pursuant to the laws of a foreign country (region) that has an office or premises established in China with no actual management functions performed in China, or an enterprise that has income derived from or accruing in China although it does not have an office or premises in China. In addition, it shall pay enterprise income tax on its incomes derived from the PRC at a rate of 20%. The Implementing Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the "**EIT Law Implementing Regulations**") which were promulgated by the State Council on December 6, 2007 and took effect on January 1, 2008 and were further amended on April 23, 2019 reduced the tax rate applicable to the aforesaid non-resident enterprises from 20% to 10%.

Dividends Withholding Tax

According to the EIT Law and EIT Law Implementing Regulations, dividends paid by foreign-invested companies to their foreign investors that are non-resident enterprises as defined under the law are subject to withholding tax at a rate of 10%, unless otherwise provided in the relevant tax agreements entered into with the central government of the PRC. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income 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》) (the "**Double Tax Avoidance Arrangement**") promulgated on August 21, 2006, and applied in Hong Kong to income derived in any year of assessment commencing on or after April 1, 2007, and in mainland China to any year commencing on or after January 1, 2007, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement, the withholding tax rate on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may not exceed 5%. However, based on the Circular of the State Taxation Administration (the "**SAT**") on Certain Issues Concerning the Implementation of Dividend Provisions 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》), which was promulgated and took into effect on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to an arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment.

According to the Announcement of the SAT on Issues Concerning "Beneficial Owners" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》), which was promulgated on February 3, 2018, and came into effect on April 1, 2018, a comprehensive analysis will be used to determine beneficial ownership based on the actual situation of a specific case combined with certain principles, and if an applicant was obliged to pay more than 50% of its income to a third country (region) resident within 12 months of the receipt of the income, or the business activities undertaken by an applicant did not constitute substantive business activities including substantive manufacturing, distribution, management, and other activities, the applicant was unlikely to be recognized as a beneficial owner to enjoy tax treaty benefits.

Value-Added Tax

The Provisional Regulations of the PRC on Value-Added Tax (《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, implemented on January 1, 1994, and amended on November 10, 2008, February 6, 2016 and November 19, 2017. The Detailed Rules for the Implementation of the PRC on VAT Regulations (《中華人民共和國增值稅暫行條例實施細則》) was promulgated by the Ministry of Finance (the "**MOF**") on December 25, 1993, and became effective on the same day, and amended on December 15, 2008 and October 28, 2011. Under the aforesaid regulations, entities and individuals selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be identified as taxpayers of value-added tax, and shall pay value-added tax.

According to the Circular of the MOF and SAT on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) which was promulgated on March 23, 2016 and came into force on May 1, 2016, and amended on July 11, 2017, December 25, 2017 and March 20, 2019, entities and individuals engaging in the sale of services, intangible assets or immovable properties within the territory of the PRC are required to pay the value-added tax instead of business tax.

Enterprise Income Tax on Indirect Transfer of Non-Resident Enterprises

On December 10, 2009, the SAT issued the Circular on Strengthening Administration of Enterprise Income Tax Concerning Proceeds from Equity Transfers by Non-Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the "**SAT Circular 698**"). By promulgating and implementing the SAT Circular 698, the PRC tax authorities have enhanced their scrutiny over the indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. The SAT further issued the Announcement on Several Issues Concerning Enterprise Income Tax for the Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the **"SAT Circular 7"**) on February 3, 2015, which was later amended on October 17, 2017 and December 29, 2017 to supersede existing provisions in relation to the indirect transfer as set forth in the Circular 698. The SAT Circular 7 introduces a new tax regime that is significantly different from that under the SAT Circular 698. The SAT Circular 7 extends its tax jurisdiction to capture not only indirect transfer as set forth under the SAT Circular 698 but also transactions involving the transfer of immovable property in China and assets held under the establishment and place in China which are directly held by non-resident enterprises and for which the proceeds from transfer is subject to payment of enterprise income tax in China according to PRC tax laws. The SAT Circular 7 also provides clearer criteria than the SAT Circular 698 on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. Where a non-resident enterprise indirectly transfers equity interests or other assets of a PRC resident enterprise by implementing arrangements that are not for reasonable commercial purposes to avoid its obligation to pay enterprise income tax, such an indirect transfer shall, in accordance with the EIT Law, be recognized by the competent PRC tax authorities as a direct transfer of equity interests or other assets by the PRC resident enterprise.

On October 17, 2017, the SAT promulgated the Announcement on Matters Concerning Withholding at the Source of Income Tax of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (the "**SAT Circular 37**"), which came into force and replaced the SAT Circular 698 and other regulations on December 1, 2017 and was partly amended on June 15, 2018. The SAT Circular 37 further clarifies the practice and procedures of withholding and payment of income tax levied on non-resident enterprises.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, domain names, patents and trademarks.

Copyright

Copyright in the PRC is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, implemented on June 1, 1991 and amended on October 27, 2001, February 26, 2010 and November 11, 2020, the latest revision of which became effective on June 1, 2021, and the Implementing

Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002, implemented on September 15, 2002 and amended on January 8, 2011 and January 30, 2013, the latest revision of which became effective on March 1, 2013. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law of the PRC and related rules and regulations, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, eliminate impacts, publicly apologize, and pay damages, etc. In addition, the Regulations on the Protection of Rights to Information Network Transmission (《信息網絡傳播權保護條例》) promulgated by the State Council on May 18, 2006, implemented on July 1, 2006 and amended on January 30, 2013, the latest revision of which became effective on March 1, 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, Internet services providers, etc. In order to further implement the Regulations on Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991, implemented on October 1, 1991 and revised on December 20, 2001, January 8, 2011 and January 30, 2013 respectively, the latest revision of which became effective on March 1, 2013, the National Copyright Administration promulgated the Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which became effective on the same day and applies to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration administers the management of software copyright registration and accredits the Copyright Protection Center of China as the software registration agency. The Copyright Protection Center of China should grant registration certificates to qualified applicants of computer software copyrights.

Domain Names

According to the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) issued by the MIIT on August 24, 2017 and effective on November 1, 2017, a "domain name" refers to the character mark of hierarchical structure, which identifies and locates a computer on the Internet and corresponds to the Internet protocol (IP) address of such computer. The principle of "first come, first serve" applies to domain name registration. The applicant of domain name registration should provide its true, accurate and complete domain name information. After completing the domain name registration, the applicant will become the holder of the registered domain name.

Patents

The Patent Law of the PRC (《中華人民共和國專利法》) was issued by the SCNPC on March 12, 1984, implemented on April 1, 1985 and revised on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020 respectively, the latest version of which took effect on June 1, 2021. 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 or substances obtained by means of nuclear transformation. 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, starting from the application date. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Trademarks

The Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated by the SCNPC on August 23, 1982, implemented on March 1, 1983, and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, the latest version of which took effect on November 1, 2019, and the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, implemented on September 15, 2002 and amended on April 29, 2014, the latest version of which took effect on May 1, 2014, both provide legal protection for holders of registered trademarks. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks, and certification marks.

Registered trademarks are valid for a period of ten years. The registered owner should proceed with renewal procedures with 12 months before the expiry of the valid period to be able to continue the use of the registered trademarks upon its expiry, with a six-month grace period allowed. The valid period for every renewed registration is ten years from the next day of the expiry of the trademark's last valid period.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

The Labor Law and the Labor Contract Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, implemented on January 1, 1995, and amended on August 27, 2009, and December 29, 2018, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007 and implemented on January 1, 2008, and subsequently amended on December 28, 2012 and effective from July 1, 2013, and the Regulations on the Implementation of the Labor Contract Law (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council and came into effect on September 18, 2008, labor relationship between employers and employees must be executed in written form. Where a labor relationship has already been established but no formal contract has been made, a written labor contract shall be entered into within one month from the date when the employee begins to work. In addition, wages may not be lower than the local minimum wage standard. Employers must establish a system for labor safety and sanitation, strictly abide by State standards, and provide relevant training to the employees. Employees are also required to work in safe and sanitary conditions.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated by the SCNPC on October 28, 2010, and came into effect on July 1, 2011, and subsequently amended on December 29, 2018, and the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was promulgated by the State Council and came into effect on January 22, 1999, and subsequently amended on March 24, 2019, the employer shall contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, work injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions shall only be paid by employers, and employers who failed to promptly make social insurance contributions in full amount shall be ordered by the social insurance collection agency to make or supplement contributions within a prescribed time limit, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within prescribed time limit, the relevant administrative authorities shall impose a fine ranging from 1 to 3 times the outstanding amount.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) (the "**Regulations on Housing Provident Fund**"), which was promulgated by the State Council and became effective on April 3, 1999, and was amended on March 24, 2002 and March 24, 2019, enterprises in the PRC must register with the competent managing center for housing provident funds and upon the examination by such center, these enterprises shall complete procedures for opening an account at the bank for the deposit of employees' housing provident funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner. Employers that violate Regulation on Housing Provident Fund and fail to process housing provident fund payments or deposit registrations with the housing fund administration center within a designated period are subject to a fine ranging from RMB10,000 to RMB50,000.

REGULATIONS RELATING TO M&A RULES AND OVERSEAS LISTINGS

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the SAMR, the China Securities Regulatory Commission (the "**CSRC**") and SAFE, issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") which was implemented on September 8, 2006 and amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe to the increased capital of a domestic company, thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets and operate the assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

In addition, pursuant to the Circular of the General Office of State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》) issued by the General Office of the State Council on February 3, 2011 and took effect on March 3, 2011 and the Provisions of the Ministry of Commerce on the Implementation of the Safety Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM on August 25, 2011 and implemented on September 1, 2011, mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement.

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), among which, it emphasizes the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies, and provided that the special provisions of the State Council on overseas offering and listing by those companies limited by shares will be revised and therefore the duties of domestic industry competent authorities and regulatory authorities will be clarified.

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, (1) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such 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; (2) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) 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; (ii) its major operational activities are carried out in China or its main business premises 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 (3) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major 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 business days after such application is submitted.

Furthermore, on February 24, 2023, the CSRC, together with other relevant government authorities, 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 and Archives Provisions**"), which took effect on March 31, 2023. Pursuant to the Confidentiality and Archives Provisions, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

1. OUR HISTORY AND CORPORATE DEVELOPMENT

Since our establishment in 2016, we have been providing consumer electronic after-market transaction services, offering an integrated solution from initiating recycling by way of trade-in while facilitating sale of new mobile phones, to standardizing the procured pre-owned mobile phones for resale through inspecting, grading and pricing, leveraging our proprietary technologies and recycle and sales platforms and our strategic cooperation with our upstream sourcing partners. During the Track Record Period, we had established cooperation with our upstream sourcing partners, covering more than 49,000 offline stores spanning over 31 provinces in the PRC. We believe that our strategic cooperation with these upstream sourcing partners in the upstream industrial chain has provided us with unmatched and reliable access to pre-owned mobile phones and other consumer electronics while at the same time enabling us to provide stable transaction services with relatively lower costs.

During the Track Record Period, our revenue was primarily derived from the sale of pre-owned consumer electronics, especially mobile phones sourced from our various supply channels.

In August 2021, we commenced the Reorganization in preparation for the [**REDACTED**], as more particularly described in "– 4. Reorganization" in this section.

2. OUR MILESTONES

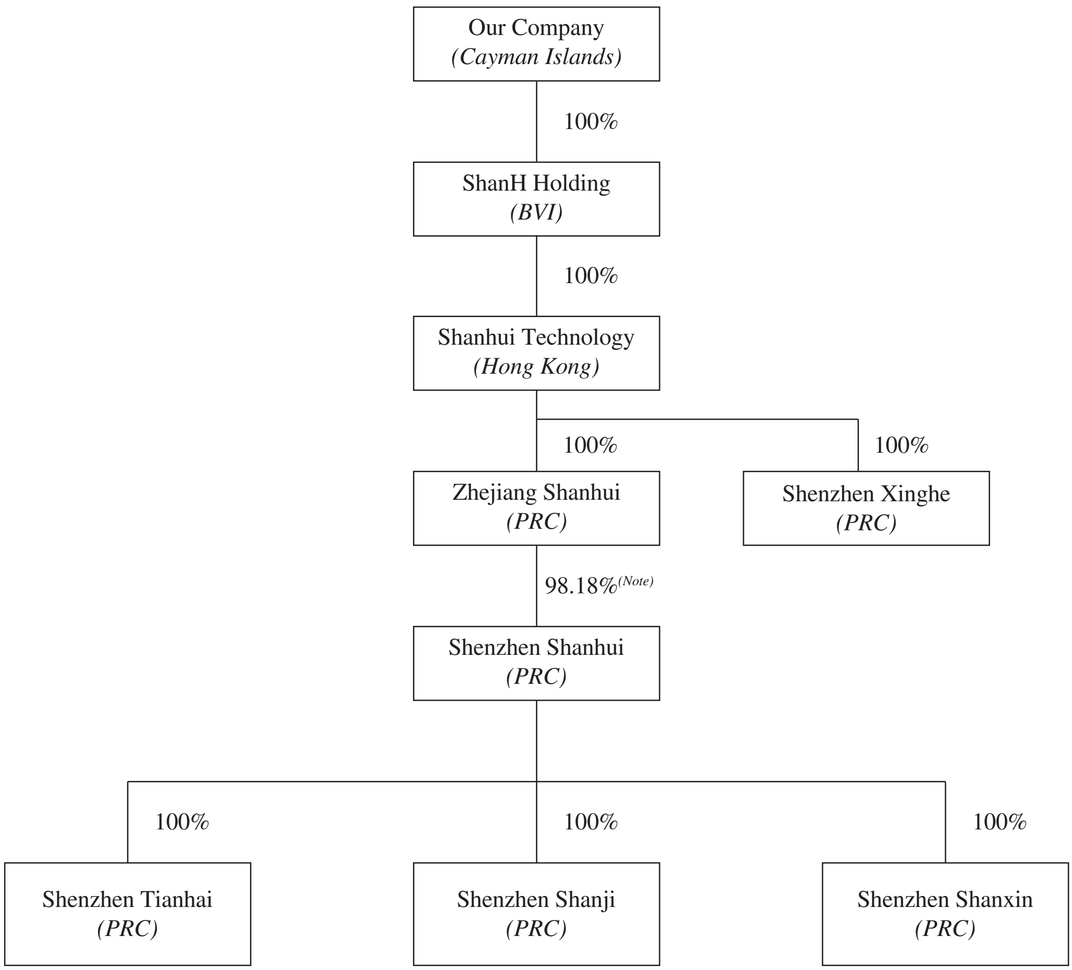
We set forth below our key business development and milestones:

Year	Events
2016	Shenzhen Shanhui, our principal operating subsidiary, was established in Shenzhen, the PRC
2017	Our brand "Shanhuishou (閃回收)" was launched
	We cooperated with one of the major mobile network operators in the PRC
	Our business network coverage reached 31 provinces in the PRC
2018	We introduced Hangzhou Shunying, Shunwei Technology and Jinmi Investment as our Series A [**REDACTED**] Investors
	We commenced our strategic cooperation and established online cooperation with a Chinese company listed on the Stock Exchange and a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core

Year	Events
2019	We launched new businesses with one of the world's largest producers of consumer electronics and a recognizable brand in technology that originated in Korea in relation to the trade-in of old products for newly-launched products
2020	We commenced cooperation with a PRC originated global provider of smart devices
2021	We established a collaborative relationship with Xian Yu (閒魚), a brand under the Alibaba Group
	We joined China Resource Recycling Association (中國再生資源回收利用協會)
2021	We received the award of "National Consumer Satisfaction Brand (全國消費者放心滿意品牌)" jointly issued by China's Product Quality Certification Supervision and Management Center and China Brand Enterprise Evaluation Management Committee
2022	We received the award of "The Most Socially Impactful Start-Up in China (中國最具社會影響力的創業公司)" issued by Fortune (財富)
2023	We extended recycling transaction services to Hong Kong to facilitate the local business development of certain mainstream consumer electronic brand whom we partner with
	We were recognized as WISE2023 King of Future Business Potential-Annual New Economy High Growth Enterprise (WISE2023未來商業潛力之王年度新經濟高成長企業) by 36Kr Holdings Inc.

3. OUR GROUP STRUCTURE AND CORPORATE HISTORY

In preparation for the [**REDACTED**], we have implemented the Reorganization, with the incorporation of our Company as the [**REDACTED**] vehicle and the ultimate holding company of our Group. The following chart sets forth the corporate structure of our Group immediately following completion of the [**REDACTED**] and the [**REDACTED**]:



Note: The remaining 1.82% equity interest of Shenzhen Shanhui is owned by Mr. Zhang Fulong (張福龍), an Independent Third Party. For background information of Mr. Zhang, please refer to "– 5.1 Information regarding the [**REDACTED**] Investors" in this section.

We set below the corporate history of our subsidiaries in the PRC.

3.1 Shenzhen Shanhui

Shenzhen Shanhui was established in the PRC as a limited liability company on May 18, 2016 with an initial registered capital of RMB3,000,000, which had been fully paid up by December 6, 2017, and was owned as to 45% by Mr. Liu and 55% by Mr. Gao Zibin (高自斌) ("**Mr. Gao**"). Mr. Gao became acquainted with Mr. Liu through participation in a business event in 2008. As they share similar values in terms of business philosophy, they decided to establish Shenzhen Shanhui leveraging on Mr. Liu's experience in the telecommunication-related industries and Mr. Gao's financial resources. Since the establishment of Shenzhen Shanhui, Mr. Gao has only been a passive investor and has not participated in the management and operation of our Group.

Shenzhen Shanhui is principally engaged in the provision of consumer electronics after-market transaction services and is one of our principal operating subsidiaries.

After its establishment and prior to the Reorganization, Shenzhen Shanhui had undergone a series of share transfers and equity fundraisings, details of which are summarized as follows:

3.1.1 Equity Transfers in 2017

Pursuant to the equity transfer agreements dated January 12, 2017, Mr. Liu and Haimin Xinshun acquired 27.86% (9.07% of which was paid up) and 12.86% (8.57% of which was paid up) of the equity interest in Shenzhen Shanhui from Mr. Gao at considerations of RMB272,143 and RMB257,143, respectively. The considerations for the equity transfers were determined with reference to the amount of registered capital in Shenzhen Shanhui that was paid up by Mr. Gao for the relevant equity interest.

Haimin Xinshun is a limited partnership established in the PRC on January 10, 2017 for the purpose of holding equity interest in Shenzhen Shanhui for Mr. Liu, Ms. Yu, Mr. He, Mr. Lin and Mr. Luo Yuanshun (羅源順) ("**Mr. Luo**"), who are employees of our Group (the "**Employee Members**"), and it is owned as to approximately 17.80% by Mr. Liu as the general partner and approximately 30.52%, 25.53%, 18.68% and 7.47% by Ms. Yu, Mr. He, Mr. Lin and Mr. Luo, respectively, as the limited partners.

Upon completion of the above equity transfers on May 25, 2017, the shareholding of Shenzhen Shanhui was as follows:

Shareholders	**Registered capital (RMB)**	**Approximate equity interest (%)**
Mr. Liu	2,185,800	72.86
Mr. Gao	428,400	14.28
Haimin Xinshun	385,800	12.86
Total	3,000,000	100.00

3.1.2 Seed Round Investments

Pursuant to the capital injection agreements dated January 16, 2017, January 16, 2017, February 6, 2017 and March 16, 2017, the registered capital of Shenzhen Shanhui increased from RMB3,000,000 to RMB4,285,900, where three Independent Third Parties, Mr. Chen Jiangao (陳建高), Mr. Zhang Fulong (張福龍) and Mr. Wang Shujia (王述嘉) and Juntong Investment subscribed for approximately 4%, 10%, 2% and 14% of the enlarged equity interest in Shenzhen Shanhui at a consideration of RMB1,200,000, RMB1,600,000, RMB600,000 and RMB600,000, respectively. The amount of the capital injection was determined based on arm's length negotiation between the parties having considered the background of each shareholder, that our business was still in early stage at the time of investment and also taking into account that no special rights and benefits were granted to the shareholders. In particular, a higher discount was offered to Juntong Investment as we believed that our business can benefit from the experience and business network of its limited partners. The consideration was fully settled by (i) Mr. Chen on January 20, 2017, (ii) Mr. Zhang on December 6, 2017, (iii) Mr. Wang on February 8, 2017 and (iv) Juntong Investment on June 9, 2017. Juntong Investment is a limited partnership established in the PRC, which is owned as to approximately 10.92% by Mr. Liu as the general partner and as to approximately 51.12%, 22.80% and 15.16% by three Independent Third Parties, Mr. Xie Siyin (謝思引), Mr. Yin Xuejun (尹學軍) and Mr. Ge Dong (葛東), respectively, as the limited partners. Each of Mr. Chen Jiangao (陳建高), Mr. Zhang Fulong (張福龍), Mr. Wang Shujia (王述嘉) and the limited partners of Juntong Investment, namely Mr. Xie, Mr. Yin and Mr. Ge, is a friend of Mr. Liu. At the time of their respective investment, we believed that our Group can benefit from the additional capital contributed by each of them individually as well as their knowledge and/or experience. For their background information, please refer to "– 5.1 Information regarding the [**REDACTED**] Investors" in this section.

Upon completion of the above capital increases on June 14, 2017, the shareholding of Shenzhen Shanhui was as follows:

Shareholders	**Registered capital (RMB)**	**Approximate equity interest (%)**
Mr. Liu	2,185,800	51.00
Mr. Gao	428,400	10.00
Haimin Xinshun	385,800	9.00
Juntong Investment	600,000	14.00
Mr. Chen Jiangao (陳建高)	171,500	4.00
Mr. Zhang Fulong (張福龍)	428,600	10.00
Mr. Wang Shujia (王述嘉)	85,800	2.00
Total	4,285,900	100.00

3.1.3 Employee Equity Incentive Plan

With a view to incentivizing our management and core employees to further promote our development and in recognition of their contributions, an employee equity incentive platform, Menggongyuan, was established in the PRC on November 22, 2017. Menggongyuan is owned as to 80% by Mr. Liu as the general partner and 20% by Ms. Yu as the limited partner. Pursuant to the equity transfer agreement dated February 11, 2018, Menggongyuan acquired 4.25%, 2.5%, 0.75%, 3.5%, 2.5%, 1% and 0.5% equity interest in Shenzhen Shanhui from Mr. Liu, Mr. Gao, Haimin Xinshun, Juntong Investment, Mr. Zhang Fulong (張福龍), Mr. Chen Jiangao (陳建高) and Mr. Wang Shujia (王述嘉) at a consideration of RMB1 each for the purpose of implementing the employee equity incentive plan of Shenzhen Shanhui as described below (the "**Scheme**").

Upon completion of the above equity transfers on February 12, 2018, the shareholding of Shenzhen Shanhui was as follows:

Shareholders	Registered capital (RMB)	Approximate equity interest (%)
Mr. Liu	2,003,658	46.75
Mr. Gao	321,442	7.50
Haimin Xinshun	353,587	8.25
Juntong Investment	450,020	10.50
Mr. Chen Jiangao (陳建高)	128,577	3.00
Mr. Zhang Fulong (張福龍)	321,442	7.50
Mr. Wang Shujia (王述嘉)	64,289	1.50
Menggongyuan	642,885	15.00
Total	4,285,900	100.00

The Scheme was approved and adopted by the board of Shenzhen Shanhui on September 28, 2018. On May 18, 2023, the Scheme and all share incentives granted thereunder were terminated. For details of the Scheme, please refer to note 23 to our financial statements included in the Accountants' Report in Appendix I to this document.

3.1.4 Series A [REDACTED] Investments

(a) Pursuant to the equity transfer and capital increase agreement of Shenzhen Shanhui dated February 7, 2018 and equity transfer agreements dated July 4, 2018, (i) Jinmi Investment acquired approximately 1.43% and 0.95% equity interest in Shenzhen Shanhui from Mr. Gao and Mr. Chen Jiangao (陳建高) at considerations of RMB1,800,000 and RMB1,200,000, respectively; (ii) Hangzhou Shunying acquired approximately 1.68% equity interest in Shenzhen Shanhui from Mr. Zhang Fulong (張福龍) at a consideration of RMB2,121,500; and (iii) Shunwei Technology acquired approximately 0.70% equity interest in Shenzhen Shanhui from Mr. Zhang Fulong (張福龍) at a consideration of RMB878,500. The considerations were mainly determined by the parties based on arm's length negotiation with reference to the then agreed post-money valuation of Shenzhen Shanhui in the amount of RMB150 million after considering the revenue of Shenzhen Shanhui for the year ended December 31, 2017, the business prospect of Shenzhen Shanhui and the positive outlook for the PRC mobile phone recycling service market. The consideration was fully settled by (i) Jinmi Investment by May 15, 2018, (ii) Hangzhou Shunying by May 18, 2018, and (iii) Shunwei Technology by May 18, 2018.

Pursuant to the same equity transfer and capital increase agreement of Shenzhen Shanhui dated February 7, 2018 and shareholders' resolutions of Shenzhen Shanhui dated July 4, 2018, the registered capital of Shenzhen Shanhui was increased from RMB4,285,900 to RMB5,102,262, where Jinmi Investment, Hangzhou Shunying and Shunwei Technology subscribed for approximately 8%, 5.66% and 2.34% of the enlarged equity interest in Shenzhen Shanhui at consideration of RMB12,000,000, RMB8,486,001 and RMB3,513,999, respectively. The considerations were mainly determined among the respective [**REDACTED**] investors, the then shareholders and Shenzhen Shanhui based on arm's length negotiations with reference to the then agreed post-money valuation of Shenzhen Shanhui in the same round of investment and potential business cooperation opportunities and benefits that the [**REDACTED**] Investors could bring to our Group. For their background information, please refer to "– 5.1 Information regarding the [**REDACTED**] Investors" in this section. The consideration was fully settled by (i) Jinmi Investment on February 13, 2018, (ii) Hangzhou Shunying on February 9, 2018, and (iii) Shunwei Technology on February 11, 2018.

Upon completion of the above capital increases and equity transfers on July 5, 2018, the shareholding of Shenzhen Shanhui was as follows:

Shareholders	**Registered capital (RMB)**	**Approximate equity interest (%)**
Mr. Liu	2,003,658	39.27
Mr. Gao	260,215	5.10
Haimin Xinshun	353,587	6.93
Juntong Investment	450,020	8.82
Mr. Chen Jiangao (陳建高)	87,759	1.72
Mr. Zhang Fulong (張福龍)	219,397	4.30
Mr. Wang Shujia (王述嘉)	64,289	1.26
Menggongyuan	642,885	12.60
Shunwei Technology	149,411	2.93
Hangzhou Shunying	360,815	7.07
Jinmi Investment	510,226	10.00
Total	5,102,262	100.00

(b) Pursuant to the shareholders' resolutions of Shenzhen Shanhui dated July 1, 2019, the registered capital of Shenzhen Shanhui was increased from RMB5,102,262 to RMB20,000,000, where Mr. Liu, Mr. Gao, Haimin Xinshun, Juntong Investment, Mr. Chen Jiangao (陳建高), Mr. Zhang Fulong (張福龍), Mr. Wang Shujia (王述嘉), Menggongyuan, Shunwei Technology, Hangzhou Shunying and Jinmi Investment subscribed for an additional registered capital of RMB5,850,342, RMB759,785, RMB1,032,413, RMB1,313,980, RMB256,241, RMB640,603, RMB187,711, RMB1,877,115, RMB436,269, RMB1,053,505, RMB1,489,774, respectively, which were in proportion to their respective equity interests in Shenzhen Shanhui at the time.

Upon completion of the above capital increases on July 1, 2019, the shareholding of Shenzhen Shanhui was as follows:

Shareholders	**Registered capital (RMB)**	**Approximate equity interest (%)**
Mr. Liu	7,854,000	39.27
Mr. Gao	1,020,000	5.10
Haimin Xinshun	1,386,000	6.93
Juntong Investment	1,764,000	8.82
Mr. Chen Jiangao (陳建高)	344,000	1.72
Mr. Zhang Fulong (張福龍)	860,000	4.30

Shareholders	Registered capital (RMB)	Approximate equity interest (%)
Mr. Wang Shujia (王述嘉)	252,000	1.26
Menggongyuan	2,520,000	12.60
Shunwei Technology	585,680	2.93
Hangzhou Shunying	1,414,320	7.07
Jinmi Investment	2,000,000	10.00
Total	20,000,000	100.00

Pursuant to the supplemental shareholders' resolutions passed by the then shareholders of Shenzhen Shanhui dated October 15, 2021, the registered capital of Shenzhen Shanhui was increased by way of capitalization of capital reserve of RMB14,897,738 into registered capital. Upon completion of such capitalization, each of the then shareholders' shareholding percentage in Shenzhen Shanhui remained unchanged.

(c) Pursuant to an equity transfer agreement dated July 23, 2019, Haimin Xinshun acquired approximately 4.31% equity interest in Shenzhen Shanhui from Mr. Liu at a consideration of RMB1 as Mr. Liu intended to allocate some of his equity interest in Shenzhen Shanhui to Haimin Xinshun to incentivize the Employee Members.

Upon completion of the above equity transfer on the same date, the shareholding of Shenzhen Shanhui was as follows:

Shareholders	Registered capital (RMB)	Approximate equity interest (%)
Mr. Liu	6,992,000	34.96
Mr. Gao	1,020,000	5.10
Haimin Xinshun	2,248,000	11.24
Juntong Investment	1,764,000	8.82
Mr. Chen Jiangao (陳建高)	344,000	1.72
Mr. Zhang Fulong (張福龍)	860,000	4.30
Mr. Wang Shujia (王述嘉)	252,000	1.26
Menggongyuan	2,520,000	12.60
Shunwei Technology	585,680	2.93
Hangzhou Shunying	1,414,320	7.07
Jinmi Investment	2,000,000	10.00
Total	20,000,000	100.00

(d) Pursuant to the capital injection agreements of Shenzhen Shanhui dated February 11, 2019 and shareholders' resolutions of Shenzhen Shanhui dated July 24, 2020, the registered capital of Shenzhen Shanhui was increased from RMB20,000,000 to RMB21,088,000, where Ganzhou Kaiyue Talent Venture Capital Fund (Limited Partnership) (贛州市開悅人才創業投資基金(有限合夥)) ("**Ganzhou Kaiyue**") and Jinmi Investment agreed to subscribe for approximately 1.89% and 3.26% of the enlarged equity interest in Shenzhen Shanhui at a consideration of RMB10,000,000 and RMB17,200,000, respectively. The considerations were mainly determined based on arm's length negotiation amongst respective [**REDACTED**] investors, the then shareholders and Shenzhen Shanhui with reference to the then agreed post-money valuation of Shenzhen Shanhui in the amount of RMB547 million after considering the revenue of Shenzhen Shanhui for the year ended December 31, 2018 and the then price-to-sales (P/S) ratio of Shenzhen Shanhui and those of our market comparables. The consideration was fully settled by (i) Jinmi Investment by February 14, 2019 and (ii) Ganzhou Kaiyue by June 21, 2019.

Upon completion of the above capital increases on July 24, 2020, the shareholding of Shenzhen Shanhui was as follows:

Shareholders	**Registered capital (RMB)**	**Approximate equity interest (%)**
Mr. Liu	6,992,000	33.16
Mr. Gao	1,020,000	4.84
Haimin Xinshun	2,248,000	10.66
Juntong Investment	1,764,000	8.36
Mr. Chen Jiangao (陳建高)	344,000	1.63
Mr. Zhang Fulong (張福龍)	860,000	4.08
Mr. Wang Shujia (王述嘉)	252,000	1.19
Menggongyuan	2,520,000	11.95
Shunwei Technology	585,680	2.78
Hangzhou Shunying	1,414,320	6.71
Jinmi Investment	2,688,000	12.75
Ganzhou Kaiyue	400,000	1.89
Total	21,088,000	100.00

3.1.5 Series C [REDACTED] Investments

(a) Pursuant to the equity transfer agreements dated July 30, 2021 and August 6, 2021, Mr. Duan Liping (段力平), an Independent Third Party, acquired approximately 1.37% and 1.89% equity interest in Shenzhen Shanhui from Juntong Investment and Ganzhou Kaiyue at a consideration of RMB10,276,500, and RMB14,226,000, respectively. The considerations were mainly determined based on arm's length negotiation among the parties and with reference to the then agreed valuation of Shenzhen Shanhui in the amount of approximately RMB750 million after considering the revenue of Shenzhen Shanhui for the year ended December 31, 2020 and the then price-to-sales (P/S) ratio of Shenzhen Shanhui and those of our market comparables. The considerations were fully settled by August 11, 2021. Subsequent to the equity transfer, Ganzhou Kaiyue ceased to have any equity interest in the Shenzhen Shanhui.

Upon completion of the above equity transfers on September 8, 2021, the shareholding of Shenzhen Shanhui was as follows:

Shareholders	**Registered capital (RMB)**	**Approximate equity interest (%)**
Mr. Liu	6,992,000	33.16
Mr. Gao	1,020,000	4.84
Haimin Xinshun	2,248,000	10.66
Juntong Investment	1,475,050	6.99
Mr. Chen Jiangao (陳建高)	344,000	1.63
Mr. Zhang Fulong (張福龍)	860,000	4.08
Mr. Wang Shujia (王述嘉)	252,000	1.19
Menggongyuan	2,520,000	11.95
Shunwei Technology	585,680	2.78
Hangzhou Shunying	1,414,320	6.71
Jinmi Investment	2,688,000	12.75
Mr. Duan Liping (段力平)	688,950	3.26
Total	21,088,000	100.00

(b) Pursuant to an equity transfer agreement dated August 30, 2021, (i) Nanhai Growth acquired approximately 4.21% equity interest in Shenzhen Shanhui from Juntong Investment at a consideration of RMB30,000,000; (ii) Zhitou Huifu acquired approximately 1.83% equity interest in Shenzhen Shanhui from Mr. Zhang Fulong (張福龍) at a consideration of RMB12,500,003; and (iii) Ms. Zhu Yongmei (朱永梅), an Independent Third Party, acquired approximately 0.37% equity interest in Shenzhen Shanhui from Mr. Zhang Fulong (張福龍) at a consideration of

RMB2,500,000. The considerations were mainly determined by the parties after arm's length negotiation with reference to the consideration paid by Mr. Duan Liping (段力平) in the previous round of investment and were fully settled by August 31, 2021.

Pursuant to an equity transfer agreement dated August 30, 2021, Fatiao Time acquired approximately 5.14%, 3.63% and 1.50% equity interest in Shenzhen Shanhui from Jinmi Investment, Hangzhou Shunying, Shunwei Technology at consideration of RMB48,022,500, RMB33,959,911 and RMB14,062,589, respectively. The considerations were mainly determined by the parties after arm's length negotiation with reference to the then agreed valuation of Shenzhen Shanhui in the amount of RMB1 billion, the prospect of our business at that time and the business development of Shenzhen Shanhui. In addition, the holding company of Fatiao Time, Beijing Zhuanzhuan Spirit Technology Co., Ltd. (北京轉轉精神科技有限責任公司), and its related parties are engaged in the PRC mobile phone recycling service market and optimistic about the market and believe that we will have promising prospects for development. The considerations were fully settled by September 13, 2021.

Upon completion of the above equity transfers on September 13, 2021, the shareholding of Shenzhen Shanhui was as follows:

Shareholders	**Registered capital (RMB)**	**Approximate equity interest (%)**
Mr. Liu	6,992,000	33.16
Mr. Gao	1,020,000	4.84
Haimin Xinshun	2,248,000	10.66
Juntong Investment	587,134	2.79
Mr. Chen Jiangao (陳建高)	344,000	1.63
Mr. Zhang Fulong (張福龍)	396,362	1.88
Mr. Wang Shujia (王述嘉)	252,000	1.19
Menggongyuan	2,520,000	11.95
Shunwei Technology	268,512	1.27
Hangzhou Shunying	648,388	3.07
Jinmi Investment	1,604,900	7.61
Mr. Duan Liping (段力平)	688,950	3.27
Nanhai Growth	887,916	4.21
Zhitou Huifu	386,373	1.83
Ms. Zhu Yongmei (朱永梅)	77,265	0.37
Fatiao Time	2,166,200	10.27
Total	21,088,000	100.00

(c) Pursuant to an equity transfer agreement dated August 31, 2021, Ms. Zhu Yongmei (朱永梅) acquired approximately 5.35% equity interest in Shenzhen Shanhui from Fatiao Time at consideration of RMB50,000,000. The consideration was mainly determined by the parties after arm's length negation with reference to the consideration paid by Fatiao Time in the previous round of investment and was fully settled by September 7, 2021.

Upon completion of the above equity transfer on September 16, 2021, the shareholding of Shenzhen Shanhui was as follows:

Shareholders	Registered capital (RMB)	Approximate equity interest (%)
Mr. Liu	6,992,000	33.16
Mr. Gao	1,020,000	4.84
Haimin Xinshun	2,248,000	10.66
Juntong Investment	587,134	2.78
Mr. Chen Jiangao (陳建高)	344,000	1.63
Mr. Zhang Fulong (張福龍)	396,362	1.88
Mr. Wang Shujia (王述嘉)	252,000	1.19
Menggongyuan	2,520,000	11.95
Shunwei Technology	268,512	1.27
Hangzhou Shunying	648,388	3.07
Jinmi Investment	1,604,900	7.61
Mr. Duan Liping (段力平)	688,950	3.27
Nanhai Growth	887,916	4.21
Zhitou Huifu	386,373	1.83
Ms. Zhu Yongmei (朱永梅)	1,204,966	5.72
Fatiao Time	1,038,499	4.93
Total	21,088,000	100.00

As part of the Reorganization, Shenzhen Shanhui became an indirect non-wholly owned subsidiary of our Company. Please refer to "Reorganization" in this section for further details.

3.1.6 Share options

On February 1, 2019, Shenzhen Shanhui issued certain options to SVB Venture Capital Investment Management (Shanghai) Co., Ltd. (盛維創業投資管理(上海)有限公司) ("**SVB Venture Capital**"), a related party of Pufa Silicon Valley Bank Co., Ltd. (浦發矽谷銀行有限公司), which was a lender of Shenzhen Shanhui and an Independent Third Party. Pursuant to the relevant agreement, SVB Venture Capital was entitled to subscribe for certain shares of Shenzhen Shanhui at an agreed price within seven years from the date of the agreement. On

December 30, 2023, the options were terminated by the parties and all rights attached thereto with a consideration of RMB1 million, which was determined by the parties on an arm's length basis and was settled on January 10, 2024.

On March 2, 2020, Shenzhen Shanhui issued certain options to Hangzhou Fuzhuo Investment Management Co., Ltd. (杭州複琢投資管理有限公司) ("**Hangzhou Fuzhuo Investment**"). Pursuant to the relevant agreement, Hangzhou Fuzhuo Investment was entitled to subscribe for certain shares of Shenzhen Shanhui. On February 27, 2022, the options expired and no shares had been issued to Hangzhou Fuzhuo Investment.

On April 30, 2020, Shenzhen Shanhui issued certain options to a licensed commercial factoring company, which is an indirect wholly-owned subsidiary of our related parties, pursuant to which such company was entitled to subscribe for certain shares of Shenzhen Shanhui at an agreed price. On April 30, 2023, the options expired and no shares had been issued to such company.

3.2 Shenzhen Tianhai

Shenzhen Tianhai was established in the PRC as a limited liability company on January 13, 2020 with an initial registered capital of RMB10,000,000, and has been wholly owned by Shenzhen Shanhui since its establishment.

Shenzhen Tianhai is principally engaged in the research and development, sales and maintenance of network products, communication products, electronic products, digital products and accessories.

3.3 Shenzhen Shanxin

Shenzhen Shanxin was established in the PRC as a limited liability company on July 20, 2022 with an initial registered capital of RMB20,000,000, and has been wholly owned by Shenzhen Shanhui since its establishment. On June 13, 2024, pursuant to the sole shareholder's resolution and in order to align with the current operational scale of Shenzhen Shanxin, the registered capital of Shenzhen Shanxin was reduced to RMB10,000,000 from RMB20,000,000 and such capital reduction was competed on July 31, 2024.

Shenzhen Shanxin is principally engaged in the provision of technical services.

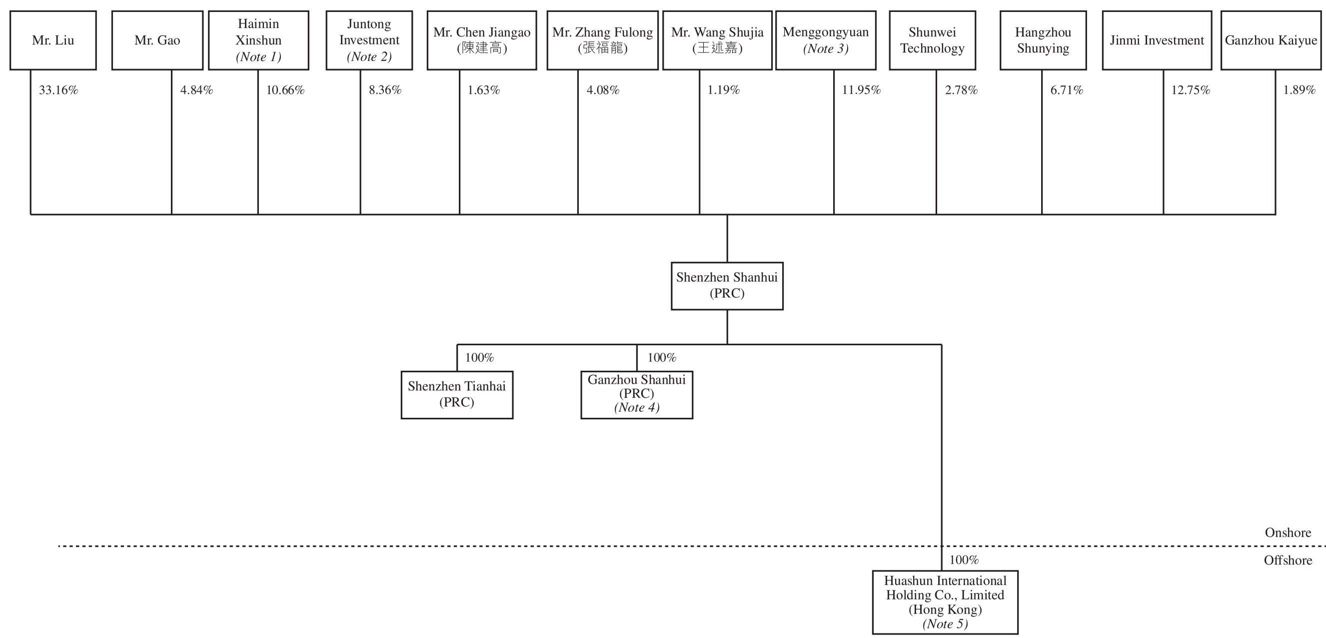
3.4 Shenzhen Shanji

Shenzhen Shanji was established in the PRC as a limited liability company on January 16, 2023 with an initial registered capital of RMB10,000,000, and has been wholly owned by Shenzhen Shanhui since its establishment.

Shenzhen Shanji is principally engaged in the provision of consumer electronics after-market transaction services.

4. REORGANIZATION

Our Group underwent the Reorganization in preparation for the [**REDACTED**]. The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganization:



Notes:

1. Haimin Xinshun is a limited partnership established in the PRC. Haimin Xinshun was established for the purpose of holding equity interest in Shenzhen Shanhui for the Employee Members. Haimin Xinshun is owned as to approximately 17.80%, 30.52%, 25.53%, 18.68% and 7.47% by Mr. Liu, Ms. Yu, Mr. He, Mr. Lin and Mr. Luo, respectively.

2. Juntong Investment is a limited partnership established in the PRC and owned as to approximately 10.92% by Mr. Liu as the general partner and as to 51.12%, 22.80% and 15.16% by Mr. Xie Siyin (謝思引), Mr. Yin Xuejun (尹學軍) and Mr. Ge Dong (葛東), respectively as the limited partners.

3. Menggongyuan was established in the PRC on November 22, 2017 as a limited partnership that was set up as an employee equity incentive platform and is owned as to 80% by Mr. Liu as the general partner and 20% by Ms. Yu as the limited partner.

4. Ganzhou Shanhui completed the deregistration on January 22, 2024.

5. Huashun International Holding Co., Limited completed the deregistration on January 28, 2022.

4.1 Incorporation of ShanHuiShou BVI and other BVI Shareholders

On August 5, 2021, ShanHuiShou BVI was incorporated to act as the holding company for Mr. Liu's interest in our Company.

On September 15, 2021, the following BVI holding companies (collectively, the "**12 BVI Shareholders**", and each an "**BVI Shareholder**") were incorporated to act as the holding companies for the relevant ultimate beneficial shareholders (collectively, the "**12 Individual Shareholders**" and each an "**Individual Shareholder**")'s direct or indirect interest in our Company:

Name of BVI Shareholder	Name of Individual Shareholder
SHS Glory BVI	Mr. Gao
SHS Thunder BVI	Mr. Chen Jiangao (陳建高)
SHS Lightning BVI	Mr. Wang Shujia (王述嘉)
MGY Alliance BVI	Ms. Yu
Flash Recycle BVI	Mr. He
Lightning Recycle BVI	Mr. Lin
Recycle Lifestyle BVI	Mr. Luo
SHS Blooming BVI	Mr. Xie Siyin (謝思引)
SHS Flash BVI	Mr. Yin Xuejun (尹學軍)
SHS Prosperity BVI	Mr. Ge Dong (葛東)
ShanHS Sword BVI	Mr. Duan Liping (段力平)
Yuntouhang BVI	Ms. Zhu Yongmei (朱永梅)

4.2 Incorporation of our Company

On August 11, 2021, our Company was incorporated as an exempted company in the Cayman Islands with limited liability to act as the holding company of our Group. The initial authorized share capital of our Company was HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 each. Upon its incorporation, one Share was allotted and issued to an initial subscriber, being an Independent Third Party, and the said Share was transferred to ShanHuiShou BVI on the same day.

4.3 Incorporation of ShanH Holding

On September 17, 2021, ShanH Holding was incorporated as a limited liability company in the BVI as our intermediate holding company. The initial authorized share capital of ShanH Holding was 50,000 ordinary shares without par value. Upon its incorporation, one share of ShanH Holding was allotted and issued to our Company, following which ShanH Holding became wholly-owned by our Company.

4.4 Incorporation of Shanhui Technology

On October 19, 2021, Shanhui Technology was incorporated as a limited liability company in Hong Kong and is principally engaged in the provision of consumer electronics after-market transaction services in Hong Kong. Upon incorporation, one share of Shanhui Technology was allotted and issued to ShanH Holding, following which Shanhui Technology became wholly-owned by ShanH Holding.

4.5 Incorporation of MGY Wisdom BVI

On November 10, 2021, MGY Wisdom BVI was incorporated in the BVI to act as an employee shareholding platform for the purpose of holding the equity interest in our Company for implementation of equity incentive plan(s) for employees of our Group after [**REDACTED**]. To reflect the shareholding structure of Menggongyuan, MGY Wisdom BVI has issued and allotted eight shares to ShanHuiShou BVI and two shares to MGY Alliance BVI.

4.6 [REDACTED] Investment by Flexman (HK) through subscription of equity interest in Shenzhen Shanhui

We introduced Flexman (HK) as a [**REDACTED**] Investor as part of the Reorganization. Pursuant to a shareholders' resolutions of Shenzhen Shanhui dated November 1, 2021, Flexman (HK), which is wholly owned by Ms. Yuen Shuk Ying (袁淑盈), an Independent Third Party, subscribed for approximately 3.29% of the enlarged equity interest in Shenzhen Shanhui (equivalent to the registered capital of Shenzhen Shanhui of approximately RMB716,966) at a consideration of RMB1,867,641, which was determined with reference to the net asset value of Shenzhen Shanhui as of July 31, 2021 having considered the reorganization steps required to be undertaken by our Group for the [**REDACTED**] and that the class of shares subscribed is ordinary Shares, which do not have any special rights as granted to holders of the Preferred Shares. The consideration was fully settled by July 10, 2023.

Upon completion of the above capital increase on November 1, 2021, the shareholding of Shenzhen Shanhui was as follows:

Shareholders	Registered capital (RMB'000)	Approximate equity interest (%)
Mr. Liu	6,992,000	32.07
Mr. Gao Zibin (高自斌)	1,020,000	4.68
Haimin Xinshun	2,248,000	10.31
Juntong Investment	587,134	2.69
Mr. Chen Jiangao (陳建高)	344,000	1.58
Mr. Zhang Fulong (張福龍)	396,362	1.82
Mr. Wang Shujia (王述嘉)	252,000	1.16

Shareholders	Registered capital (RMB'000)	Approximate equity interest (%)
Menggongyuan	2,520,000	11.56
Shunwei Technology	268,512	1.23
Hangzhou Shunying	648,388	2.97
Jinmi Investment	1,604,900	7.36
Nanhai Growth	887,916	4.07
Flexman (HK)	716,966	3.29
Mr. Duan Liping (段力平)	688,950	3.15
Zhitou Huifu	386,373	1.77
Ms. Zhu Yongmei (朱永梅)	1,204,966	5.53
Fatiao Time	1,038,499	4.76
Total	21,804,966	100.00

4.7 Subscription of Shares by MGY Wisdom BVI and the 12 BVI Shareholders

On November 15, 2021, our Company allotted and issued one ordinary Share to each of MGY Wisdom BVI and the 12 BVI Shareholders at nominal value of HK$0.01 per Share. Immediately after such allotments, our Company was owned by ShanHuiShou BVI, MGY Wisdom BVI and the 12 BVI Shareholders in equal portion.

4.8 Subscription of Shares by ShanHuiShou BVI, the 12 BVI Shareholders, MGY Wisdom BVI, Shanghai Wenwei, Shanghai Jiaozeng, Shanghai Xiuhui, Zhitou Huifu, World Circulation BVI and Barryspace BVI

To reflect the equity interest in Shenzhen Shanhui held by the then shareholders as set out in step 4.6 above, a share subscription agreement was entered into by the relevant parties on April 18, 2023 (the "**Share Subscription Agreement**"). Pursuant to the Share Subscription Agreement, our Company allotted and issued certain shares (the "**Subscription Shares**") to ShanHuiShou BVI, the 12 BVI Shareholders, MGY Wisdom BVI, Shanghai Wenwei, Shanghai Jiaozeng, Shanghai Xiuhui, Zhitou Huifu, World Circulation BVI and Barryspace BVI (the "**Subscribers**") on April 28, 2023.

4.9 Subscription of Shares by Long Shining BVI

Pursuant to a share subscription agreement dated December 28, 2021 and an amended and restated subscription agreement dated October 31, 2023, our Company agreed to allot and issue 406,950 Series C-6 Preferred Shares to Long Shining BVI at a consideration of RMB25,497,500 (equivalent to approximately USD4,005,388). The consideration was fully settled and received by our Company on January 31, 2022 and was mainly determined by the parties after arm's length negotiation with reference to the revenue of Shenzhen Shanhui for the year ended December 31, 2020 and the then price-to-sales (P/S) ratio of Shenzhen Shanhui and those of our market comparables at the time of investment in 2021. Due to the delay in the Reorganization, the Series C-6 Preferred Shares were subsequently allotted and issued to Long Shining BVI on December 15, 2023. Long Shining BVI is a company incorporated in the British Virgin Islands and owned as to 50% by Mr. Wu Ching Ho (胡清河) and 50% by his spouse, Ms. Pang Hiu Mui (彭曉梅), both being Independent Third Parties.

Details of the shareholding of our Company after completion of the above subscriptions as set out in steps 4.8 and 4.9 above are summarized as follow:

Name of Shareholders	Class of Shares	Number of Shares	Shareholding Percentage (%)
ShanHuiShou BVI	Ordinary Shares	6,839,040	32.47
MGY Wisdom BVI	Ordinary Shares	2,311,400	10.97
SHS Glory BVI	Ordinary Shares	935,560	4.44
SHS Thunder BVI	Ordinary Shares	315,520	1.50
SHS Lightning BVI	Ordinary Shares	231,140	1.10
MGY Alliance BVI	Ordinary Shares	629,180	2.99
Flash Recycle BVI	Ordinary Shares	526,440	2.50
Lightning Recycle BVI	Ordinary Shares	385,200	1.83
Recycle Lifestyle BVI	Ordinary Shares	154,080	0.73
SHS Blooming BVI	Ordinary Shares	275,300	1.31
SHS Flash BVI	Ordinary Shares	122,800	0.58
SHS Prosperity BVI	Ordinary Shares	81,640	0.39
Barryspace BVI	Ordinary Shares	657,620	3.12
Shanghai Wenwei	Series A-1 Preferred Shares	841,000	3.99
Shanghai Jiaozeng	Series A-2 Preferred Shares	1,472,040	6.99
Shanghai Xiuhui	Series C-1 Preferred Shares	1,833,410 *(Note 1)*	8.70
World Circulation BVI	Series C-2 Preferred Shares	952,540	4.52
ShanHS Sword BVI	Series C-3 Preferred Shares	631,920 *(Note 2)*	3.00

Name of Shareholders	Class of Shares	Number of Shares	Shareholding Percentage (%)
Zhitou Huifu	Series C-4 Preferred Shares	354,380	1.68
Yuntouhang BVI	Series C-5 Preferred Shares	1,105,220 *(Note 2)*	5.25
Long Shining BVI	Series C-6 Preferred Shares	406,950	1.94
Total	/	21,062,380	100.00

Notes:

1. Pursuant to the Share Subscription Agreement, Shanghai Xiuhui, the ODI vehicle of Nanhai Growth, subscribed for a total of 1,833,410 Series C-1 Preferred Shares, 814,420 of which reflect Nanhai Growth's then equity interest in Shenzhen Shanhui as set out in step 4.6 above and 1,018,990 of which represent Nanhai Growth's additional subscription of shares of our Company through Shanghai Xiuhui as described below. On March 22, 2021, Nanhai Growth and Shenzhen Shanhui, among others, entered into a capital increase agreement, pursuant to which Nanhai Growth agreed to subscribe for approximately 5% of the then enlarged equity interest in Shenzhen Shanhui at a consideration of RMB50,000,000. The consideration was fully settled and received by Shenzhen Shanhui on April 7, 2021 and was mainly determined by the parties after arm's length negotiation with reference to the revenue of Shenzhen Shanhui for the year ended December 31, 2020 and the then price-to-sales (P/S) ratio of Shenzhen Shanhui and those of our market comparables at the time of investment in 2021. Due to the delay in the Reorganization, Nanhai Growth decided to subscribe for 1,018,990 additional Series C-1 Preferred Shares through Shanghai Xiuhui pursuant to the Share Subscription Agreement.

2. Pursuant to the shareholders' resolutions dated April 28, 2023, one ordinary share issued to ShanHS Sword BVI was converted into one Series C-3 Preferred Share and one ordinary share issued to Yuntouhang BVI was converted into one Series C-5 Preferred Share on the same date.

3. Each of Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares, Series C-3 Preferred Shares, Series C-4 Preferred Shares, Series C-5 Preferred Shares and Series C-6 Preferred Shares will be converted into ordinary Shares on a one-to-one basis by way of re-designation to Shares upon the [**REDACTED**].

The table below sets out the relationships between the Subscribers and shareholders of Shenzhen Shanhui:

Shareholder of Shenzhen Shanhui	Subscriber	Relationship
Mr. Liu	ShanHuiShou BVI	Wholly-owned by Mr. Liu
Menggongyuan	MGY Wisdom BVI	Controlled by the same ultimate beneficial owners
Mr. Gao	SHS Glory BVI	Wholly-owned by Mr. Gao
Mr. Chen Jiangao (陳建高)	SHS Thunder BVI	Wholly-owned by Mr. Chen Jiangao (陳建高)
Mr. Wang Shujia (王述嘉)	SHS Lightning BVI	Wholly-owned by Mr. Wang Shujia (王述嘉)

Shareholder of Shenzhen Shanhui	Subscriber	Relationship
Ms. Yu *(Note 1)*	MGY Alliance BVI	Wholly-owned by Ms. Yu
Mr. He *(Note 1)*	Flash Recycle BVI	Wholly-owned by Mr. He
Mr. Lin *(Note 1)*	Lightning Recycle BVI	Wholly-owned by Mr. Lin
Mr. Luo *(Note 1)*	Recycle Lifestyle BVI	Wholly-owned by Mr. Luo
Mr. Xie Siyin (謝思引) *(Note 2)*	SHS Blooming BVI	Wholly-owned by Mr. Xie
Mr. Yin Xuejun (尹學軍) *(Note 2)*	SHS Flash BVI	Wholly-owned by Mr. Yin
Mr. Ge Dong (葛東) *(Note 2)*	SHS Prosperity BVI	Wholly-owned by Mr. Ge
Flexman (HK)	Barryspace BVI	Controlled by the same ultimate beneficial owner
Hangzhou Shunying and Shunwei Technology	Shanghai Wenwei	Controlled by the same ultimate beneficial owners
Jinmi Investment	Shanghai Jiaozeng	Controlled by the same ultimate beneficial owners
Nanhai Growth	Shanghai Xiuhui	Controlled by the same ultimate beneficial owners
Fatiao Time	World Circulation BVI	Controlled by Zhuan Spirit Holdings Limited
Mr. Duan Liping (段力平)	ShanHS Sword BVI	Wholly-owned by Mr. Duan
Zhitou Huifu	Zhitou Huifu	Same entity
Ms. Zhu Yongmei (朱永梅)	Yuntouhang BVI	Wholly-owned by Ms. Zhu

Notes:

1. Each of Mr. He, Mr. Lin and Mr. Luo held his respective equity interest in Shenzhen Shanhui through Haimin Xinshun, a limited partnership established for the purpose of holding equity interest in Shenzhen Shanhui for the Employee Members. Such arrangement allowed them to (i) reduce the costs in setting up their own company to hold their respective interests in Shenzhen Shanhui; and (ii) minimize their time and effort in the administration of their respective interests in Shenzhen Shanhui. Upon completion of the Reorganization, each of them holds equity interests in the Company through his wholly-owned companies and is able to exercise his shareholder's rights independently. Hence, each of Mr. He, Mr. Lin and Mr. Luo should not be considered as part of the Controlling Shareholders group.

2. Each of Mr. Xie, Mr. Yin and Mr. Ge held his respective equity interest in Shenzhen Shanhui through Juntong Investment. Such arrangement allowed them to (i) reduce the costs in setting up their own company to hold their respective interests in Shenzhen Shanhui; and (ii) minimize their time and effort in the administration of their respective interests in Shenzhen Shanhui. Upon completion of the Reorganization, each of them holds equity interests in the Company through his wholly-owned companies and is able to exercise his shareholder's rights independently. Hence, each of Mr. Xie, Mr. Yin and Mr. Ge should not be considered as part of the Controlling Shareholders group.

The consideration of the Subscription Shares shall be settled by:

(a) in respect of ShanHuiShou BVI, the 12 BVI Shareholders, MGY Wisdom BVI, Shanghai Jiaozeng, World Circulation BVI and Barryspace BVI, the consideration received by the respective shareholder or holding entity of such Subscriber for the disposal of their equity interest in Shenzhen Shanhui ("**Disposal Consideration**");

(b) in respect of Shanghai Wenwei, the Disposal Consideration received by Hangzhou Shunying and Shunwei Technology;

(c) in respect of Zhitou Huifu, the Disposal Consideration received by such entity; and

(d) in respect of Shanghai Xiuhui, the Disposal Consideration received by Nanhai Growth and additional consideration provided by Shanghai Xiuhui in the amount of RMB50,000,000.

For details of the Disposal Consideration and the relevant disposal, please refer to "Acquisition of Shenzhen Shanhui by Zhejiang Shanhui" in this section below.

4.10 Establishment of Zhejiang Shanhui

Zhejiang Shanhui was established in the PRC on November 7, 2023 with an initial registered capital of USD8,000,000. Since the date of its establishment and up to the Latest Practicable Date, Zhejiang Shanhui had been wholly-owned by Shanhui Technology. Zhejiang Shanhui is principally engaged in the provision of consumer electronics after-market transaction services.

4.11 Acquisition of Shenzhen Shanhui by Zhejiang Shanhui

On December 28, 2023, pursuant to an equity transfer agreement dated November 17, 2023, Zhejiang Shanhui acquired from the then shareholders of Shenzhen Shanhui, namely Mr. Liu, Mr. Gao, Haimin Xinshun, Juntong Investment, Mr. Chen Jiangao (陳建高), Mr. Wang Shujia (王述嘉), Menggongyuan, Shunwei Technology, Hangzhou Shunying, Jinmi Investment, Nanhai Growth, Flexman (HK), Mr. Duan Liping (段力平), Zhitou Huifu, Ms. Zhu Yongmei (朱永梅), and Fatiao Time, representing approximately 98.18% equity interest in Shenzhen Shanhui at an aggregate consideration of RMB55,767,648.96. The consideration was determined with reference to the valuation of Shenzhen Shanhui as agreed by the then shareholders and our Group in 2021 in contemplation of the Reorganization.

Upon completion of the said equity transfers on December 28, 2023 and up to the Latest Practicable Date, Shenzhen Shanhui's equity interest was owned as to approximately 98.18% and 1.82% by Zhejiang Shanhui and Mr. Zhang Fulong (張福龍), respectively.

4.12 Series D [REDACTED] Investment

On December 29, 2023, pursuant to the subscription agreement dated the same date, our Company allotted and issued 503,790 Series D-1 Preferred Shares (which will be converted into ordinary Shares on a one-to-one basis by way of re-designation to Shares upon the [**REDACTED**]) to Anji Guorong BVI, representing approximately 2.33% of the issued share capital of our Company, at a consideration of USD8,000,000. The consideration was mainly determined by the parties after arm's length negotiation with reference to the revenue of Shenzhen Shanhui for the year ended December 31, 2022 and the then price-to-sales (P/S) ratio of our Group and those of our market comparables. The consideration was fully settled on

February 22, 2024. Anji Guorong BVI is owned by Ailiangshan (Tianjin) Enterprise Management Partnership (Limited Partnership) (愛兩山(天津)企業管理合夥企業(有限合夥)) ("**Ailiangshan**"), which is ultimately controlled by the Anji County Finance Bureau (State-owned Assets Supervision and Administration Office of Anji County People's Government) (安吉縣財政局(安吉縣人民政府國有資產監督管理辦公室)).

4.13 Deregistration of inactive companies

Huashun International Holding Co., Limited ("**Huashun International**") was incorporated in Hong Kong as a limited liability company on May 23, 2019 with an issued share capital of HK$10,000,000 comprising 10,000,000 shares allotted and issued to Shenzhen Shanhui. Since its incorporation, Huashun International has been inactive and has not carried on any business operation.

Ganzhou Shanhui was established in the PRC as a limited liability company on January 8, 2019 with an initial registered capital of RMB4,000,000 and owned by Shenzhen Shanhui. Ganzhou Shanhui ceased operation and did not have any material contribution to our business operation and financial results during the Track Record Period.

To streamline our corporate structure and as part of the Reorganization, Huashun International and Ganzou Shanhui were deregistered and ceased to be our subsidiaries on January 28, 2022 and January 22, 2024, respectively. Our Directors confirm that each of Huashun International and Ganzhou Shanhui was solvent, was not subject to any pending or unresolved arbitration or legal proceedings, and did not have any material non-compliance under their respective applicable laws immediately prior to their respective dates of deregistration.

4.14 Establishment of Shenzhen Xinghe

Shenzhen Xinghe was established in the PRC on May 24, 2024 with an initial registered capital of USD8,000,000. Since the date of its establishment and up to the Latest Practicable Date, Shenzhen Xinghe had been wholly owned by Shanhui Technology.

5. [REDACTED] INVESTMENTS

The table below summarizes the principal terms of the [**REDACTED**] Investments into our Group:

Principal Terms of the [REDACTED] Investments

	Seed Round			Series A			Series C						Step 4.6 of Reorganization	Series D
[REDACTED] Investors	Mr. Chen Jiangao (陳建高)	Mr. Wang Shujia (王逵嘉)	Mr. Xie Siyin (謝思引)/ Mr. Yin Xuejun (尹學軍)/ Mr. Ge Dong (葛東)	Hangzhou Shunying	Shunwei Technology	Jinmi Investment	Nanhai Growth	Mr. Duan Liping (段力平)	Zhitou Huifu	Fatiao Time	Ms. Zhu Yongmei (朱永梅)	Long Shining BVI	Flexman (HK)	Anji Guorong BVI
Subscriber(s) of our Company	SHS Thunder BVI	SHS Lightning BVI	SHS Blooming BVI/ SHS Flash BVI/ SHS Prosperity BVI *(Note 4)*	Shanghai Wenwei *(Note 6)*		Shanghai Jiaozeng	Shanghai Xiuhui	ShanHS Sword BVI	Zhitou Huifu	World Circulation BVI	Yuntouhang BVI	Long Shining BVI	Barryspace BVI	Anji Guorong BVI
Class of shares subscribed	Ordinary Shares	Ordinary Shares	Ordinary Shares	Series A-1 Preferred Shares		Series A-2 Preferred Shares	Series C-1 Preferred Shares	Series C-3 Preferred Shares	Series C-4 Preferred Shares	Series C-2 Preferred Shares	Series C-5 Preferred Shares	Series C-6 Preferred Shares	Ordinary Shares	Series D-1 Preferred Shares
Date of the agreement	January 16, 2017	February 6, 2017	March 16, 2017	February 7, 2018		(i) February 7, 2018 (ii) February 11, 2019	(i) March 22, 2021 (ii) August 30, 2021	(i) July 30, 2021 (ii) August 6, 2021	August 30, 2021	August 30, 2021	(i) August 30, 2021 (ii) August 31, 2021	(i) December 28, 2021 (ii) October 31, 2023	November 1, 2021	December 29, 2023
Consideration	RMB1,200,000	RMB600,000	RMB600,000	RMB10,607,501	RMB4,392,499	(i) RMB15,000,000 (ii) RMB17,200,000	(i) RMB30,000,000 (ii) RMB50,000,000	(i) RMB10,276,500 (ii) RMB14,226,000	RMB12,500,003	RMB96,045,000	(i) RMB2,500,000 (ii) RMB50,000,000	RMB25,497,500	RMB1,867,641	USD8,000,000
Date of last settlement	January 20, 2017	December 6, 2017	June 9, 2017	May 18, 2018		February 14, 2019	April 7, 2021	August 11, 2021	August 31, 2021	September 13, 2021	September 7, 2021	January 31, 2022	July 10, 2023	February 22, 2024
Total consideration paid *(RMB)*	1,200,000	600,000	534,480 *(Note 5)*	15,000,000		32,200,000	80,000,000	24,502,500	12,500,003	96,045,000	52,500,000	25,497,500	1,867,641	56,804,800
Adjusted investment amount *(Note 1)*	965,070	552,811	163,958 *(Note 5)*	6,876,750		23,729,078	N/A	N/A	N/A	46,044,980	N/A	N/A	N/A	N/A
Cost per Share *(RMB)*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Discount to mid-point of the [REDACTED] range *(Note 2)*	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%		[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%
Shareholding in our Company immediately before the [REDACTED] and the [REDACTED]	1.46%	1.07%	2.23% *(Note 4)*	3.90% *(Note 6)*		6.83%	8.50%	2.93%	1.64%	4.42%	5.12%	1.89%	3.05%	2.33%
Shareholding in our Company immediately after the [REDACTED] *(Note 3)*	[REDACTED]%	[REDACTED]%	[REDACTED]% *(Note 4)*	[REDACTED]% *(Note 6)*		[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%

Notes:

(1) For [**REDACTED**] Investors which had disposed of certain registered capital in Shenzhen Shanhui, their investment amount is adjusted on the following basis:

The adjusted investment amount shall equal to the total consideration paid by such [**REDACTED**] Investor multiplied by the ratio of $\frac{a-b}{a}$, where:

– "a" equals to the total amount of registered capital of Shenzhen Shanhui acquired with the total consideration paid by such [**REDACTED**] Investor; and

– "b" equals to the total amount of registered capital of Shenzhen Shanhui disposed of by such [**REDACTED**] Investor prior to the acquisition of Shenzhen Shanhui by Zhejiang Shanhui (step 4.11 of the Reorganization).

(2) For illustration purposes only, assuming the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] and HK$[**REDACTED**], on the basis of the enlarged issued share capital of our Company immediately upon completion of the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme).

(3) Based on the number of Shares held by each of the [**REDACTED**] Investors and the total number of Shares in issue upon completion of the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme).

(4) Each of Mr. Xie Siyin (謝思引), Mr. Yin Xuejun (尹學軍) and Mr. Ge Dong (葛東) held his respective equity interest in Shenzhen Shanhui through Juntong Investment, which is owned as to 10.92% by Mr. Liu as the general partner and as to 51.12%, 22.80% and 15.16% by Mr. Xie, Mr. Yin and Mr. Ge, respectively, as the limited partners. As a part of the Reorganization, SHS Blooming BVI, SHS Flash BVI, SHS Prosperity BVI were incorporated in the BVI to act as the holding companies for Mr. Xie, Mr. Yin and Mr. Ge, which held 1.28%, 0.57% and 0.38% of the issued share capital of our Company immediately before the [**REDACTED**] and the [**REDACTED**], and will hold [**REDACTED**]%, [**REDACTED**]% and [**REDACTED**]% of the issued share capital of our Company after the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme).

(5) Based on the aggregate interests in Juntong Investment held by Mr. Xie, Mr. Yin and Mr. Ge as limited partners (i.e. 89.08%).

(6) Hangzhou Shunying and Shunwei Technology, which are controlled by the same general partner, hold their equity interests in our Company together through the same ODI vehicle, Shanghai Wenwei.

5.1 Information regarding the [REDACTED] Investors

Set out below is the background information of our [**REDACTED**] Investors who remained as a Shareholder of our Company as of the Latest Practicable Date:

Mr. Xie Siyin (謝思引) Mr. Yin Xuejun (尹學軍) and Mr. Ge Dong (葛東)

Mr. Xie Siyin (謝思引) has been employed as a data operation engineer at Shenzhen Timesbole Venture Capital Investment Management Co., Ltd. (深圳市時代伯樂創業投資管理有限公司) from March 2017. Mr. Xie Siyin (謝思引) is a friend of Mr. Liu.

Mr. Yin Xuejun (尹學軍) has served as the chief executive officer at Shenzhen Lianxunda Co., Ltd. (深圳市連訊達電子技術開發有限公司) from August 1998. Mr. Yin Xuejun (尹學軍) is a friend of Mr. Liu.

Mr. Ge Dong (葛東) has served as the deputy general manager at Dataa Technology (Beijing) Co., Ltd. (達闥科技(北京)有限公司) from November 2018. Mr. Ge Dong (葛東) is a friend of Mr. Liu.

Juntong Investment is a limited partnership established in the PRC on March 9, 2017. Juntong Investment was established for the purpose of holding equity interest in Shenzhen Shanhui for Mr. Liu, Mr. Xie, Mr. Yin and Mr. Ge. Immediately prior to the completion of the Reorganization, each of Mr. Xie, Mr. Yin and Mr. Ge held his respective interests in Shenzhen Shanhui through Juntong Investment.

Mr. Zhang Fulong (張福龍)

Mr. Zhang Fulong (張福龍) has served as chairman of Shenzhen Yintaifu Holding Co., Ltd. (深圳市銀泰福控股有限公司) from January 2017. Mr. Zhang Fulong (張福龍) is a friend of Mr. Liu. Mr. Zhang Fulong (張福龍)'s equity interest in Shenzhen Shanhui has been judicially frozen by Jishou City People's Court, Hunan Province since November 2021 due to a litigation case involving him. As confirmed by our Directors and as advised by our PRC Legal Advisor, on the basis that Mr. Zhang's equity interest in Shenzhen Shanhui is no more than 2%, the fact that the frozen equity interest was not released as of the Latest Practicable Date has no material adverse impact on our ability to carry out corporate actions in Shenzhen Shanhui, including convening shareholders' general meetings. The Directors further confirm that (i) the fact that the frozen equity interest was not released as of the Latest Practicable Date has no material adverse impact on the [**REDACTED**] and [**REDACTED**]; (ii) none of the litigation case and any facts concerning the litigation case were related to our Group, including its shareholders (save for Mr. Zhang), directors, senior management and/or their respective associates; (iii) Mr. Zhang is merely a passive investor and has not been involved in the management or operation of our Group; (iv) Mr. Zhang did not and does not hold any directorship in Shenzhen Shanhui or any group companies within our Group; and (v) Mr. Zhang did not and does not have any influence over the management of our Group and has never exerted any influence on our Group's operation or the management team.

Mr. Chen Jiangao (陳建高)

Mr. Chen Jiangao (陳建高) currently serves as the supervisor of Shanghai Kedi Electric Appliance Co., Ltd. (上海科的電器有限公司). Mr. Chen Jiangao (陳建高) became acquainted with our Group through the introduction of Mr. Liu.

Mr. Wang Shujia (王述嘉)

Mr. Wang Shujia (王述嘉) has been a freelance since graduated from Mianhu Middle School in 2010. Mr. Wang Shujia (王述嘉) became acquainted with our Group through the introduction of Mr. Liu.

Jinmi Investment

Jinmi Investment is a limited partnership established in the PRC on July 16, 2014 and is engaged in the equity investment in industries such as electronics, technology and the Internet. Jinmi Investment is owned as to 86.20% by its general partner, Tianjin Jinxing Investment Co., Ltd. (天津金星創業投資有限公司) ("**Tianjin Jinxing**"), which is wholly owned by Xiaomi Inc. (小米科技有限責任公司), which is in turn controlled by Xiaomi Corporation (小米集團), a company listed on the Stock Exchange (stock code: 1810) and as to 13.80% by its limited partner, Tianjin Zhongmi Enterprise Management Partnership (Limited Partnership) (天津眾米企業管理合夥企業(有限合夥)), whose general partner is Tianjin Jinxing. Mr. Jiang Wen (蔣文) is our non-executive Director nominated by Shanghai Jiaozeng, the ODI vehicle of Jinmi Investment, to our Board. For details of Mr. Jiang, see "Directors and Senior Management – Board of Directors – Non-executive Director".

Hangzhou Shunying and Shunwei Technology

Hangzhou Shunying is a limited partnership established in the PRC on June 16, 2016 and is principally engaged in equity investment. The general partner of Hangzhou Shunying is Lhasa Economic and Technological Development Zone Shunchuang Venture Capital Partnership (Limited Partnership) (拉薩經濟技術開發區順創創業投資合夥企業(有限合夥)) ("**Lhasa Shunchuang Venture Capital**") (holding approximately 7.46% of the partnership interest), which is owned as to 1.64% by its general partner, Lhasa Economic and Technology Development Zone Shunchuang Capital Management Co., Limited (拉薩經濟技術開發區順創資本管理有限公司) ("**Lhasa Shunchuang Capital Management**") and as to 98.36% by Zhang Tong (張彤), an Independent Third Party. Lhasa Shunchuang Capital Management is owned as to 34% by Ma Wenjing (馬文靜), as to 33% by Lei Jun (雷軍), and as to 33% by Cao Liping (曹莉平), all being Independent Third Parties. Hangzhou Shunying has 27 limited partners which are all Independent Third Parties, and none of the limited partners holds more than one-third of the partnership interests. Among the limited partners, Zhang Tong (張彤) and Ma Wenjing (馬文靜) hold approximately 3.73% and 1.16% interest in Hangzhou Shunying, respectively, and Shanghai Chenkuang Investment Center (Limited Partnership) (上海辰曠投資中心(有限合夥)) (holding approximately 1.12% interest in Hangzhou Shunying) and Shanghai

Chenshi Investment Center (Limited Partnership) (上海辰釋投資中心(有限合夥)) (holding approximately 0.12% interest in Hangzhou Shunying) have the same general parnter. To the knowledge of Hangzhou Shunying, save as disclosed above, its limited partners are independent from each other.

Shunwei Technology is a limited partnership established in the PRC on May 26, 2016 and is principally engaged in equity investment in high-tech enterprises and related consulting services. The general partner of Shunwei Technology is Lhasa Shunchuang Venture Capital (holding 0.2% of the partnership interest). Shunwei Technology has three limited partners which are all Independent Third Parties, namely Hangzhou Shunying (holding 51.8% of the partnership interest), Taikang Life Insurance Co., Ltd. (泰康人壽保險有限責任公司) (holding 40% of the partnership interest) and Delong Steel Co., Ltd. (德龍鋼鐵有限公司) (holding 8% of the partnership interest). To the knowledge of Shunwei Technology, its limited partners are independent from each other.

To the knowledge of the Directors, Mr. Lei does not have control over Lhasa Shunchuang Capital Management, and each of (i) Jinmi Investment, on the one side, and (ii) Hangzhou Shunying and Shunwei Technology, on the other side, are independent from each other.

Jinmi Investment, Hangzhou Shunying and Shunwei Technology are active investment funds regulated by Asset Management Association of China (中國證券投資基金業協會). As of the Latest Practicable Date, Jinmi Investment, Hangzhou Shunying and Shunwei Technology, had over 100, about 30 and about 10 companies in their investment portfolios, respectively. To the knowledge of the Directors:

(a) Jinmi Investment and Hangzhou Shunying have co-investments in five companies, with an aggregate shareholding in each company of not exceeding 30%, and Jinmi Investment and Hangzhou Shunying maintain independence in decision-making when voting as shareholders of these co-invested companies;

(b) Jinmi Investment and Shunwei Technology do not have any co-investments; and

(c) Shunwei Technology and Hangzhou Shunying have co-investments in about ten companies, which include Shanghai Wenwei.

To the knowledge of the Directors, save as disclosed above, there is no other joint investment among Jinmi Investment, Hangzhou Shunying and Shunwei Technology.

Mr. Duan Liping (段力平)

Mr. Duan Liping (段力平) has retired from Nanchang Kaisheng Electronics Co., Ltd. (南昌凱勝電子有限公司) after serving as a general manager from September 2012 to February 2022. Mr. Duan Liping (段力平) became acquainted with our Group through the introduction of Mr. Liu.

Nanhai Growth

Nanhai Growth is a limited partnership established in the PRC on July 20, 2017 and is principally engaged in the equity investment. Nanhai Growth has 14 limited partners which are all Independent Third Parties, and none of the limited partners holds more than one third of partnership interests. As confirmed by Nanhai Growth, its limited partners are independent from each other. Nanhai Growth is owned as to 1.56% by Cowin Jinxiu Capital Firm (深圳同創錦繡資產管理有限公司) as the general partner, which is in turn wholly owned by Shenzhen Cowin Asset Management Co., Ltd. (深圳同創偉業資產管理股份有限公司) ("**Cowin**"), a company listed on the National Equities Exchange and Quotations (stock code: 832793). Cowin is owned as to 35.01% by Shenzhen Co-win Venture Capital Investments Limited (深圳市同創偉業創業投資有限公司), which is in turn owned as to 55% by Ms. Huang Li (黃荔) and as to 45% by Mr. Zheng Weihe (鄭偉鶴), both being Independent Third Parties.

Nanhai Growth became acquainted with our Group through our participation in an industry conference.

Zhitou Huifu

Zhitou Huifu is a limited partnership established in the PRC on April 1, 2021 and is principally engaged in the equity investment. Zhitou Huifu is owned as to 22.85% by Shenzhen Smart City Industry Investment Private Equity Fund Management Co., Ltd (深圳市智慧城市產投私募基金管理有限公司), a state-owned company whose ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government (深圳市人民政府國有資產監督管理委員會), as the general partner, and as to 77.15% by Huang Juanyong (黃雋永), an Independent Third Party, as the limited partner.

Zhitou Huifu became acquainted with our Group through the introduction of Nanhai Growth, one of our [**REDACTED**] Investors.

Fatiao Time

Fatiao Time is a limited company established in the PRC on May 17, 2019 and is principally engaged in the information technology promotion and network technology. Fatiao Time is wholly owned by Beijing Zhuanzhuan Spirit Technology Co., Ltd. (北京轉轉精神科技有限責任公司), which is controlled by Zhuan Spirit Holdings Limited. Fatiao Time initially invested in our Group through acquisition of equity interest in Shenzhen Shanhui from Jinmi Investment, Hangzhou Shunying and Shunwei Technology in 2021.

Ms. Zhu Yongmei (朱永梅)

Ms. Zhu Yongmei (朱永梅) has over 25 years of experience in the legal industry. Ms. Zhu has served as an associate of Grandall Law Firm (Shanghai) since January 1999 and joined as an associate of Grandall Law Firm (Shenzhen) in August 2000, and subsequently promoted as a partner. Ms. Zhu Yongmei (朱永梅) became acquainted with our Group through the introduction of Mr. Liu.

Flexman (HK)

Flexman (HK) was incorporated in Hong Kong as a limited liability company on August 27, 2021 with an issued share capital of HK$1 comprising one share allotted and issued to Ms. Yuen Shuk Ying (袁淑盈) at an issue price of HK$1 per share. Ms. Yuen became acquainted with our Group through the introduction of Mr. Liu. Ms. Yuen has business network in the relevant industry and is expected to bring business synergy and potential business opportunities to our Group.

Long Shining BVI

Long Shining BVI was incorporated in the British Virgin Islands on February 18, 2005 with an issued share capital of US$2.0 comprising one share allotted and issued to Mr. Wu Ching Ho (胡清河), and one share allotted and issued to his spouse, Ms. Pang Hiu Mui (彭曉梅). Mr. Wu is a private investor who has experience in trading of phone accessories and became acquainted with our Group through Mr. Duan Liping (段力平), one of our [**REDACTED**] Investors. Mr. Wu became interested in the business of our Group and therefore decided to invest in our Group.

Anji Guorong BVI

Anji Guorong BVI was incorporated in the British Virgin Islands on August 11, 2023 with an issued share capital of US$1.0 comprising one share allotted and issued to Ailiangshan. Ailiangshan is ultimately controlled by the Anji County Finance Bureau (State-owned Assets Supervision and Administration Office of Anji County People's Government) (安吉縣財政局(安吉縣人民政府國有資產監督管理辦公室)). Anji Guorong BVI became acquainted with our Group in a business invitation activity.

Save as disclosed in this document, each of the [**REDACTED**] Investors is an Independent Third Party.

5.2 Use of Proceeds from [REDACTED] Investments

As of the Latest Practicable Date, the funds raised from the [**REDACTED**] Investments (other than the Series-D [**REDACTED**] Investment) had been fully utilized and applied by us for general working purposes. We intend to apply the proceeds from the Series-D [**REDACTED**] Investment to our general working capital and expenses incurred for our financing activities.

5.3 Special Rights of the [REDACTED] Investors

Pursuant to the subscription agreements and shareholders agreement entered into by our Company and our [**REDACTED**] Investors, special rights including, among others, veto right, right of first offer, pre-emptive rights, redemption right, anti-dilution right, tag-along and drag-along rights, no more favourable terms and information rights (collectively, the "**Special Rights**") had been granted to some of our [**REDACTED**] Investors.

Pursuant to the shareholders agreement entered into by our Company and the relevant [**REDACTED**] Investors, each of the parties agreed that (i) the redemption right shall be suspended on the date of submission of the first [**REDACTED**] by our Company for the purpose of a qualified [**REDACTED**] (i.e. the [**REDACTED**] application), with such right being terminated on the effective date of the Articles or resuming automatically if the [**REDACTED**] application is withdrawn, rejected or not completed within a prescribed period of time; and (ii) the Special Rights shall be terminated immediately prior to the completion of a qualified [**REDACTED**] of the Company, which includes the [**REDACTED**], provided that the Special Rights shall automatically be reinstated if the application for the qualified [**REDACTED**] is withdrawn, rejected or terminated.

A "qualified [**REDACTED**]" is defined as the [**REDACTED**] of our Shares on the Main Board or the Science and Technology Innovation Board of the Shanghai Stock Exchange, the Main Board or the ChiNext Market of the Shenzhen Stock Exchange, the National Association of Securities Dealers Automated Quotations (NASDAQ), the New York Stock Exchange or the Main Board of the Stock Exchange or any other stock exchange located in a jurisdiction outside of the PRC and approved by the relevant [**REDACTED**] Investors with an agreed valuation.

5.4 Strategic Benefits from [REDACTED] Investors

At the time of the [**REDACTED**] Investments, our Directors were of the view that our Company could benefit from the additional capital provided by the [**REDACTED**] Investors' investments in our Company, as well as the [**REDACTED**] Investors' valuable resources and/or their business connection and technical expertise that align with our business strategies, which may contribute to our future business growth. Our Directors were also of the view that our Company could benefit from the [**REDACTED**] Investors' commitment to our Company as their investment demonstrates their confidence in the operations of our Group and serves as an endorsement of Company's performance, strength and prospects.

5.5 Lock-up

The Shares held by each of the [**REDACTED**] Investors will not be subject to any lock-up after [**REDACTED**].

5.6 Public float

The Shares held by the [**REDACTED**] investors will be counted as part of the public float upon [**REDACTED**] as (i) each of them is not a core connected person of our Company; (ii) the subscriptions of their respective equity interests in the Shares were not financed directly or indirectly by any core connected person of our Company; and (iii) each of them and their respective ultimate beneficial owners are not accustomed to take instructions from a core connected person in relation to the subscriptions, disposals, voting or other dispositions of securities of our Company registered in their names or otherwise held by them.

Upon the completion of the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme), Shares held by the following Shareholders will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules:

– ShanHuiShou BVI, one of our Controlling Shareholders and a company wholly owned by Mr. Liu, holding approximately [**REDACTED**]% of the issued share capital of our Company;

– MGY Wisdom BVI, one of our Controlling Shareholders and a company owned as to 80% by ShanHuiShou BVI and as to 20% by MGY Alliance BVI, holding approximately [**REDACTED**]% of the issued share capital of our Company;

– MGY Alliance BVI, one of our Controlling Shareholders and a company wholly owned by Ms. Yu, our executive Director, holding approximately [**REDACTED**]% of the issued share capital of our Company;

– Flash Recycle BVI, a company wholly owned by Mr. He, our executive Director, holding approximately [**REDACTED**]% of the issued share capital of our Company; and

– Lightning Recycle BVI, a company wholly owned by Mr. Lin, our executive Director, holding approximately [**REDACTED**]% of the issued share capital of our Company.

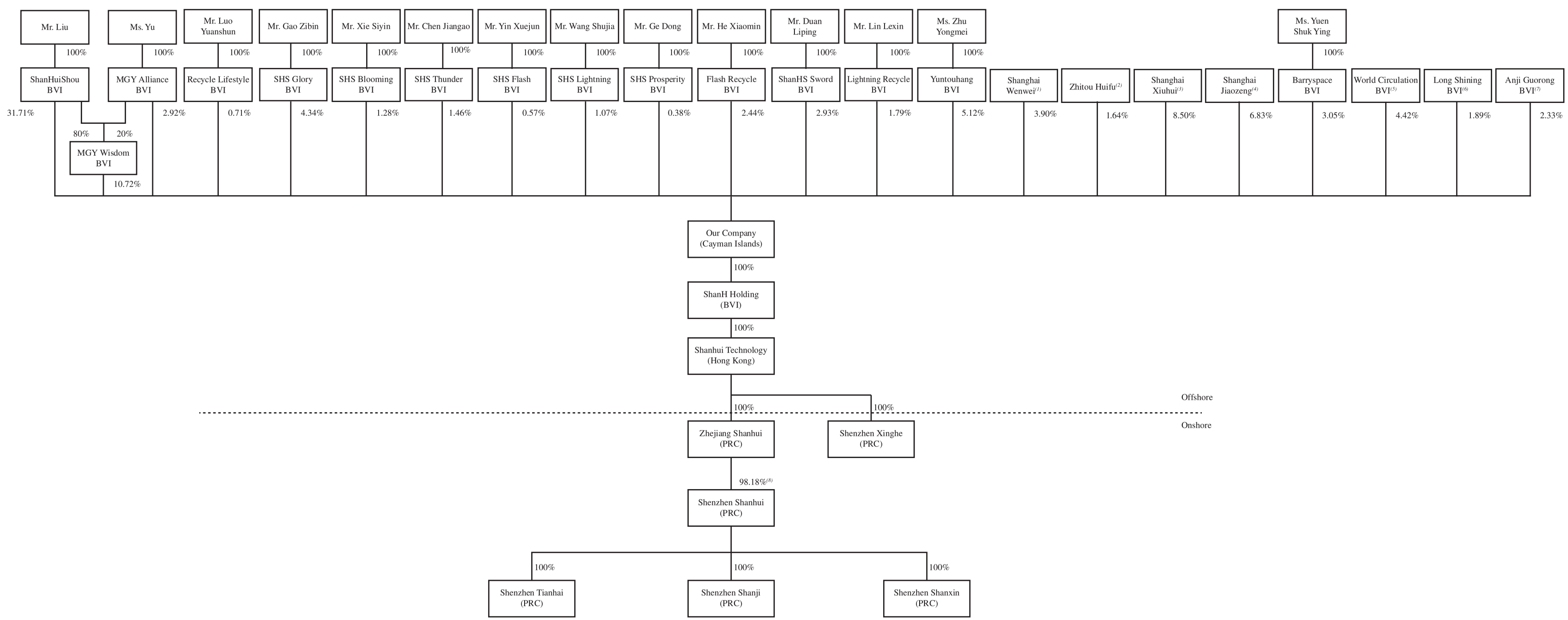
Except as stated above, the Shares held by the other Shareholders will constitute part of the public float. Accordingly, taking into account the Shares to be issued pursuant to the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), approximately [**REDACTED**]% of the issued share capital of our Company will be counted towards the public float of our Company upon [**REDACTED**].

5.7 Sole Sponsor's View

The Sole Sponsor has confirmed that the [**REDACTED**] Investments are in compliance with section 4.2 of the Guide issued by the Stock Exchange as (i) the [**REDACTED**], being the first day of [**REDACTED**] of the Shares on the Stock Exchange, will take place no earlier than 120 clear days after the funds of the relevant [**REDACTED**] Investments have been irrevocably settled; and (ii) the redemption right would be suspended with effect from the date of the [**REDACTED**] application and all special rights granted would be terminated with effect immediately prior to the completion of the [**REDACTED**].

6. CORPORATE STRUCTURE BEFORE THE [REDACTED]

The following chart sets forth our Group's corporate and shareholding structure after the Reorganization and the [**REDACTED**] Investments, but before the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme):



Notes

1. Shanghai Wenwei is owned as to RMB1 of the partnership interest by its general partner, Lhasa Shunchuang Venture Capital, as to RMB61,611,158 of the partnership interest by Hangzhou Shunying and as to RMB27,288,842 of the partnership interest by Shunwei Technology. Lhasa Shunchuang Venture Capital is owned as to 1.64% by its general partner, Lhasa Shunchuang Capital Management and as to 98.36% by ZhangTong (張彤), an Independent Third Party. Lhasa Shunchuang Capital Management is owned as to 34% by Ma Wenjing (馬文靜), as to 33% by Lei Jun (雷軍), and as to 33% by Cao Liping (曹莉平), all being Independent Third Parties.

2. Zhitou Huifu is owned as to 22.85% by Shenzhen Smart City Industry Investment Private Equity Fund Management Co., Ltd (深圳市智慧城市產投私募基金管理有限公司), a state-owned company whose ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government (深圳市人民政府國有資產監督管理委員會), as the general partner, and as to 77.15% by Huang Juanyong (黃雋永), an Independent Third Party, as the limited partner. Please refer to "– 5.1 Information regarding the [**REDACTED**] Investors – Zhitou Huifu" in this section.

3. Shanghai Xiuhui is owned as to 1.23% by Xinyu Tongchuang Selected Investment Management Co., Ltd. ("**Xinyu Tongchuang**") (新余同創精選投資管理有限公司) as its general partner, and as to 98.77% by Nanhai Growth as its limited partner. Xinyu Tongchuang is wholly owned by Cowin, which is owned as to 35.01% by Shenzhen Co-win Venture Capital Investments Limited (深圳市同創偉業創業投資有限公司), which is in turn owned as to 55% by Ms. Huang Li (黃荔), and as to 45% by Mr. Zheng Weihe (鄭偉鶴), both being Independent Third Parties.

4. Shanghai Jiaozeng is owned as to 0.09% by Beijing Xiaomi Software Technology Co., Ltd. ("**Beijing Xiaomi**") (北京小米軟件技術有限公司) as its general partner, and as to 99.91% by Jinmi Investment as its limited partner. Beijing Xiaomi is wholly owned by Xiaomi HK, which was ultimately controlled by Xiaomi Corporation (小米集團), a company listed on the Main Board of the Stock Exchange (Stock Code: 1810).

5. World Circulation is ultimately controlled by Zhuan Spirit Holdings Limited.

6. Long Shining BVI is ultimately controlled by Mr. Wu Ching Ho (胡清河) and Ms. Pang Hiu Mui (彭曉梅). Please refer to "– 5.1 Information regarding the [**REDACTED**] Investors – Long Shining BVI" in this section.

7. Anji Guorong BVI is ultimately controlled by Anji County Finance Bureau (State owned Assets Supervision and Administration Office of Anji County People's Government) (安吉縣財政局(安吉縣人民政府國有資產監督管理辦公室)). Please refer to "– 5.1 Information regarding the [**REDACTED**] Investors – Anji Guorong BVI" in this section.

8. The remaining equity interest in Shenzhen Shanhui of approximately 1.82% is owned by Mr. Zhang Fulong (張福龍). For background information of Mr. Zhang, please refer to "– 5.1 Information regarding the [**REDACTED**] Investors" in this section.

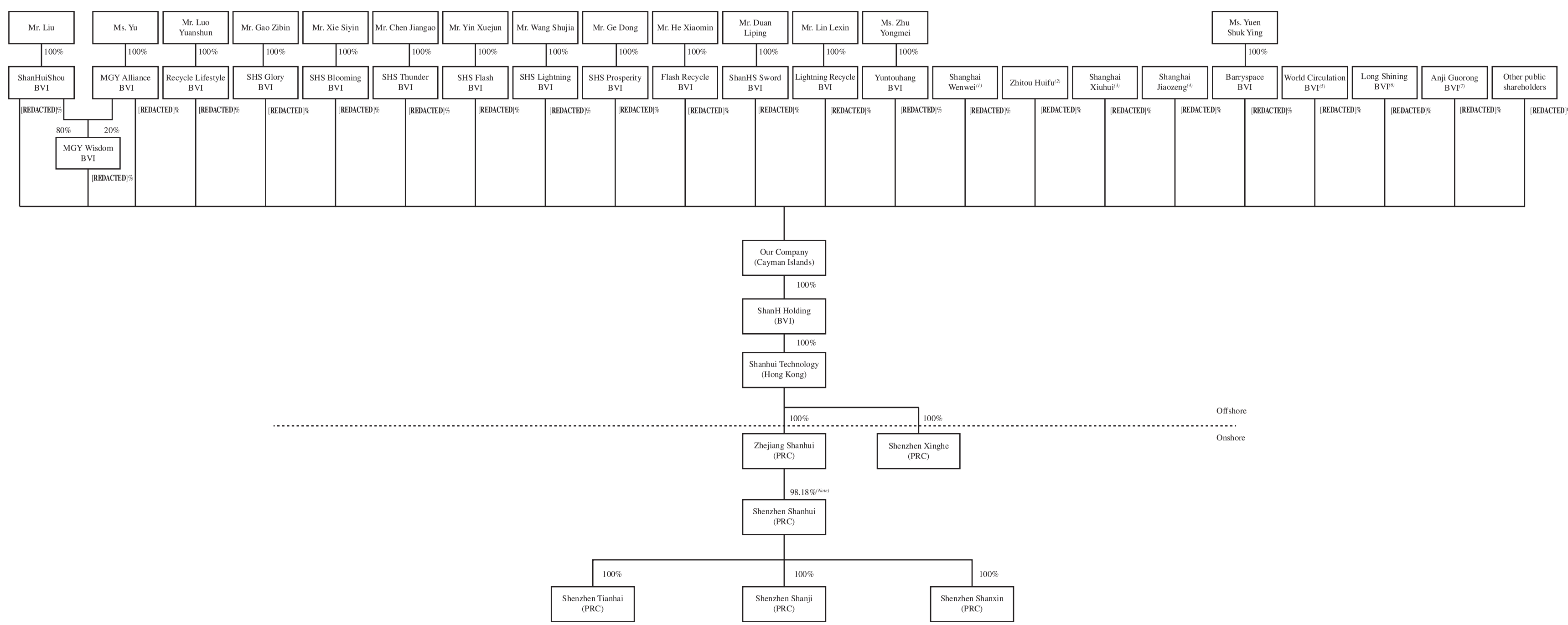
7. [REDACTED] AND THE [REDACTED]

On [●], our Company increased its authorized share capital from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$[**REDACTED**] divided into [**REDACTED**] Shares of HK$0.01 each through the creation of [**REDACTED**] additional Shares. Such Shares shall rank *pari passu* in all respects with the existing issued Shares.

Conditional upon the crediting of our Company's share premium account as a result of the issue of the [**REDACTED**] pursuant to the [**REDACTED**], our Directors are authorized to capitalise an amount of HK$[**REDACTED**] standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of [**REDACTED**] Shares for allotment and issuance to our Shareholders immediately prior to the [**REDACTED**], on a pro rata basis.

8. CORPORATE STRUCTURE UPON COMPLETION OF THE [REDACTED]

The following chart sets forth our Group's corporate and shareholding structure immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme):



Note: For more details, please refer to the notes under the paragraph headed "6. Corporate Structure before the [**REDACTED**]" in this section.

9. PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor has confirmed that all necessary approvals and permits from the relevant PRC regulatory authorities and the relevant PRC legal procedures required for all the equity transfers and changes in registered capital in respect of (i) our PRC subsidiaries and (ii) the Reorganization steps as described above have been obtained and completed, respectively, in compliance with the applicable PRC laws and regulations.

M&A Rules

Under the Regulations on Mergers and Acquisitions 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**"), a foreign investor is required to comply with the M&A Rules when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital, thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

Since Ms. Yuen Shuk Ying (袁淑盈), the then ultimate controlling shareholder of Flexman (HK), is a Hong Kong permanent resident rather than a domestic natural person as defined under the M&A Rules, Article 11 of the M&A Rules is not applicable to the Flexman (HK) Subscription. After completion of the Flexman (HK) Subscription, Shenzhen Shanhui became a foreign-invested enterprise. For the subsequent acquisition of approximately 98.18% equity interest in Shenzhen Shanhui by Zhejiang Shanhui from the then shareholders, namely Mr. Liu, Mr. Gao Zibin (高自斌), Mr. Chen Jiangao (陳建高), Mr. Wang Shujia (王述嘉), Menggongyuan, Juntong Investment, Haimin Xinshun, Mr. Duan Liping (段力平), Ms. Zhu Yongmei (朱永梅), Jinmi Investment, Hangzhou Shunying, Shunwei Technology, Nanhai Growth, Zhitou Huifu, Fatiao Time and Flexman (HK) (the "**Zhejiang Shanhui Acquisition**"), we were advised by our PRC Legal Advisor that since Shenzhen Shanhui was a foreign-invested enterprise when the Zhejiang Shanhui Acquisition took place, Article 11 of the M&A Rules are not applicable to the Zhejiang Shanhui Acquisition.

SAFE and ODI Registration

Pursuant to the SAFE Circular 37, a PRC resident is required to register with the local branch of SAFE before he contributes legal assets or equity interests in China or overseas in an overseas special purpose vehicle which is directly established or indirectly controlled by the PRC resident for the purpose of overseas investment or financing. Pursuant to the Administrative Measures on Overseas Investments by Enterprises (《企業境外投資管理辦法》) and Administrative Measures on Overseas Investments (《境外投資管理辦法》) (the

"**ODI Rules**"), a domestic institution shall undergo registration procedures for foreign investment in accordance with the provisions of the ODI Rules, which require the domestic institution to register with the relevant authorities prior to its overseas direct investment and obtain the relevant records, approvals, certificates or permits.

Pursuant to the SAFE Circular 13, the foreign exchange registration approval under the overseas direct investment by SAFE has been cancelled. The aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the SAFE Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

As advised by our PRC Legal Advisor, the ultimate shareholders of our Company who are PRC residents, namely, Mr. Liu and the 12 Individual Shareholders, have completed the foreign exchange registrations on November 24, 2021 respectively in compliance with the SAFE Circular 37 and the SAFE Circular 13 in relation to their offshore investments as PRC residents, and the shareholders of our Company which are PRC entities, namely Shanghai Wenwei, Shanghai Jiaozeng, Shanghai Xiuhui and Zhitou Huifu, have completed the overseas direct investment registration on April 4, 2023 and April 11, 2023 in compliance with the ODI Rules in relation to their offshore investments as domestic institutions.

OVERVIEW

We are a PRC company engaged in providing consumer electronics after-market transaction services focusing on mobile phone recycling service market. According to Frost & Sullivan, we were the largest mobile phone recycling service provider offering offline trade-in solution and also the third largest mobile phone recycling service provider in the PRC, both in terms of the total transaction value recycled from consumer side in 2023, with a market share of approximately 7.4% and 1.4%, respectively. We were also the third largest mobile phone recycling service provider in the PRC in terms of the sales value of mobile phones recycled from consumers in 2023, according to Frost & Sullivan.

We have been focusing on offering an integrated solution from initiating recycling by way of trade-in while facilitating sale of new mobile phones, to standardizing the procured pre-owned mobile phones for resale, leveraging our proprietary inspecting, grading and pricing technologies and recycling and sales platforms and our strategic cooperation with our upstream sourcing partners, including mainstream consumer electronic brands and their designated distributors, sizable merchants for consumer electronic products and large mobile network operators in the PRC. The concept and business model of pre-owned consumer electronics trade-in are still in their early stage of development in the PRC. Although there has already been a rapid growth of the PRC mobile phone recycling rate from approximately 11.5% in 2019 to approximately 32.1% in 2023, there is still plenty of room for improvement and huge potential to grow as compared to the mobile phone recycling rate of approximately 55% to 75% in the developed markets in 2023. We believe that our business and services address how recycling of pre-owned consumer electronics by way of trade-in could be able to achieve a "win-win" solution for individual consumers, upstream sourcing partners and downstream second-hand mobile phone purchasers, while being devoted to extending the life cycle of consumer electronics and reducing electronic waste.

Possessing the mindset of industrial internet, we have been, throughout the years, improving and refining the infrastructure of trade-in recycling transaction services of pre-owned consumer electronics with our digital solution integrating every step of the value chain in the trade-in process. Our infrastructure is further empowered by our end-to-end coverage over the consumer electronics after-market, from sourcing supply of pre-owned consumer electronics to processing such devices to facilitating the sales demand. We primarily obtain supply of pre-owned consumer electronics from trade-ins transacted in both offline and online stores of our upstream sourcing partners using our recycling system, Shanhuishou (閃回收), where individual consumers, who are our ultimate suppliers, purchase new consumer electronics by trading in their pre-owned consumer electronics as part of the payment. We then process these procured pre-owned consumer electronics for resale leveraging our proprietary inspection, grading and pricing technologies in our inspection and operation centers, and efficiently distribute such to a variety of buyers in the second-hand consumer electronic market primarily through our online platform, Shanhui Youpin (閃回有品) and our own online stores operated on various third-party e-commerce platforms. Leveraging our established position in the PRC mobile phone recycling service market and our understanding of the needs and preferences of buyers in the second-hand consumer electronics market, we have also been engaged in the corporate recycling and offline sale to handle consumer electronics in bulk to satisfy the business needs of our upstream business partners and customers. In addition, we also provide value-added and after-sales services to participants across the upstream and downstream value chain.

We believe our business and services benefit the business operations of our upstream sourcing partners by providing value-added services to them. While we procure pre-owned consumer electronics through the channels of our upstream sourcing partners primarily by offering them with our trade-in solution, we also, at the same time, facilitate our upstream sourcing partners to increase the sale of their new models of mobile phones and improve customers' loyalty. In particular, we believe that our service offerings also provide insights to our upstream sourcing partners with respect to the existing market of certain mainstream consumer electronic brands and consumers' preference, which in turn, helped them to conduct strategic planning and sales development. As such, strong performances of our upstream sourcing partners had brought us more trade-in transactions and stable supply of quality pre-owned consumer electronics, which were over one million units for each year during the Track Record Period. Moreover, during the Track Record Period, we had established cooperation with our upstream sourcing partners, covering more than 49,000 offline stores spanning over 31 provinces in the PRC. The aggregate mobile phone shipment of the six mainstream consumer electronic brands which we cooperate with accounted for approximately 59% of the total PRC mobile phone shipment in 2023. Further, through collaborating with our upstream sourcing partners and jointly design the trade-in policies and develop promotion plans with certain mainstream consumer electronic brands, we help lower the threshold for individual consumers to obtain a new mobile phone, shorten their mobile phone replacement cycle, and stimulate new sales for our upstream sourcing partners as we provide satisfactory quotes for the pre-owned mobile phone traded-in, which have proven to be well recognized by the individual consumers, who are able to enjoy their desired mobile phones at a discounted price.

In late 2023, driven by the strong demands of certain mainstream consumer electronic brands we cooperate with, we have extended our partnership and recycling transaction services into Hong Kong to facilitate their local business needs and development. In October 2023, we successfully obtained Radio Dealers Licence (Unrestricted) (無線電商牌照) in Hong Kong. Furthermore, in September and December 2023, we opened up our first and second offline retail store in Shenzhen under our brand name of Shanhui Youpin (閃回有品) to conduct both recycling and sale services of pre-own consumer electronics. We believe that our offline presence will strengthen our brand awareness among individual consumers, which will help us expand the spectrum and increase the depth of our services we provide to them, and eventually attract more buyers and sellers to our ecosystem.

We believe that our business services have helped reshape the value chain for participants in the pre-owned consumer electronics after-market. We are capable of not only boosting sales of new consumer electronics for our upstream sourcing partners, but also satisfying the diversified demands and needs of downstream customers who look for value in obtaining pre-owned consumer electronics, which makes us an outstanding service provider in the business of pre-owned consumer electronics transaction services in the PRC. Furthermore, given the ESG requirements imposed on Chinese companies by the PRC government and the national goal of achieving carbon neutrality, electronic manufacturers and mobile network operators are increasingly incentivized to build and develop their trade-in network in order to comply with relevant regulations. Since our inception, we have aimed to address environmental problems while achieving commercial success by giving a second life to pre-owned consumer electronic goods. Our business services therefore would have the effect of reducing electronic waste by prolonging the life cycle of consumer electronics, contributing to the reduction of carbon emission and the efficient reuse of resources, which is environmentally friendly and socially beneficial.

In 2023, we were recognized as WISE2023 King of Future Business Potential-Annual New Economy High Growth Enterprise (WISE2023未來商業潛力之王年度新經濟高成長企業) by 36Kr Holdings Inc. In 2022, we received the award of "The Most Socially Impactful Start-Up in China (中國最具社會影響力的創業公司)" issued by Fortune, and in 2021, we received the award of "National Consumer Satisfaction Brand (全國消費者放心滿意品牌)" jointly issued by China's Product Quality Certification Supervision and Management Center and China Brand Enterprise Evaluation Management Committee. We also participated in the drafting of a series of industry standards relating to the testing, inspecting and evaluation methods of recyclable mobile communication terminal led by the Telecommunications Terminal Industry Forum Association (電信終端產業協會) of the PRC, which were released in July 2023.

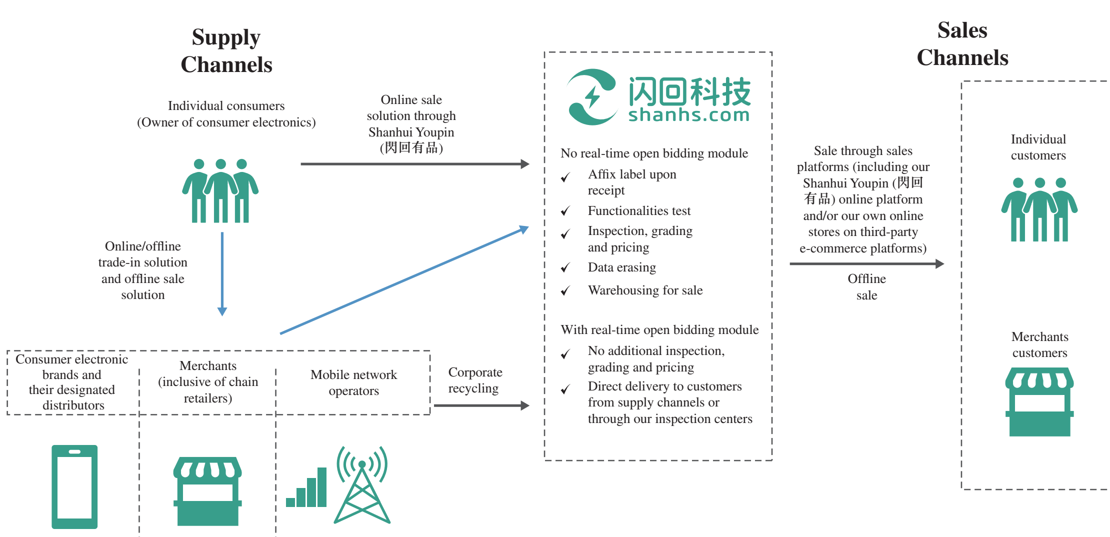
For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the total procurement value of the consumer electronics we sourced by providing our recycling services were approximately RMB594 million, RMB749.9 million, RMB985.4 million and RMB480.8 million, respectively. Our revenue derived from the sale of these consumer electronics we procured amounted to approximately RMB737.2 million, RMB901.8 million, RMB1,140.3 million and RMB568.9 million for the same periods, respectively.

Our business model

Since our inception in 2016, we have been devoted to establishing and enhancing our cooperation with our upstream sourcing partners, with an aim to jointly build a recycling ecosystem focused on trade-in solution. During the Track Record Period, we primarily obtained supply of pre-owned consumer electronics from the offline stores of the mainstream consumer electronic brands and their designated distributors and their online malls, as well as the offline stores operated by the sizable merchants for consumer electronic products and large mobile network operators, where individual consumers are our ultimate suppliers. In addition to our focus on trade-in solution offered to the upstream sourcing partners under our brand of Shanhuishou (閃回收), we also (i) collect idle consumer electronics by way of sale solution recycling through our online platform, Shanhui Youpin (閃回有品) and/or our online recycling stores operated on various third-party e-commerce platforms, as well as under offline scenarios; and (ii) engage in corporate recycling to handle the excess inventories and/or demonstration consumer electronics and other purchase requests of consumer electronics in bulk to satisfy the business needs of our upstream business partners.

On the other hand, we process the pre-owned consumer electronics that we procured leveraging our proprietary inspection, grading and pricing technologies at our inspection and operation centers for resale. We efficiently sell these processed consumer electronics to customers in the second-hand consumer electronic market primarily through our proprietary online platform, Shanhui Youpin (閃回有品), as well as our own online stores operated on various third-party e-commerce platforms. Leveraging our established position in the PRC mobile phone recycling service market and our understanding of the needs and preferences of buyers in the second-hand consumer electronics market, we also engage in offline sale to sell part of our procured consumer electronics in bulk which meet the requirements of our certain customers and satisfy their diversified business needs. In addition, we also provide value-added and after-sales services related to matching the purchase and sale needs of consumer electronics in bulk of our upstream business partners and customers, conducting quality inspection of pre-owned mobile phones transacted on certain well-known third-party e-commerce platforms, and providing after-sales services, such as, screen assurance services and value maintain and trade-in services and sale of phone accessories, all of which lead to an enhanced stickiness with our business partners along the industry value chain.

The following chart illustrates our business models:



COMPETITIVE STRENGTHS

We believe that our success and potential in the recycling services of pre-owned consumer electronics is underpinned by the following competitive strengths:

The largest PRC mobile phone recycling service provider focusing on offline trade-in solution in terms of total transaction value

We are a PRC company engaged in providing consumer electronics after-market transaction services. According to Frost & Sullivan, we were the largest mobile phone recycling service provider focusing on offline trade-in solution, and also the third largest mobile phone recycling service provider in the PRC, both in terms of total transaction value recycled from consumer side in 2023, with a market share of approximately 7.4% and 1.4%, respectively. We were also the third largest mobile phone recycling service provider in the PRC in terms of the sales value of mobile phones recycled from consumers in 2023, according to Frost & Sullivan.

We have been focusing on offering an integrated solution from initiating recycling by way of trade-in while facilitating sale of new mobile phones, to standardizing the procured pre-owned mobile phones for resale through inspecting, grading and pricing, leveraging our proprietary technologies and recycling and sale platforms and our strategic cooperation with our upstream sourcing partners, including mainstream consumer electronic brands and their designated distributors, sizable merchants for consumer electronic products and large mobile network operators in the PRC. Possessing the mindset of industrial internet, we have been, throughout the years, improving and refining the infrastructure of trade-in transaction services of pre-owned consumer electronics with our digital solution integrating every step of the value chain in the trade-in process. Our infrastructure is further empowered by our end-to-end coverage over the consumer electronics after-market, from sourcing supply of pre-owned consumer electronics to processing such devices to facilitating the sales demand. We believe that we connect all participants in consumer electronics after-market including consumer electronic brands, merchants, mobile network operators as well as individual consumers, with a commitment to sustainable development and building a low-carbon and environmentally-friendly society through forging all-round strategic alliances with our business partners.

We obtain supply of pre-owned consumer electronics primarily from trade-ins transacted in both offline and/or online mainstream consumer electronic branded stores and offline stores operated by the designated distributors of mainstream consumer electronic brands, sizable merchants for consumer electronic products and large mobile network operators, where individual consumers are our ultimate suppliers. We then process these procured pre-owned consumer electronics for resale leveraging our proprietary inspection, grading and pricing technologies in our inspection and operation centers, and efficiently distribute such to a variety of buyers in the second-hand market. On the sourcing side of our value chain, while we focus on recycling mobile phones under trade-in solution, we are able to, at the same time, assist our upstream sourcing partners to promote the sale of their new models of mobile phones and provide a number of value-added services. On the selling side, our business services also facilitate the participants across the downstream industrial chain by providing efficient circulation, logistics support and after-sales services. We believe that our business model has made us a comprehensive and efficient platform for consumer electronics after-market transaction services in the PRC, reshaping the value chain for participants in the pre-owned consumer electronics ecosystem.

We aim to address environmental problems of untreated electronic waste while achieving commercial success by giving a second life to idle consumer electronic goods. Our business and services reduce electronic waste by prolonging the life cycle of consumer electronics, which is environmentally friendly and socially beneficial and contributing to the reduction of carbon emission and the efficient reuse of resources. We are devoted to establishing and enhancing our cooperation with our upstream sourcing partners, and jointly building a recycling ecosystem focused on trade-in solution. We are a member of the China Resource Recycling Association and the China Association of Circular Economy, and also possess the Certificate of ISO 14001 Environmental Management Systems (環境管理體系認證證書). Through collaborating with our upstream sourcing partners, we are committed to gradually educating consumers and eventually changing users' habits towards a stronger willingness to trade-in their pre-owned consumer electronics and a higher acceptance level for pre-owned consumer electronics. We expect that the scale and proportion of trade-in transactions in the PRC will gradually approach more mature markets in the future.

In July 2023, we participated in the drafting of a series of group standards which was led by the Telecommunications Terminal Industry Forum Association (電信終端產業協會), together with China Academy of Information and Communications Technology (中國信息通信研究院), Shenzhen Academy of Information and Communications Technology (深圳信息通信研究院) and certain mainstream consumer electronic brands in the PRC. These group standards include "The quality inspection methods for recyclable mobile communication terminal (循環回收移動通信終端質量檢測規範)", "The compliance testing methods of recyclable mobile communication terminal (循環回收移動通信終端合規性核驗技術要求)", "Test methods for security capability of the recyclable mobile communication terminal (循環回收移動智能通信終端信息安全技術要求和測試方法)", "The grade evaluation of recyclable mobile communication terminal (循環回收移動通信終端分級評估技術規範)" and "The recyclable mobile communication terminal label information and accessibility (循環回收移動通信終端標識技術規範)". We believe that the release of this series of standards will take the pre-owned consumer electronics industry standards to a new level and drive the recyclable devices market towards more standardized, sustainable and healthy growth.

During the Track Record Period, we had received numerous awards and recognition in respect of our services, technology and innovation, significant ones of which are set forth below:

Award year	Award/Recognition	Awarding Institution/Authority
2023	WISE2023 King of Future Business Potential-Annual New Economy High Growth Enterprise (WISE2023未來商業潛力之王年度新經濟高成長企業)	36Kr Holdings Inc. (北京多氪信息科技有限公司, commonly known as "36氪")
2022	Top 50 Digital Intelligence Innovation of Chinese Enterprises in 2022 (2022中國企業數智化創新TOP50)	EDCC Enterprise Digital Development Co-construction and Sharing Platform of China Academy of Information and Communication (中國信通院EDCC企業數字化發展共建共享平台)
2022	The first batch of initiative units for safe recycling and environmentally-friendly disposal of used mobile phones (廢舊手機安全回收和環保處置第一批倡議單位)	China Circular Economy Association and SEE Foundation (中國循環經濟協會和SEE基金會)
2022	The Most Socially Impactful Start-Up in China (中國最具社會影響力的創業公司)	Fortune (財富)
2021	The Most Appreciated Chinese Enterprise by Investors in the Field of Consumption in 2021 (2021年度中國大消費領域最受投資人讚賞企業)	iResearch Invest Value (艾瑞諮詢)
2021	2021 Cyzone 100 Future Unicorns (創業邦100未來獨角獸)	Cyzone (創業邦)

Strategic and all-round cooperation with our upstream sourcing partners with a wide-ranging service coverage and national geographic reach

We benefit from our deep and mutually beneficial relationship with various mainstream consumer electronic brands, sizable merchants and mobile network operators, which is highly synergistic to both our and these upstream sourcing partners' business operations. We believe that our strategic cooperation with these upstream sourcing partners in the upstream industrial chain has provided us with access to desirable supply from reliable channels while at the same time, enabling us to provide stable transaction services with relatively lower costs.

We strategically cooperate with mainstream consumer electronic brands where we have been designated as an official pre-owned mobile phone recycling service processor to handle their trade-in transactions of pre-owned mobile phones and other consumer electronics, including laptops, PC tablets, phone accessories and other digital products. We have also established business cooperation with sizable merchants for consumer electronic products in the PRC, creating a wide and dispersed network from which we are able to source pre-owned consumer electronics to establish our supply control. Leveraging our asset-light business model and benefiting from the simplicity of setting up and embedding our proprietary recycling system under our brand of Shanhuishou (閃回收) in our upstream sourcing partners' stores, we are able to spread our services to numerous offline stores within a relatively short period. During the Track Record Period, we had established cooperation with our upstream sourcing partners, covering more than 49,000 offline stores spanning over 31 provinces in the PRC. The ease of our trade-in process with quick pricing results allow our upstream sourcing partners to further incentivize their customers to buy new mobile phones in their stores.

We provide value-added services empowering the sale of new mobile phones in offline stores through offering professional training to the front sales staff of our upstream sourcing partners on the use of our inspection and pricing system leveraging our proprietary technology. The front sales staff are required to go through a pre-evaluation process on our recycling system and upload the photos and auxiliary information of the device proposed to be traded-in for review. Our backstage inspection staff will then immediately examine the photos and related information and display a quote for the traded-in device to the front sales staff to show the individual consumer. Such pre-evaluation, inspection and pricing process is typically completed within five minutes on average. For certain designated phone models or when there are promotion activities, the individual consumer may also be able to enjoy additional subsidies from the upstream sourcing partners and/or from us. If the individual consumer finds the quote acceptable, our system will generate a QR code and immediately transfer the amount, together with any subsidies, if applicable, directly to the individual consumer in the offline stores through Alipay or WeChat Pay. This efficient and smooth process enhances customer experience and further incentivizes them to make new purchases through trade-in.

Further, we also closely work with consumer electronic brands on new business initiatives, including helping them launch new product categories and prepare for promotion activities. When they hope to bring out new mobile phone models or launch new promotion plans, we would jointly formulate the proposed sales plan and the related details of such promotion activities with them with the aim to increase the trade-in conversion rate and boost sales. In addition, where our upstream sourcing partners expand their business to a new location, our asset-light business model and the ease-of-use feature of our service offerings give us first-mover advantage to bring our services to the new store, leading to an enhanced stickiness with the consumer electronic brands.

On top of the offline trade-in channels that constitute our major supply sources, we also facilitate certain consumer electronic brands through providing our trade-in solution transaction services to these consumer electronic brands' online malls. We also operate a proprietary online platform under our brand of Shanhui Youpin (閃回有品) to provide sale solution transaction services to individual consumers where they trade in pre-owned consumer electronics in exchange for cash.

We believe that through strategic and all-round industrial cooperation with our sourcing partners in the upstream industrial chain, we will continue to realize deep integration and optimization of offline trade-in recycling channels, forming unique industrial network advantages. Our online presence enhances our accessibility and broadens our audience, while our offline presence strengthens our brand awareness, provides clarity to the trade-in process and creates an important layer of interpersonal trust in the trade-in solution transaction services. We believe we capture outstanding supply and demand for pre-owned consumer electronics.

Digitalized and integrated industry solutions empowering our efficient and accurate standardizing services

Innovation and technology are at the core of our Group and permeate every aspect of our business operations. We have digitalized the pre-owned consumer electronics transaction services and we leverage technology in most things that we do.

We emphasize on technology and development and have cultivated our own competitive capabilities, which we believe are among our most valuable assets and distinguish us from our competitors. We have developed proprietary technologies with AI capabilities with several major application scenarios: remote testing, image recognition, order reviewing, and pricing. Leveraging our proprietary technologies, our processing time from inspection, grading and pricing for each device that is physically collected from our upstream sourcing partners to putting these devices on resale is approximately 24 hours. As of the Latest Practicable Date, we had 16 registered patents that are related to our design and development on recycling technologies and equipment, and our inspection, grading and pricing capabilities are particularly recognized and trusted by our business partners and individual consumers.

We have developed an automatic remote testing system. Under the offline trade-in solution, the stores' front sales staff will present our testing QR code for the individual consumers to scan which is linked to a WeChat mini program. This program will automatically identify the model of the mobile phone and initiate testing of its basic functions, including but not limited to face recognition, touch screen, network and screen color loss. In addition, the program will automatically enter the international mobile equipment identity (IMEI) number of the mobile phone and obtain the internal device information such as its make and date of production based on the IMEI.

We typically conduct quality inspection of pre-owned consumer electronics in various stages of the recycling process and detect exterior and interior defects through analyzing images of the devices, including but not limited to screen scratches, frame and back panel scratches and screen leakage. As second-hand consumer electronics are non-standard items, the image recognition tools currently available in the market to inspect the quality of these second-hand devices have limited capabilities and are insufficient for meeting our business needs. Therefore, we developed our owned image recognition model specifically designed for pre-owned consumer electronics that is capable of identifying minor defects automatically based on the photos taken, which provided a solid basis for our backstage order reviewing engineers. However, according to our past experience, manual mode of order reviewing is unable to cope with the business volume during peak hours and the reviewing accuracy may also be affected by human errors. As such, we created a separate order reviewing model which is capable of automatically assessing the risks of an order based on the historical data of the respective store and stores' front sales staff involved in that particular transaction. This reduces the workload of our order review engineers and improves the accuracy of risk control.

The consistency and accuracy of quality inspection of pre-owned consumer electronics has been a major technical problem in this industry. Our evaluation tools help us obtain supply and empower the front sales staff of our upstream sourcing partners to facilitate the trading-in of pre-owned consumer electronics transactions services. Our recycling system, Shanhuishou (閃回收) allows pre-owned consumer electronics to be inspected both locally and remotely and displays a competitive sale price in approximately five minutes. Our four operation and inspection centers are all equipped with proprietary technologies to facilitate the inspection, grading and pricing of pre-owned consumer electronics, with inspection terminals to inspect the need for parts replacement, functionality, battery life and many other key features efficiently and accurately.

We have also created a machine learning driven smart pricing model to ensure pricing objectiveness for each device transacted on our recycling system. Since pre-owned mobile phones are non-standard items with no uniformed market price, a single model may come with many combinations due to each device's unique conditions and every combination has its respective corresponding price. As such, grading and pricing them manually is incapable of achieving the level of accuracy that we expect, especially when the device has a combination of multiple defects in various aspects which price largely deviates from the market fair price. We have created our smart pricing model utilizing our business data from thousands of device models, millions of transactions, and millions of sellers and buyers that transact on our platform, and developed separate modeling for long-term price trends and short-term price fluctuations. Please refer to "– Technology, Research and Development" in this section.

Our technology and development team is led by our chief technology officer, Mr. Lin Lexin, who is our executive Director and an industry veteran with over ten years frontline experience, and has been continuously focusing on developing and upgrading our system to constantly improve our business efficiency and accuracy. As of June 30, 2024, we had 41 technical personnel in our technology and development team, with work experience of approximately eight years on average. We believe that our technology, research and development capabilities have been and will continue to be our core competitive strength for our success in the pre-owned consumer electronics recycling service market.

Proprietary and efficient operation support system, leading to outstanding operational efficiency

The efficient circulation of pre-owned consumer electronics requires a high degree of speed and accuracy. We believe our BOSS System, which is designed and developed by us, provides a feasible and effective solution to these requirements. Our BOSS System integrates recycling, testing and grading, pricing, sales, customer management and logistic systems as well as other supplementary modules and functions. It has been developed into a comprehensive and efficient digital center stage for our day-to-day operation.

Through our BOSS System, we believe we have successfully established an innovative risk control and pre-payment business tool based on remote transaction review aimed at reducing transaction time and minimizing the errors that may be caused by subjective judgment in the offline trade-in process. Through constantly optimizing our system, we are able to complete the whole review, pricing and payment process under offline trade-in solution within five minutes, which we believe would be critical in capturing and improving customer experience to the greatest extent while keeping the risk under control. In addition, we are able to perform full life cycle management for each device with all the historical records ready for examination anytime. The entire recycling, inspection and resale process are conducted under high-definition monitoring and each device carries with it a quality inspection report. We have also been engaged by certain well-known third-party e-commerce platforms to conduct quality inspection of pre-owned mobile phones transacted on their platforms.

Furthermore, our asset-light business model and the ease-to-use feature of our transaction services also allow us to quickly span our services to numerous offline stores encompassing a wide range of locations, leading to high operational efficiency. As we source more pre-owned consumer electronics, the data insights generated from increased scale make our inspection, grading and pricing more accurate and reliable. These improved standards reduce processing time and make the entire transaction process more efficient, leading to better transaction services experiences, which results in a virtuous circle effect that may bring more demand to our platform.

We believe that by leveraging our BOSS System, we have made transactions for pre-owned consumer electronics more user-friendly, efficient, transparent and secure. The digital nature and end-to-end coverage of our transaction services has reduced the number of intermediaries and transactions required from trade-in to eventual purchase of a pre-owned consumer electronics. Our ability to obtain supply, process devices, and then resell the devices quickly has effectively shortened the turnaround time of consumer electronics after-market and improved the economics for the sellers and purchasers of pre-owned consumer electronics. We believe we have a considerable impact on the industry standard in PRC offline trade-in mobile phone recycling market.

Advanced proprietary bidding infrastructure, leading to efficient and effective sales platforms

We have been attracting an increasing number of customers to purchase pre-owned consumer electronics primarily through our online platform, Shanhui Youpin (閃回有品), as well as our own online stores operated on various third-party e-commerce platforms. These platforms allowed us to extend our reach to customers nationwide, completing a closed-loop that begins with sourcing supply from consumers and also facilitates demand from customers. Based on our years of experiences in the industry, the pre-owned consumer electronics market is a market where demand exceeds supply and the biggest challenge for companies engaged in the recycling business is procuring steady and quality supply of pre-owned goods. Leveraging our strategic cooperation with our various upstream sourcing partners in the upstream industrial chain, our stable and desirable supply from reliable channels empowers our sales platforms.

We typically hold open bidding sessions on a daily basis through our proprietary Shanhui Youpin (閃回有品) online platform. During the Track Record Period, we were usually able to sell approximately 87% of the consumer electronics traded-in within three days after such consumer electronics had been delivered to our operation and inspection centers. Our bidding infrastructure enables us to efficiently sell the pre-owned consumer electronics we procured to the highest bidder. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate number of pre-owned consumer electronics sold through our Shanhui Youpin (閃回有品) online platform and our own online stores operated on various third-party e-commerce platforms were approximately 1,247,000, 1,254,000, 1,545,000 and 562,000 units, respectively.

Our demand fulfillment capabilities drive efficiency in the value chain by serving various customers and offering a wide range of consumer electronics. Our quality and diversified pre-owned consumer electronics are highly demanded and as a result, there was little need for our sales personnel to proactively develop customers during the Track Record Period. Benefiting from our efficient BOSS System and high turnover rate, we had a minimal level of inventory during the Track Record Period. Furthermore, leveraging our proprietary inspection, grading and pricing technologies, we have managed to achieve a relatively lower average return rate. During the Track Record Period, our average return rate of pre-owned consumer electronics transacted on our Shanhui Youpin (閃回有品) online platform and our own online store operated on third-party e-commerce platforms was approximately 1.3% in terms of sales volume, while the average return rate of the sale of pre-owned consumer electronics in the PRC second-hand consumer electronics industry was approximately 2% in terms of sales volume. Under the very limited circumstances where potential disputes occur, we benefit from the support of our professional customer service team with a proven track record to solve the problems within a short period of time.

Our Shanhui Youpin (閃回有品) online platform provides pricing based on our inspection and grading process and standardized metrics, all of which make transacting on our sales platform easy, trustworthy and transparent. During the Track Record Period, the majority of our pre-owned consumer electronics were sold to customers who conduct business in the second-hand consumer electronic market. Further, by leveraging our established position in the PRC mobile phone recycling service market and our understanding of the needs and preferences of buyers in the second-hand consumer electronics market, we also engage in offline sale to sell part of our procured consumer electronics in bulk which meet the requirements of our certain customers and satisfy their diversified business needs. We believe our sizable quantity and diverse service offerings will continue to allow us to capture outstanding demand for pre-owned consumer electronics.

Visionary management team with profound industry background and experience

We are led by our chairman and executive Director, Mr. Liu Jianyi and our chief executive officer and executive Director, Ms. Yu Hairong who established our business in 2016. Mr. Liu and Ms. Yu, together with our other executive members, being Mr. He Xiaomin, our chief production officer, and Mr. Lin Lexin, our chief technology officer, have proactively addressed the industry-wide challenges to achieve our continued growth and success.

We have a knowledgeable and innovative management team with deep backgrounds in the consumer electronics industry and extensive experience in the pre-owned consumer electronics recycling business in China. The combination of diverse backgrounds enables us to continual to prosper in the pre-owned consumer electronics industry. Members of our core management team have an average of over ten years of relevant industry experience, possessing a broad range of industry and technical expertise, with a keen focus on the latest development of the recycling industry, capable of taking advantage of market opportunities, formulating sound business strategies, assessing and managing risks, and increasing our overall profit to maximize our Shareholders' value. In particular, our chairman, executive Director and general manager, Mr. Liu Jianyi, started his career in the field of telecommunication-related industry over two decades ago, and served as the manager and/or the director of various companies where he was in charge of the day-to-day operations and/or the business management of our Group and accumulated extensive experience in the trading and marketing of communication and digital products. With years of accumulated experience in the industry, we possess significant operating and management expertise through a team of technical development and service professionals.

We believe that our experienced senior management team has played a key role in leading the operation and development strategies of our Group and provided us with deep industry and operational knowledge, together with our talent local hires, which has been and will continue to be the key to our success in our future operations and profitability.

OUR STRATEGIES

We aim to further grow our business in the PRC mobile phone recycling service market as well as increase the overall penetration and circulation of pre-owned consumer electronics in the PRC. To accomplish this, we will continue to leverage the strengths and capabilities of our ecosystem to achieve organic growth, and also actively look for new opportunities to expand our service offerings, geographical coverage, and supply and distribution channels to achieve higher business growth and gross profit margin through executing the following strategies:

Further enhance our strategic cooperation with upstream sourcing partners to continuously strengthen our current position in the PRC offline trade-in mobile phone recycling service market and expand our transaction services into Hong Kong and other Southeast Asian countries

As the largest consumption and manufacturing country of various consumer electronics, China's mobile phone shipments has gained global leadership over the past decade and the shipment volume is expected to maintain a steady growth prospect over the next five years. The sustained shipment and sales volume of new consumer electronics will lead to increasing accumulative volume of pre-owned consumer electronics. Driven by the government supports on circulation economy, consumers' demand for disposing or replacing pre-owned consumer electronics due to technology upgrade such as the adoption and popularization of 5G network, as well as the vigorous development of offline recycling channels for second-hand consumer electronics which provides more convenience to consumers to sell and purchase second-hand consumer electronic products, China's pre-owned consumer electronics after-market transaction service market has been developing rapidly and will continue to experience further growth in the forecast period.

Continuously expanding and deepening our strategic and all-around cooperation with our upstream sourcing partners in the upstream industrial chain remains a key focus for our future growth. During the Track Record Period, we had remained steadfast in extending our transaction service coverage to offline stores of our upstream sourcing partners, especially the mainstream consumer electronic brands and their designated distributors. During the Track Record Period, the aggregate number of offline stores operated by our upstream sourcing partners which we had entered into business cooperation with were over 49,000 stores. According to Frost & Sullivan, as of the Latest Practicable Date, the aggregate number of branded offline stores of these six mainstream consumer electronic brands exceeded 250,000 stores in the PRC. As such, we believe that there remains a tremendous market for us to develop. We will continue to put effort and make investment in nurturing our offline trade-in transaction services by actively promoting our trade-in solution in the offline stores of our upstream sourcing partners to secure a stable and desirable supply of quality pre-owned consumer electronics. We will also regularly discuss future collaboration arrangements and pursue new strategic initiatives with our existing upstream sourcing partners. In particular, we intend to actively visit and enter into regular discussions with our existing upstream sourcing partners to activate and commence recycling business with those offline stores which had initially agreed to enter into collaboration with us but had not conducted any trade-in recycling transaction services during the Track Record Period.

In addition, we intend to step up our efforts to collaborate with the large mobile network operators in the PRC to promote our pre-owned mobile phone recycling services. Other developed countries including the U.S. and Japan have relatively mature mobile phone recycle markets, and consumers in these regions are more receptive to trade-in their second-hand devices, which result in a more centralized recycling network. In particular, mobile network operators and large dealers in the U.S. market often offer mobile phones bundled with renewal service contracts, which facilitate consumers to trade-in their used devices when renewing their contracts. In the PRC, we believe that mobile network operators will have more incentive to develop their trade-in network in order to fulfill the ESG requirements imposed on state-owned enterprises by the PRC government and given the national goal of achieving carbon neutrality. Further, in February 2024, the General Office of the State Council issued the Opinions on Accelerating the Construction of a Waste Recycling System (《關於加快構建廢棄物循環利用體系的意見》) which, among others, calls for the standardization of trading activities in connection with second-hand goods and encourages the development of the "internet & second-hand" business model. It also proposes to introduce regulations related to information clearance methods for consumer electronic products such as tablets and mobile phones when traded by second-hand goods trading enterprises, ensuring the security of seller information during such transactions. Mobile network operators are starting to cooperate more with the consumer electronics after-market service providers and chain retailers to offer trade-in solutions and therefore its market share in the PRC mobile phone recycling service market in terms of the transaction value of pre-owned mobile phones procured is expected to increase in the forecast period. We believe that with the spreading of the concept of trade-in and the maturing of the business model, the pre-owned mobile phone trade-in market is trending towards a direction where mobile network operators will further enhance their market position within the industry, and we possess the first-mover advantage as we have already established cooperation with the largest four mobile network operators in the PRC since 2017. Moreover, in May and June 2024, we were further successfully shortlisted by two of the major mobile network operators to provide trade-in transaction services and respectively entered into a two-year and one-year cooperation agreement with them.

Apart from the aforesaid, we are also exploring new business opportunities and seeking potential cooperation with other consumer electronic brands and sourcing partners in the upstream industrial chain. Through forging a stronger relationship with various upstream sourcing partners and advancing our transaction services offered under the trade-in solution, we believe that we will further strengthen our position in the PRC offline trade-in mobile phone recycling service market by making the entire recycling service process, more seamless and easier for consumers who will then become more receptive to trading in their pre-own consumer electronics.

To support our above strategies and future plans, we intend to set up branch offices in each of Liaoning province, Hebei province and Guangdong province, and recruit 49, 43 and 43 sales personnel for the years ending December 31, 2025, 2026 and 2027, respectively, to assist in visiting offline stores of our existing and/or potential upstream sourcing partners, introducing and promoting our trade-in service solution offerings, and facilitating the establishment and maintenance of our cooperative relationship with their offline stores. These newly recruited personnel will also be responsible for providing continuous training to the front sales staff enabling them to process trade-in transactions with our Shanhuishou (閃回收) recycling system. We plan to use approximately [**REDACTED**]% or approximately HK$[**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] to support the above strategies. For more details, please refer to "Future Plans and [**REDACTED**]" in this document.

Furthermore, we aim to further develop and solidify our offline trade-in mobile phone recycling service capability in Hong Kong. Driven by the strong demands of certain mainstream consumer electronic brands we partner with, we decided to extend our partnership and transaction services to Hong Kong to facilitate their local business development. We had successfully obtained Radio Dealers Licence (Unrestricted) (無線電商牌照) in Hong Kong in October 2023, and commenced to provide our offline trade-in recycling transaction service in Hong Kong since November 2023 for Consumer Electronic Brand B, and sell the same through our local sales channels. For the year ended December 31, 2023 and the six months ended June 30, 2024, our procurement value of pre-owned consumer electronics in Hong Kong amounted to approximately HK$5.6 million and HK$28.8 million, respectively, and our sale of consumer electronics in Hong Kong amounted to approximately HK$42,000 and HK$29.3 million, respectively. In near future, we intend to put effort to further develop and solidify our trade-in mobile phone recycling service capability in Hong Kong, and make it our overseas headquarters for our future expansion of trade-in transaction services in other Southeast Asian countries. In July 2024, we joined Consumer Electronic Brand B as its strategic business partner to visit Singapore, Malaysia, Thailand and Indonesia, and conducted market research in these local markets. As such, we intend to recruit more personnels for both of our recycling and sale business in Hong Kong. We plan to use approximately [**REDACTED**]% or approximately HK$[**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] to support the above strategies. For more details, please refer to "Future Plans and [**REDACTED**]" in this document.

Increase our brand profile, explore new sales channels to increase our sales, and enhance our profit margin and transaction efficiency

We intend to further promote our Shanhui Youpin (閃回有品) online platform, with an aim to grow it to a recognized brand and trusted pre-owned consumer electronics integrated platform, with the capabilities of providing consumer electronics recycling and trading services that enables consumers to sell and purchase pre-owned consumer electronics with ease and convenience. In doing so, we intend to further invest on our promotional and marketing efforts to grow our brand awareness and improve our publicity and market position. We plan to increase our budget on placement of both online and offline marketing and advertisement, such as billboards, advertising light boxes and web banners, to enchance our profile and promote our pre-owned consumer electronics recycling and trading services in various second-hand markets. We also intend to strengthen and maintain long-term business relationships with our existing major customers and explore new cooperative relationships with potential buyers of various types of pre-owned consumer electronics in the downstream second-hand market. In doing so, we plan to hold more seminars and events in Shenzhen and invite both of our existing and potential customers to attend and exchange ideas, and at the same time, raise our profile. We plan to recruit a total of 40 experienced sale personnel during the coming three years ending December 31, 2027 to assist our marketing and promotion efforts to grow our brand awareness and strengthen our influence and to provide more comprehensive and timely after-sales services to our key customers. Such sales personnel shall also be responsible for collecting market information and analyzing the marketing activities of our competitors, making and implementing plans to promote sales on our Shanhui Youpin (閃回有品) online platform, and exploring and developing our customer base and eventually increasing our sales on Shanhui Youpin (閃回有品) online platform. We plan to use approximately [**REDACTED**]% or approximately HK$[**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] to support the above strategies. For more details, please refer to "Future Plans and [**REDACTED**]" in this document.

We believe that the expansion of sales channels will create new growth opportunities for us. In 2022, we had a test-run on a PRC mainstream live-streaming platform focused on the sale of pre-owned premium models of certain branded mobile phones. We plan to further tap into this market by spending extra budget on marketing and promoting our Shanhui Youpin (閃回有品) brand and increasing web traffic to accurately target potential individual customers and boost the number of active buyers on these live-streaming platforms. We will also continue to explore conducting sale of pre-owned mobile phones through publishing promotional contents and video clips on live-streaming platforms targeted at different end users. Further, we plan to deepen our cooperation with various third-party e-commerce platforms and set up more of our own online stores on these platforms to be focused on selling mid-to-high-end pre-owned mobile phones. In order to improve the quality and attractiveness of our contents and videos and to boost our sales on various live-streaming and e-commerce platforms, we intend to recruit a total of 39 experienced personnel in the field of e-commerce operation, including two live-stream operators, nine popular live-streamers, five short video scripting, filming and editing personnel, nine live broadcast controllers, two e-commerce trading and pricing managers, and twelve customer service staff members during the coming three years ending December 31, 2027. Some of these personnel will also be assisting on setting up our online stores on various third-party e-commerce platforms to conduct sale by publishing promotional contents and video clips on livestreaming platforms, designing and implementing sales strategies of our online stores on third-party e-commerce platforms, and providing after-sales services to our customers on these platforms. Live broadcast controller is also responsible for coordinating the live-streamers and preparing the live broadcast and managing the orders placed during the live broadcast. Leveraging our presence on these platforms, we aim to grow our brand awareness and strengthen our influence, and attract more customers to achieve business scale in a broader market. We plan to use approximately [**REDACTED**]% or approximately HK$[**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] to support the above strategies. For more details, please refer to "Future Plans and [**REDACTED**]" in this document.

Furthermore, in September 2023, we opened up our first offline retail store in Shenzhen under our brand name of Shanhui Youpin (閃回有品) to conduct both recycling and sale services of pre-own consumer electronics. We believe that our offline presence will contribute to the strengthening of our brand awareness among individual consumers, which will help us to expand the spectrum and increase the depth of services we provide to them, and eventually attract more buyers and sellers to our ecosystem. We opened up our second offline retail store in Shenzhen in December 2023. Depending on our business development, we plan to further explore the commercial possibilities to open up more branded retail stores in the future.

In addition, we plan to upgrade and/or enlarge our existing inspection and operation centers to eventually form our own regional supply chain network equipped with functionalities of collection, inspection and grading, repair and maintenance, and sales and distribution. Pre-owned mobile phones recycled and resold with repair and maintenance services rendered, such as replacement of external display screen or change of battery, generally see better demand from customers and typically have a higher profit margin. Therefore, we intend to purchase and/or upgrade the hardware equipment of our maintenance and repairment division, for instance, screen removal machine, polishing machine and multi-meters, and also recruit a total of 15 maintenance and repairment staff members during the coming three years ending December 31, 2027. We believe this will enrich our supply of mid-to-high-end pre-owned consumer electronics with better selling prices, which will in turn, contribute to a higher profit margin. Further, we also plan to upgrade all of our existing inspection and operation centers in Shenzhen, Chengdu, Sichuan province, Zhengzhou, Henan province and Nanjing, Jiangsu province. During the Track Record Period, an increasing percentage of our revenue was derived from the sale of pre-owned mobile phones through our real-time open bidding module on Shanhui Youpin (閃回有品) online platform, where under most circumstances, no additional inspection would be conducted before delivering such devices to the successful bidder. However, these devices were still delivered to our inspection and operation center first before shipped out to the successful bidder, and as such, must go through the organizing, sorting, packing process which would benefit from the upgrading of the hardware and equipment in our existing inspection and operation centers. We plan to spend approximately HK$0.5 million in each of these four inspection and operation centers to purchase and/or upgrade certain equipment, for instance, smart shelves and automatic packing machines. To support the above upgrade of our inspection and operation centers, we also intend to recruit four receiving and packing staff and six quality inspectors for each of our Shenzhen, Chengdu, Zhengzhou, and Nanjing inspection and operation centers for the coming three years ending December 31, 2027. We expect that these centers would better facilitate the efficient collection, inspection and grading, repairment and maintenance, and further sales and distribution of our pre-owned consumer electronics procured, which in turn, help us to strengthen our service coverage, increase our inventory turnover and improve our operational efficiency. We plan to use approximately [**REDACTED**]% or approximately HK$[**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] to support the above strategies. For more details, please refer to "Future Plans and [**REDACTED**]" in this document.

Further increase our technology, research and development efforts to continue to empower our business offerings and operational efficiency

Our proprietary technologies, especially those with AI capabilities, are our key competitive advantage and crucial for us to provide more efficient and quality services. We aim to further increase our technology, research and development capabilities to continue to empower our business offerings and operational efficiency. Since pre-owned mobile phones are non-standard items with no uniformed market price, and grading and pricing them manually is incapable of achieving a high level of accuracy, we will continue to upgrade and iterate our existing inspection, testing and grading technologies. In doing so, we plan to upgrade the inspection hardware and testing and grading functionalities of our Shanhuishou (閃回收) recycling system with more AI capabilities so that we can better analyze the data insight we collect from thousands of pre-owned consumer electronics and millions of transactions, which includes historical recycling and sales data, competitors' performance, our various transaction costs for procurement and sale, future demand of the second-hand consumer electronic market and our expected profit margin. We believe this can further strengthen our competitive advantage in pricing pre-owned consumer electronics accurately and speedily, which has been a major strength that differentiates us from our competitors and serves as an important growth engine.

On the other hand, we intend to invest more into the infrastructure of our Shanhui Youpin (閃回有品) online platform and the associated mobile application by continuously upgrading and iterating our existing software and hardware equipment, and to design, develop and launch new business modules with comprehensive functionalities to support the increasing needs of our business services and, at the same time, enhance users' experiences. In particular, we will upgrade our Shanhui Youpin (閃回有品) online platform by adding more AI capabilities to better match the needs of our customers with our inventories, send recommendations automatically to our customers based on their historical preferences and increase the accuracy of the search engine. Internally, we will continue to upgrade our management and information system, BOSS System, to support our Group's digital management and improve our overall operational efficiency. In particular, we plan to upgrade and increase the number of servers that we currently rent to increase the data storage, improve the efficiency and enhance the data security of our BOSS System. For the coming three years ending December 31, 2027, in order to support the upgrades of our Shanhuishou (閃回收) recycling system, Shanhui Youpin (閃回有品) online platform and BOSS system, we plan to spend approximately HK$63.3 million to recruit a total of 41 technology and development personnel to support our above future technology, research and development efforts, respectively. Such personnel primarily include programming development engineers, web front-end development engineers and AI algorithmic engineers.

We plan to use approximately [**REDACTED**]% or approximately HK$[**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] to support the above strategies. For more details, please refer to "Future Plans and [**REDACTED**]" in this document. We believe that with our proprietary recycling and sale platforms supported by our BOSS System, we will be able to provide a more digitalized and industrial solutions for all the participants in the consumer electronics after-market transaction services.

Expand business operation through investment

We believe that by leveraging our industrial experience and brand recognition, we will be able to further expand where the market conditions, demand and growth potential for pre-owned consumer electronics are favorable. When opportunities arise, we will expand our business operation through strategic investment and/or acquisitions in businesses which offer products and/or services that are supplemental to those which we currently offer and match our growth strategies. We plan to use approximately [**REDACTED**]% or approximately HK$[**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] for this strategy. For more details, please refer to "Future Plans and [**REDACTED**]" in this document.

We will maintain a disciplined approach to such investment and will consider various selection criteria with the aim to creating synergies between the target and the rest of our Group after the investment. Before any investment, we will take into account factors such as, operating history, reputation, products and services, and the competitive landscape of the target company and its core management team. Illustrations of such suitable factors may include locally reputable business partners that offer different consumer electronic products or consumer electronics after-market services supplemental to those which we currently offer. As of the Latest Practicable Date, we had not identified any specific targets, formed any specific investment plans or entered into any agreements with potential targets.

OUR BRANDS

We have established and developed two core corporate brands, namely, Shanhuishou (閃回收) and Shanhui Youpin (閃回有品). Shanhuishou (閃回收) is the main brand under which we carry on our offline trade-in business and collect pre-owned consumer electronics from our upstream sourcing partners. Shanhui Youpin (閃回有品) is the main brand under which we conduct the sale of pre-owned consumer electronics we procured to customers on our proprietary online platform or in our own online stores on third-party e-commerce platforms.

We launched Shanhuishou (閃回收) in 2017. Throughout the years, we have been primarily focusing on establishing and deepening our strategic cooperative relationship with our upstream sourcing partners by offering them with our integrated recycling services of pre-owned consumer electronics through our offline trade-in solutions. As such, our brand of Shanhuishou (閃回收) has won recognition among various mainstream consumer electronic brands and individual consumers. Given the success of Shanhuishou (閃回收) and our proven ability to obtain stable and quality supply of pre-owned consumer electronics, in 2021, we then launched the brand of Shanhui Youpin (閃回有品) to further strengthen our corporate image. Under our brand of Shanhui Youpin (閃回有品), we developed and self-operate our proprietary online platform with a business focus on pre-owned mobile phone trading. We have also developed associated Shanhui Youpin (閃回有品) mobile application and WeChat or Alipay mini-program, which enable various buyers in the second-hand consumer electronic market to bid-for, win, and/or purchase pre-owned consumer electronics through different business modules and/or scenarios.

During the Track Record Period, we also carried on some of our recycling service business under the sub-brands of Shanyu Huishou (閃魚回收) and Shan Zhuanzhuan (閃賺賺), and some of our sales business under the sub-brands of Shanyu Mall (閃魚商城), Shanyu Ershou (閃魚二手) and Shanyouyou (閃優優), aiming to promote and provide our recycling and sale services of pre-owned consumer electronics to individual consumers and target customers. On the recycling side, we operated a WeChat and Alipay mini-program and a website both under the sub-brand of Shanyu Huishou (閃魚回收) and a WeChat mini-program under the sub-brand of Shan Zhuanzhuan (閃賺賺), all of which focused on recycling pre-owned consumer electronics from individual consumers by way of online sale solution. On the sale side, we operated a WeChat mini-program under the sub-brand of Shanyu Ershou (閃魚二手) and an Alipay mini-program under the sub-brand of Shanyu Mall (閃魚商城), both of which focused on the sale of pre-owned consumer electronics to individual customers. We also operated a Wechat mini-program under the sub-brand of Shanyouyou (閃優優), which comprised of a single-device sales module and a single-device bidding module that resemble the same functionalities of those two modules currently on our Shanhui Youpin (閃回有品) online platform. For more details of our Shanhui Youpin (閃回有品) online platform, please refer to "– Shanhui Youpin (閃回有品)" in this section. Before officially launching our Shanhui Youpin (閃回有品) online platform in 2021, we primarily conducted sale of pre-owned consumer electronics to (i) customers who conduct business in the second-hand consumer electronic market through Shanyouyou (閃優優) and a standalone PC end sales platform which is developed for customers to bid for and purchase packages of pre-owned consumer electronics of similar features pre-selected by us; and (ii) individual customers through our own online stores on third-party e-commerce platforms, our Shanyu Mall (閃魚商城) on Alipay and Shanyu Ershou (閃魚二手) on WeChat.

During the Track Record Period, we had been gradually enhancing and integrating our online recycling services and sales functionalities into our Shanhui Youpin (閃回有品) online platform. Due to our strategic planning and future development considerations, in order to promote our brand of Shanhui Youpin (閃回有品) and avoid the diversion of consumer/customer traffic by our other sub-brands, we have ceased the operation of the Shan Zhuanzhuan (閃賺賺) and Shanyu Ershou (閃魚二手) WeChat mini-programs, and converted the names displayed on Shanyu Huishou (閃魚回收) website as well as WeChat and Alipay mini-programs, Shanyu Mall (閃魚商城) Alipay mini-program and Shanyouyou (閃優優) WeChat mini-program to Shanhui Youpin (閃回有品) in the first half of 2024, with the aim to grow our Shanhui Youpin (閃回有品) to a recognized brand and trusted pre-owned consumer electronics integrated online platform.

Operation of Our Business under Our Sub-brands

For the years ended December 31, 2021, 2022 and 2023, we had carried on some of our recycling service business under the sub-brands of Shanyu Huishou (閃魚回收) and Shan Zhuanzhuan (閃賺賺), and some of our sale business under the sub-brands of Shanyouyou (閃優優), Shanyu Mall (閃魚商城) and Shanyu Ershou (閃魚二手). For the years ended December 31, 2021, 2022 and 2023, our revenue derived from conducting our sale business through Shanyouyou (閃優優) amounted to approximately RMB235.2 million, RMB427.6 million and

RMB372.5 million, representing approximately 31.4%, 46.5% and 31.5% of our total revenue for the same period, respectively; our revenue derived from conducting sales business through Shanyu Mall (閃魚商城) amounted to approximately RMB7.4 million, RMB9.9 million and RMB4.7 million, representing approximately 1%, 1.1% and 0.4% of our total revenue for the same period, respectively. During the Track Record Period, we had not conducted any sales business through Shanyu Ershou (閃魚二手). We had integrated our recycling services and sales functionalities under these sub-brands into our Shanhui Youpin (閃回有品) online platform.

We believe that our core brands have conveyed our competitive strengths to our target consumers, including reliable quality and consistent standards, efficient and convenient user experience, and environmentally friendly lifestyle, which are also the key qualities that differentiate ourselves from our competitors, and help us strategically position ourselves in the service value chain.

OUR SUPPLY CHANNELS

We procure pre-owned consumer electronics via both offline and online supply channels. Our offline channels of supply mainly comprise of physical stores operated by our upstream sourcing partners, primarily including mainstream consumer electronic brands and their designated distributors, sizable merchants for consumer electronic products and large mobile network operators, where individual consumers are our ultimate suppliers. Over the years, we have established business alliances and cooperation with these upstream sourcing partners and collect pre-owned consumer electronics transacted offline in their physical stores through our recycling system under our brand of Shanhuishou (閃回收). We also cooperate with our upstream sourcing partners through embedding our recycling system in their online malls and collect pre-owned consumer electronics transacted online.

The recycling solutions of pre-owned consumer electronics from individual consumers can be broadly classified into two types, namely, the trade-in solution and the sale solution. Since our inception, we have been primarily focusing on offering recycling services of pre-owned mobile phones and other consumer electronics through both online and offline trade-in solutions. Under our trade-in solution, individual consumers typically trade in their pre-owned mobile phones in the offline or online stores of our upstream sourcing partners to compensate the purchase of new mobile phones. Individual consumers who choose to trade in their pre-owned mobile phones will generally receive discounted quote or cash coupons on the new consumer electronic devices they would like to purchase. We provide our upstream sourcing partners with the trade-in infrastructure, especially, our proprietary inspection, grading and pricing technologies, for them to offer to their customers both online and offline trade-in services.

In addition to our focus on the trade-in solutions offered to our upstream sourcing partners under our brand of Shanhuishou (閃回收), we also collect idle consumer electronics by way of sale solution through our Shanhui Youpin (閃回有品) online platform or our own online recycling stores operated on various third-party platforms, as well as under offline scenarios. Furthermore, by leveraging our established position in the PRC mobile phone recycling service market and our deep and synergistic relationship with our various upstream sourcing partners, we have also been engaged in the corporate recycling by our upstream sourcing partners to handle their excess inventories and/or demonstration consumer electronics and/or other purchase requests of consumer electronics in bulk to satisfy their diversified business needs of our upstream business partners, all of which expanded and diversified our supply channels of pre-owned consumer electronics.

The table below sets out our total procurement value of consumer electronics (including VAT) by supply channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total procurement value of consumer electronics	RMB'000	% of total procurement value of consumer electronics	RMB'000	% of total procurement value of consumer electronics	RMB'000	% of total procurement value of consumer electronics	RMB'000	% of total procurement value of consumer electronics
Supply procured through trade-in solution	538,147	90.6	659,262	87.9	838,777	85.1	361,973	83.3	453,716	94.4
Supply procured through sale solution	27,753	4.7	59,678	8.0	56,067	5.7	29,852	6.9	8,836	1.8
Supply procured through corporate recycling	28,124	4.7	30,961	4.1	90,579	9.2	42,603	9.8	18,239	3.8
Total:	**594,024**	**100**	**749,901**	**100**	**985,423**	**100**	**434,428**	**100**	**480,791**	**100**

The table below sets out the aggregate number of consumer electronics procured through our supply channels for the periods indicated, respectively:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	unit'000	% of total number of procured consumer electronics	unit'000	% of total number of procured consumer electronics	unit'000	% of total number of procured consumer electronics	unit'000	% of total number of procured consumer electronics	unit'000	% of total number of procured consumer electronics
Supply procured through trade-in solution	1,033	75.9	1,173	67.5	1,505	62.5	663	57.4	556	68.2
Supply procured through sale solution	51	3.7	94	5.4	58	2.4	31	2.7	9	1.1
Supply procured through corporate recycling	277	20.4	470	27.1	844	35.1	461	39.9	250	30.7
Total:	**1,361**	**100**	**1,737**	**100**	**2,407**	**100**	**1,155**	**100**	**815**	**100**

During the Track Record Period, a substantial percentage of the pre-owned consumer electronics we sourced from our supply channels were mobile phones. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate number of consumer electronics sourced through our entire supply channels were approximately 1,361,000, 1,737,000, 2,407,000 and 815,000 units, respectively, of which approximately 1,033,000, 1,173,000, 1,505,000 and 556,000 units, respectively, were sourced by way of trade-in solution, and 1,004,000, 1,145,000, 1,541,000 and 554,000 units, respectively, were mobile phones.

Stable Supply through Our Strategic Cooperation with Upstream Sourcing Partners

A stable access to upstream supply channels for pre-owned consumer electronics is critical to market players in the second-hand consumer electronics market. As such, we have taken the establishment and development of rich and stable supply channels as our business focus. Over the years, through our strategic cooperation with our upstream sourcing partners, we have established supply channels that are stable, resource-rich and synergistic.

We primarily source pre-owned consumer electronics, which include mobile phones, laptops, PC tablets, phone accessories and other digital products, through our strategic collaboration with our upstream sourcing partners, where we have been designated as one of their official pre-owned consumer electronics recycling processors for both their offline physical stores and online stores. Distinguished from most of our competitors in the industry, we maintain a keen focus on providing pre-owned consumer electronics transaction services under offline trade-in solution. We believe that our business focus has provided us with access to stable and desirable supply from reliable channels. At the same time, we have also provided synergies to our upstream sourcing partners by promoting the sale of new consumer electronics in their stores. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate number and the total procurement value of pre-owned consumer electronics we sourced through the channels of our upstream sourcing partners under trade-in solution were approximately 1,033,000, 1,173,000, 1,505,000 and 556,000 units and approximately RMB538.1 million, RMB659.3 million, RMB838.8 million and RMB453.7 million, respectively, representing approximately 75.9%, 67.5%, 62.5% and 68.2% of the total number and approximately 90.6%, 87.9%, 85.1% and 94.4% of the total procurement value of consumer electronics we sourced through our entire supply channels, respectively.

Offline trade-in solution

Offline channel remains the major channel for pre-owned consumer electronics recycled under trade-in solution, taking up approximately 77% of the total market size in 2023. The total transaction value of pre-owned consumer electronics recycled under offline trade-in solution increased from approximately RMB3.3 billion in 2019 to approximately RMB10.8 billion in 2023, with a CAGR of approximately 34.5%. Considering the increasing consciousness of environmental protection and developing recycling and circulation economy, the offline market is expected to maintain an upward momentum, with the total transaction value reaching approximately RMB42.7 billion in 2028, representing a CAGR of approximately 31.6% from 2023 to 2028.

Generally, for transactions conducted under the offline trade-in solution, an individual consumer tenders in the pre-owned consumer electronic device that he/she wishes to trade in, and then waits at the store and monitors the quality inspection and pricing process of the old consumer electronic device through our recycling system designed for the front sales staff of our upstream sourcing partners' offline stores. Once the individual consumer decides to trade in his/her pre-owned consumer electronic device for a new model, he/she can pay for his/her new consumer electronic device with the deduction of price of the old device that we determine to pay for and/or with other promotion discounts, if applicable.

A typical individual consumer's journey in an offline trade-in transaction empowered by our trade-in infrastructure is as follows:

- *Certification*. The front sales staff in our upstream sourcing partners' offline stores who has received training on the use of our trade-in system first conducts a preliminary check of the pre-owned consumer electronic device regarding its brand, model, time of production, channel of prior purchase and other basic criteria. The front sales staff will take photos of the pre-owned device and upload the photos and auxiliary information of the device proposed to be traded-in using our Shanhuishou (閃回收) recycling system for review.

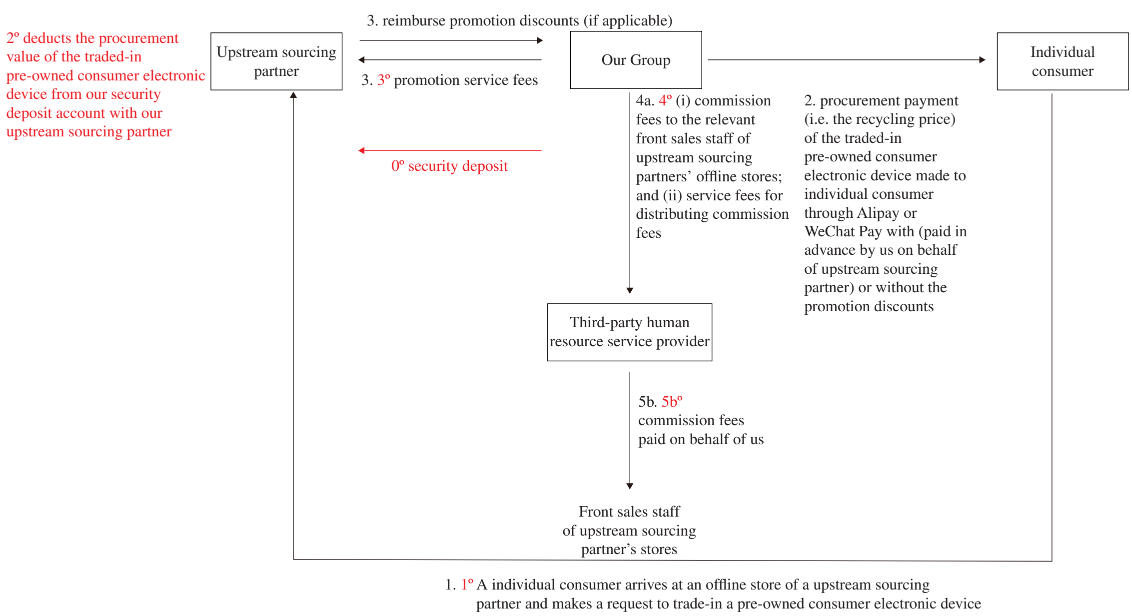
- *Pricing*. Once the photos and information of the device are uploaded, our back-end inspection staff will immediately examine the photos and all necessary information and display a recommended recycling price range accordingly for the traded-in device to the front sales staff to show the individual consumer. Such recycling price range is generated based on our pricing model applicable to both online and offline transactions. As these front sales staff are the ones who meet the consumers in store and close the transactions, we typically let them have the flexibility to determine the final recycling prices they would give to consumers within our recommended recycling price range under different circumstances and transactions.

- *Completion of order*. An order will be placed in-store immediately after the pre-owned consumer electronic device of the individual consumer has gone through the standard process of certification, pricing and order confirmation. Once the individual consumer finds the recycling price quote acceptable, he/she will then be required to sign our standard recycling service agreement and provide his/her PRC ID card for uploading before we can pay to him/her. Our system will also generate a QR code and immediately transfer the amount, together with any subsidies, if applicable, directly to the individual consumer in the offline stores through Alipay or WeChat Pay.

- *Initial data erasing*. To ensure data privacy, we will remind the individual consumer to erase the data on his/her pre-owned consumer electronic device before transporting any device into our inspection centers. The front sales staff typically helps reset his/her pre-owned consumer electronic device to factory settings in front of the individual consumer or asks the consumer to reset the device himself/herself so that the consumer feels comfortable and secure about his/her privacy.

- *Purchase of new consumer electronics*. Once the previous steps have been completed, the individual consumer can proceed to purchase the new consumer electronic device that he/she intends to trade in the pre-owned consumer electronic device for. If the individual consumer opts to trade in for a new consumer electronic device available in-store, the front sales staff will also help the individual consumer migrate data from the old consumer electronic device to the new consumer electronic device if the individual consumer so requests.

The flowchart below sets out two typical flows of services and fees among us, our upstream sourcing partners and an individual consumer under our offline trade-in solution:



Black: A typical offline trade-in service transaction where we are required by upstream sourcing partners, typically Consumer Electronic Brand A, to pay the agreed recycling prices to an individual consumer directly. When applicable, we are also required to pay promotional discounts that are offered to such individual consumer by the upstream sourcing partner in advance to facilitate the promotional sale of new models of pre-owned consumer electronics.

Red: A typical offline trade-in service transaction where we are required by upstream sourcing partners, typically Consumer Electronic Brand B, to make security deposit in advance to the upstream sourcing partner for conducting our recycling service transactions in its offline stores. The agreed recycling price payable to the individual consumer in stores would be deducted from our security deposit account with the upstream sourcing partner, and we are required to top up our security deposit account when the balance falls below a certain level.

During the Track Record Period, we were able to leverage our proprietary recycling infrastructure to ensure seamless transaction experiences and high-quality customer service in the offline stores of our upstream sourcing partners. Benefiting from our strategic collaboration with our upstream sourcing partners, we are able to access the geographic span of our supply channels while maintaining a low operating cost model leveraging our upstream sourcing partners' geographic coverage. During the Track Record Period, we had established cooperation with our upstream sourcing partners, covering more than 49,000 offline stores spanning over 31 provinces in the PRC. According to Frost & Sullivan, as of the Latest Practicable Date, the aggregate number of branded offline stores of these six mainstream consumer electronic brands exceeded 250,000 stores in the PRC. As such, we believe that there remains a tremendous market for us to develop.

The table below sets out the number of offline stores of our upstream sourcing partners by geographic region in the PRC as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
Southern China[1]	3,229	5,947	7,757	8,869
Eastern China[2]	4,644	9,120	12,829	14,753
Northern China[3]	6,443	12,814	17,994	20,132
Western China[4]	1,912	3,556	4,830	5,583
Total:	**16,228**	**31,437**	**43,410**	**49,337**

Notes:

1. Southern China includes Guangdong province, Fujian province, Guangxi Zhuang Autonomous Region and Hainan province;

2. Eastern China includes Shanghai, Jiangsu province, Zhejiang province, Anhui province, Jiangxi province, Hubei province, Hunan province and Shanxi province;

3. Northern China includes Beijing, Tianjin, Heilongjiang province, Jilin province, Liaoning province, Shandong province, Hebei province, Henan province, Shaanxi province, Gansu province, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region; and

4. Western China includes Chongqin, Sichuan province, Guizhou province, Yunnan province, Qinghai province, Xinjiang Uygur Autonomous Region and the Tibet Autonomous Region.

The table below sets out the changes in the number of our upstream sourcing partners as of the dates/for the periods indicated:

	As of/Year ended December 31,			As of/ Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Number of active[1] upstream sourcing partners as of the beginning of the financial year/period	1,775	1,749	2,293	3,082
Number of new[2] upstream sourcing partners engaged	605	1,156	1,192	216
Number of inactive[3] upstream sourcing partners	(631)	(612)	(403)	(1,532)
Number of active[1] upstream sourcing partners as of the end of the financial year/period	1,749	2,293	3,082	1,766

Notes:

1. Active upstream sourcing partners refer to upstream sourcing partners through which we procured pre-owned consumer electronics in that particular financial year/period.

2. New upstream sourcing partners refer to the upstream sourcing partners through which we did not procure any pre-owned consumer electronics in the previous financial year/period but procured pre-owned consumer electronics in the current financial year/period.

3. Inactive upstream sourcing partners refer to the upstream sourcing partners through which we had procured pre-owned consumer electronics in the previous financial year/period but did not procure any consumer pre-owned electronics in the current financial year/period.

As our upstream sourcing partners generally have geographic expansion plans as part of their business development strategy, we believe our supply will continue to grow as our upstream sourcing partners' business grow, and we are able to expand our supply channels horizontally and vertically in a cost-effective manner. Meanwhile, our overall business will also benefit from our increased brand presence and awareness raised by our upstream sourcing partners' network.

Consumer electronic brands

Offline consumer electronic branded stores are a major channel for individual consumers to purchase new mobile phones. The mainstream consumer electronic brands pay more attention to consumer experience, which helps lower the threshold of the purchases of their new models of consumer electronics while increase the end-user loyalty. With the increasing user stickiness, consumer electronic branded stores, inclusive of the stores operated by designated distributors of such consumer electronic brands, are a vital channel for the offline trade-in business and we identify them as our primary supply channels. Furthermore, as mobile phone manufacturers regularly provide advantageous trade-in discounts or promotional activities to increase the sales of their new models of mobile phones, it is attractive for individual consumers to trade in through their branded stores, both offline and online. During the Track Record Period and up to the Latest Practicable Date, we had established cooperative relationships with six mainstream consumer electronic brands, with their branded stores covering over 31 provinces in the PRC. During the Track Record Period and up to the Latest Practicable Date, these mainstream consumer electronic brands and their designated distributors had become our most important upstream sourcing partners:

- ***Consumer Electronic Brand A***. Consumer Electronic Brand A is one of the world's largest producers of consumer electronics and a recognizable brand in technology that originated in Korea. We first established regional partnership with Consumer Electronic Brand A in March 2019, and have gradually extended our partnership to PRC nationwide trade-in services. We typically enter into collaboration agreements with Consumer Electronic Brand A and/or its designated distributors to provide our pre-owned consumer electronics recycling services in the Consumer Electronic Brand A branded stores in the PRC. We became acquainted with Consumer Electronic Brand A as it was searching the market for companies with the capabilities of providing trade-in services out of its business needs. Consumer Electronic Brand A reached out to us to discuss the possibility of cooperation and we eventually established a business relationship after negotiation.

- ***Consumer Electronic Brand B***. Consumer Electronic Brand B is a Chinese company listed on the Stock Exchange and is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core. We established partnership with Consumer Electronic Brand B in August 2018. We typically enter into collaboration agreements with Consumer Electronic Brand B and/or its designated distributors to provide our pre-owned consumer electronics recycling services in the Consumer Electronic Brand B's branded stores in the PRC. We became acquainted with Consumer Electronic Brand B when it started to consider and eventually invested in us in 2018 as it saw potential in our future development. Consumer Electronic Brand B subsequently commenced cooperation with us after becoming our Shareholder which has also helped us to develop our recycling business.

- ***Consumer Electronic Brand C***. Consumer Electronic Brand C is a leading global provider of information and communications technology infrastructure and smart devices that originated in Shenzhen, the PRC. We established partnership with Consumer Electronic Brand C in November 2021. We typically enter into collaboration agreements with Consumer Electronic Brand C and/or its designated distributors to provide our pre-owned consumer electronics recycling services in the Consumer Electronic Brand C's branded stores in the PRC. We became acquainted with Consumer Electronic Brand C as it was searching the market for companies with the capabilities of providing trade-in services out of its business needs. Consumer Electronic Brand C reached out to us to discuss the possibility of cooperation and we eventually established a business relationship after negotiation.

- ***Consumer Electronic Brand D***. Consumer Electronic Brand D is a PRC originated provider of smart devices. We established partnership with Consumer Electronic Brand D in September 2020. We have officially entered into collaboration agreements with Consumer Electronic Brand D in January 2024. We became acquainted with Consumer Electronic Brand D as it was searching the market for companies with the capabilities of providing trade-in services out of its business needs. Consumer Electronic Brand D reached out to us to discuss the possibility of cooperation and we eventually established a business relationship after negotiation.

- ***Vivo***. Vivo is a PRC technology company that principally manufactures consumer electronics. We established partnership with vivo in February 2020. We typically enter into collaboration agreements with vivo and/or its designated distributors to provide our pre-owned consumer electronics recycling services in the vivo branded stores in the PRC. We became acquainted with vivo as it was searching the market for companies with the capabilities of providing trade-in services out of its business needs. Vivo reached out to us to discuss the possibility of cooperation and we eventually established a business relationship after negotiation.

- ***Consumer Electronic Brand E***. Consumer Electronic Brand E is a Chinese company headquartered in Zhuhai, the PRC that principally engages in the design and production of smartphones. We established business relationship with Consumer Electronic Brand E in August 2023. We have officially entered into a collaboration agreement with Consumer Electronic Brand E in December 2023. We became acquainted with Consumer Electronic Brand E as it was searching the market for companies with the capabilities of providing trade-in services out of its business needs. Consumer Electronic Brand E reached out to us to discuss the possibility of cooperation and we eventually established a business relationship after negotiation.

The table below sets out our revenue of pre-owned mobile phones that we sold by consumer electronic brand's name[(1)] for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Consumer Electronic Brand A	52,097	6.9	84,025	9.1	122,161	10.5	44,835	8.6	69,736	12.1
Consumer Electronic Brand B	221,786	29.6	270,543	29.4	301,494	26.0	140,945	27.2	141,152	24.5
Consumer Electronic Brand C	138,314	18.4	185,784	20.2	218,736	18.9	111,401	21.5	110,496	19.2
Consumer Electronic Brand D	28,016	3.7	41,915	4.6	56,725	4.9	26,773	5.2	32,551	5.6
Consumer Electronic Brand E	1,217	0.2	1,077	0.1	1,471	0.1	539	0.1	851	0.1
Vivo	33,026	4.4	48,140	5.2	64,829	5.6	30,999	6.0	33,098	5.7
Other brands[(2)]	218,937	29.2	224,862	24.5	284,587	24.6	115,823	22.3	158,913	27.5
Total:	**693,393**	**92.5**	**856,346**	**93.2**	**1,050,003**	**90.6**	**471,315**	**90.9**	**546,797**	**94.8**

Notes:

1. During the Track Record Period, our upstream sourcing partners generally allowed individual consumers to have their pre-owned mobile phones under different brands to be traded-in in their branded offline stores; and

2. A significant portion of our revenue derived from the sale of pre-owned mobile phones in other brands include our sale of pre-owned mobile phones of one particular mainstream international consumer electronic brand, which we did not cooperate with and provide our trade-in recycling transaction services to it during the Track Record Period.

The table below sets out the sales volume and average selling price of pre-owned mobile phones that we sold by consumer electronic brands[1] for the periods indicated, respectively:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)
Consumer Electronic Brand A	46	1,132.5	53	1,585.4	77	1,586.5	31	1,446.3	39	1,788.1
Consumer Electronic Brand B	354	626.5	392	690.2	461	654	194	726.5	164	860.7
Consumer Electronic Brand C	195	709.3	250	743.1	316	692.2	151	737.8	118	936.4
Consumer Electronic Brand D	75	373.5	94	445.9	122	465.0	55	486.8	47	692.6
Consumer Electronic Brand E	5	243.4	3	359	2	735.5	1	539	1	851
Vivo	86	384.0	117	411.5	158	410.3	74	418.9	49	675.5
Other brands[2]	296	739.7	305	737.3	370	769.2	160	723.9	134	1,185.9
Total:	**1,057**	**N/A**	**1,214**	**N/A**	**1,506**	**N/A**	**666**	**N/A**	**552**	**N/A**

Notes:

1. During the Track Record Period, our upstream sourcing partners generally allowed individual consumers to have their pre-owned mobile phones under different brands to be traded-in in their branded offline stores.

2. A significant portion of our revenue derived from the sale of pre-owned mobile phones in other brands include our sale of pre-owned mobile phones of one particular mainstream international consumer electronic brand, which we did not cooperate with and provide our trade-in recycling transaction services to it during the Track Record Period.

Merchants

We started our cooperation with merchants for consumer electronic products since 2016, and have established strategic business relationships with various chain retailers, which are listed companies, during the Track Record Period. Most of the consumer electronic products being sold by these merchants are manufactured by the mainstream consumer electronic brands with whom we have established a deep collaboration relationship. In particular, leveraging their large-scale capital investments and comprehensive distribution network, chain retailers provide individual consumers with consumer electronic products of various brands and specifications, and are experienced in promoting sales of new models which makes them an important channel for us to provide our recycling service by way of trade-in solutions so as to attract individual consumers for new mobile phone purchase. With our partnership with these merchants, we are able to reach a larger audience through their wide area coverage in the PRC and obtain a stable supply of quality pre-owned mobile phones.

Mobile network operators

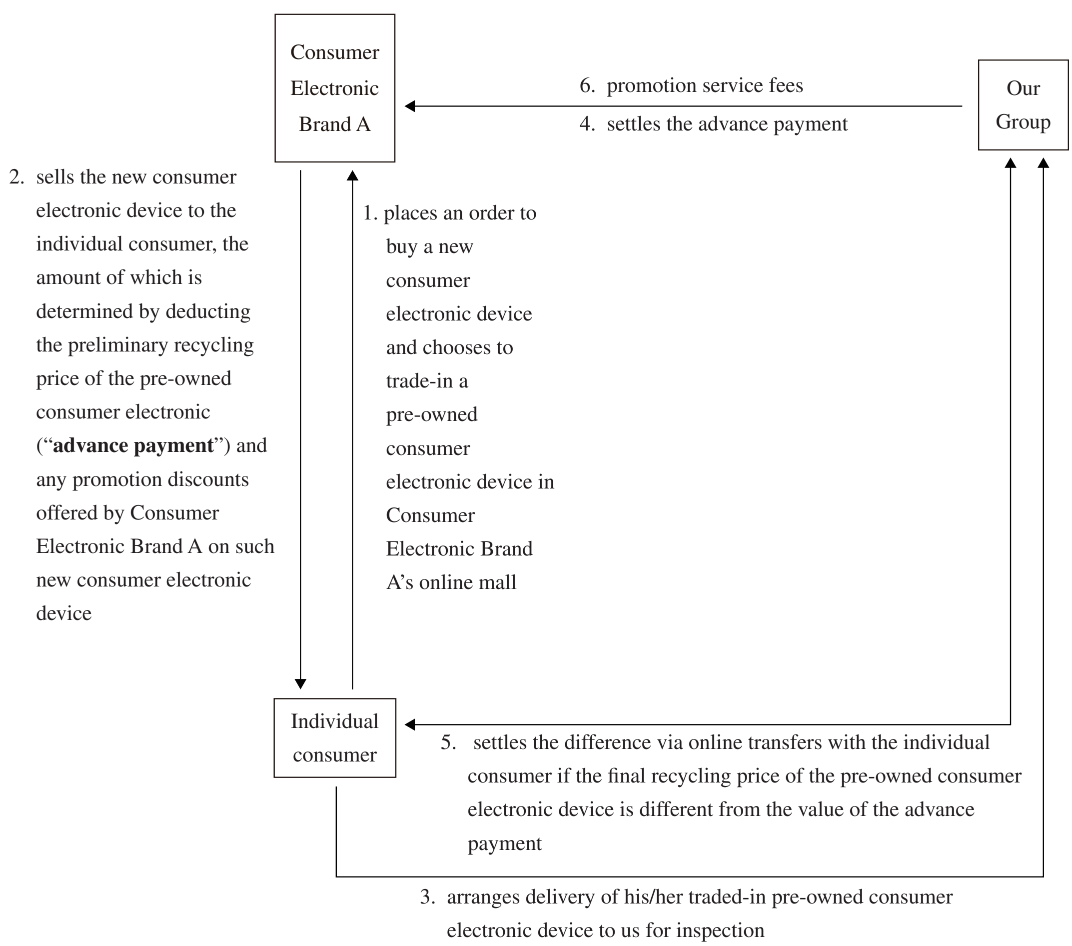
Since 2017, we have successively and gradually established cooperation with four major PRC mobile network operators in the supply of pre-owned mobile phones. We typically source the pre-owned consumer electronics through the supply channels of mobile network operators by providing trade-in solution in their offline stores. We believe that mobile network operators have more incentive to develop their trade-in network in order to fulfill the ESG requirements imposed on state-owned enterprises by the PRC government and given the national goal of achieving carbon neutrality. As such, they are more than willing to develop a cooperative relationship with us who is capable of providing meaningful facilitation to their trade-in transactions. Further, in February 2024, the General Office of the State Council issued the Opinions on Accelerating the Construction of a Waste Recycling System (《關於加快構建廢棄物循環利用體系的意見》) which, among others, calls for the standardization of trading activities in connection with second-hand goods and encourages the development of the "internet & second-hand" business model. It also proposes to introduce regulations related to information clearance methods for consumer electronic products such as tablets and mobile phones when traded by second-hand goods trading enterprises, ensuring the security of seller information during such transactions. We see mobile network operators are starting to cooperate more with consumer electronics after-market service providers and chain retailers to offer trade-in solutions and therefore its market share in the PRC mobile phone recycling service market in terms of the transaction value of pre-owned mobile phones procured is expected to increase in the forecast period. We believe that with the spreading of the concept of trade-in and the maturing of the business model, the pre-owned mobile phones trade-in market is trending towards a direction where mobile network operators will further enhance their market position within the industry. As such, we intend to step up our efforts to collaborate more closely with the large mobile network operators in the PRC to promote our pre-owned mobile phone recycling services. In May and June 2024, we were already successfully shortlisted by two of the major mobile network operators to provide trade-in transaction services and respectively entered into a two-year and one-year cooperation agreement with them.

Online trade-in solution

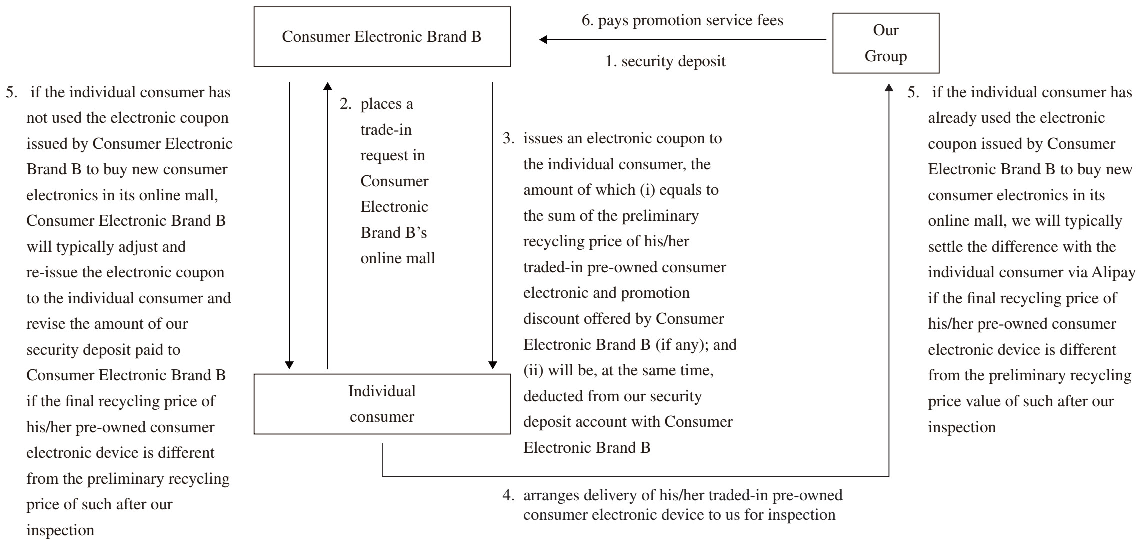
On top of our offline trade-in channels that constitute our major supply sources, we also cooperate with mainstream consumer electronic brands empowering their online trade-in transactions through embedding our proprietary recycling system in their online malls. When a consumer makes purchase of a new consumer electronic device in the online malls of such consumer electronic brands, we will conduct an inquiry and assessment of the condition of the pre-owned consumer electronic device proposed to be traded-in. After such consumer places the order, we will arrange pick-up by a third-party logistic service provider at the consumer's designated location, or the consumer may choose to go to a nearby offline branded store to deliver the device in person. Apart from deducting the trade-in price of the pre-owned consumer electronic device from the purchase price of the new consumer electronic device, our online trade-in solution will also allow customers to receive an electronic coupon which can be used against his/her purchase of the new consumer electronic device. After our inspection of the delivered pre-owned consumer electronic device traded-in, if the final pricing is different from the initial assessment, we will subsequently make up the difference to the consumer.

As of June 30, 2024, we had cooperated with two mainstream consumer electronic brands, namely Consumer Electronic Brand A and Consumer Electronic Brand B, in providing our online trade-in solution in their online malls. Pursuant to our cooperation arrangements with these two mainstream consumer electronic brands, we either adopt a prepayment and security deposit mechanism or such consumer electronic brand will first make payments to the consumers on our behalf and settle such payments with us on a monthly basis. We may also pay promotion service fees to these consumer electronic brands for embedding our recycling system in their online malls. We adopt different payment arrangements for these two consumer electronic brands to meet their different internal control requirements. The adoption of these two different payment arrangements had not placed any burden on our business and/or financial operations during the Track Record Period. We are currently exploring business opportunities with other mainstream consumer electronic brands that we already partnered with, with respect to offering our online trade-in solutions to them.

The flowchart below sets out a typical flow of services and fees among us, Consumer Electronic Brand A and an individual consumer under our online trade-in solution:



The flowchart below sets out a typical flow of services and fees among us, Consumer Electronic Brand B and an individual consumer under our online trade-in solution:



For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, (i) the total procurement value of pre-owned consumer electronics we sourced through our upstream sourcing partners under our trade-in solutions (including offline and online) amounted to approximately RMB538.1 million, RMB659.3 million, RMB838.8 million and RMB453.7 million, respectively; (ii) the total promotion discounts we paid in advance to individual consumers on behalf of our upstream sourcing partners under our trade-in solutions amounted to approximately RMB134.8 million, RMB177 million, RMB330 million and RMB121.3 million, respectively; (iii) the total advance payment that paid to the individual consumers by Consumer Electronic Brand A on our behalf under our online trade-in solutions amounted to approximately RMB4.6 million, RMB8.7 million, RMB19 million and RMB7.4 million, respectively; (iv) the total promotion service fees we paid to the relevant upstream sourcing partners amounted to approximately RMB37.8 million, RMB31.6 million, RMB30 million and RMB20.2 million, respectively; and (v) the total commission fees we paid to the relevant front sales staff of our upstream sourcing partners' offline stores amounted to approximately RMB32.8 million, RMB45.3 million, RMB44.4 million and RMB27.7 million, respectively.

Our Business Arrangements with Our Upstream Sourcing Partners

We believe that our synergistic collaborations with our upstream sourcing partners have been mutually beneficial. Being one of the consumer electronics recycling service providers in collaboration with the mainstream consumer electronic brands, sizable merchants for consumer electronic products and large mobile network operators, we have created a high entry barrier, which has secured us a sufficient and stable supply of pre-owned consumer electronics for our business.

During the Track Record Period, we strategically cooperated with mainstream consumer electronic brands where we have been designated as an official pre-owned mobile phone recycling service processor to handle their trade-in transactions of pre-owned mobile phones and other consumer electronics. Our established business cooperations with sizable merchants and mobile network operators have also created a wide and dispersed network from which we are able to source pre-owned consumer electronics to establish our competitive supply control. Leveraging our asset-light business model and benefiting from the simplicity of setting up and embedding our Shanhuishou (閃回收) recycling system in our upstream sourcing partners' stores, we are able to spread our services to numerous offline stores within a relatively short period. During the Track Record Period, we had established cooperation with our upstream sourcing partners, covering more than 49,000 offline stores spanning over 31 provinces in the PRC.

In addition, we add synergies to our upstream sourcing partners by providing value-added services to empower the sale of their new models of mobile phones in offline stores through offering professional training to their front sales staff to use our recycling system and provide recycling services to their customers. We also closely work with our upstream sourcing partners, especially mainstream consumer electronic brands, on new business initiatives, including helping them launch new product categories and prepare for promotion activities. Furthermore, in late 2023, driven by the strong demands of certain mainstream consumer electronic brands we partner with, we have extended our partnership and recycling transaction services to Hong Kong to facilitate their local business development. In October 2023, we had also successfully obtained Radio Dealers Licence (Unrestricted) (無線電商牌照) in Hong Kong. We commenced to provide our offline trade-in recycling transaction service in Hong Kong since November 2023 for Consumer Electronic Brand B, and sell the same through our local sales channels. For the year ended December 31, 2023 and the six months ended June 30, 2024, our procurement value of pre-owned consumer electronics in Hong Kong amounted to approximately HK$5.6 million and HK$28.8 million, respectively, and our sale of consumer electronics in Hong Kong amounted to approximately HK$42,000 and HK$29.3 million, respectively. We intend to put effort to further develop and solidify our mobile phone recycling services capabilities in Hong Kong and make it our overseas headquarters for our future expansion of trade-in transaction services in other Southeast Asian countries. In July 2024, we joined Consumer Electronic Brand B as one of its strategic business partners to visit Singapore, Malaysia, Thailand and Indonesia, and conducted market research in these local markets. For more details of our future plans in Hong Kong, please refer to "– Our Strategies" in this section and "Future Plans and [**REDACTED**]" in this document.

We consider our collaboration with our upstream sourcing partners has the following features:

- ***Upstream sourcing partners have higher willingness to collaborate.*** As our proposition to recycle pre-owned consumer electronics under the trade-in solution incentivizes the sales of new consumer electronics, our upstream sourcing partners which are sellers of new consumer electronics are willing to collaborate with us under such approach while we are able to secure a guaranteed source of pre-owned consumer electronics during trade-in.

- ***Our collaboration model creates stickiness between our upstream sourcing partners and us.*** We maintained high-level stickiness with our upstream sourcing partners as we have been focusing on providing recycling and other value-added services to help them empower the sale of new models of their mobile phones in their offline stores. We also closely work with our upstream sourcing partners, especially consumer electronic brands, on new business initiatives, including helping them launch new product categories and prepare for promotion activities.

- ***Our exploration of diversified cooperation models together with our business partners is beneficial.*** To ensure our competitiveness, we discuss with our upstream sourcing partners from time to time to explore new cooperation models to stimulate individual consumers' willingness to trade in pre-owned consumer electronics and enhance the synergy and stickiness between us and our upstream sourcing partners. For example, we have become a regular processor of certain consumer electronic brands for handling their excess inventories and demonstration devices which cannot be sold as brand-new products. We purchase such devices and resell them on our sales platforms.

Our relationships with our upstream sourcing partners are primarily governed by the framework collaboration agreements ("**Collaboration Agreements**") entered into between them and us. Pursuant to the Collaboration Agreements, the front sales staff of our upstream sourcing partners will use our Shanhuishou (閃回收) recycling system, and complete the trade-in process of pre-owned consumer electronics for the individual consumers. We will then arrange for subsequent collection of these procured consumer electronics at the stores of our upstream sourcing partners or the locations designated by the individual consumers if it's online. The ownership and legal risks of the pre-owned consumer electronics will transfer to us after the front sales staff has inspected and accepted the pre-owned consumer electronics and we have paid for the recycling of such devices.

We typically pay an agreed percentage of the total monthly procurement value of the consumer electronics we procured as promotion service fees to certain of our upstream sourcing partners and/or commissions fees to their relevant front sales staff based on the arrangements with them tailored to their specific conditions and needs. We review such arrangements from time to time and negotiate with our upstream sourcing partners when the need for adjusting the promotion service and commission fee arrangement arises based on the performance of each offline store of our upstream sourcing partners and taking into account various factors such as, promotion events or market conditions. Our upstream sourcing partners may also initiate an application to adjust the promotion service and commission fee arrangement by contacting our staff directly. Where the upstream sourcing partner and our staff responsible for such negotiation have come to a consensus about the adjustment, and once the proposed adjustment has been approved by our key management, we would follow the new arrangement and pay the relevant promotion service fee and commission fees to the corresponding offline store of our upstream sourcing partners and their relevant front sales staff.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our promotion service and commission fees paid amounted to approximately RMB70.6 million, RMB76.9 million, RMB74.4 million and RMB47.9 million, representing approximately 9.4%, 8.4%, 6.4% and 8.3% of our total revenue for the same periods, respectively. Our promotion service and/or commission fees as a percentage of our revenue steadily decreased during the three years ended December 31, 2023 primarily the reason that (i) our bargaining power in negotiating the promotion service fees with our upstream sourcing partners had gradually increased during the Track Record Period due to our service offering, that was, while we provided recycling services to our upstream sourcing partners by way of trade-in, we also facilitated the sale of their new models of mobile phones; and (ii) we have been continuously optimizing our commission fee structure by providing our recommended range of recycling prices in advance to the front sales staff of our upstream sourcing partners' offline stores. As these front sales staff are the ones who meet the consumers in store and close the transactions, we typically let them have the flexibility to determine the final recycling prices they would give to consumers within our recommended recycling price range under different circumstances and transactions. Our promotion service and/or commission fees as a percentage of our revenue increased for the six months ended June 30, 2024, primarily due to the reason that we increased the commission fees paid to the front sales personnel of our upstream sourcing partners' stores, and also our recycling prices of pre-owned mobile phones of similar models and/or quality as compared to previous years under our trade-in solution, so that we would be able to keep up our recycling volume and maintain our market share to cope with the increasing competitive market environment and the challenging macroeconomic condition, which also led to a consumption downgrade in the PRC during the first half of 2024. For more details, please refer to "Financial Information – Period to Period Comparison of Results of Operations" in this document.

The following are the salient terms of our typical existing agreements with our major upstream sourcing partners:

- ***Term***. The term of our collaboration agreement is usually one year with consumer electronic brands, and one to two years with merchants or mobile network operators, and renewable upon mutual agreement at the end of term.

- ***Price and payment***. We are responsible for determining the price of pre-owned consumer electronics and issuing payment to individual consumers, taking any promotion discounts into calculation, if applicable. We are required to pay promotion discounts that were offered to individual consumers by certain consumer electronic brands but paid by us in advance to facilitate the promotional sales of their new models of mobile phones transacted under our trade-in solution; or to make security deposit in advance for conducting our recycling service transactions in their offline stores and online mall. For one certain mainstream consumer electronic brand, it would make payments in advance on behalf of us to procure the pre-owned consumer electronics from individual consumers for our online trade-in solution transaction services conducted in its online mall. We typically reconcile the accounts with these consumer electronic brands on a monthly basis and then settle the relevant promotion discount payments or advanced payments with them within three months, or make up the agreed amount of security deposit when the balance falls below a certain level.

- ***Processing method***. Our agreement usually stipulates that the pre-owned consumer electronics we procure should be processed through product sales, sales through recyclers' distribution channels, and dismantling into scrap metal for environmental protection. In compliance with the relevant laws and regulations, we may provide certain information of the pre-owned consumer electronics to relevant electronics manufacturers, including but not limited to the serial numbers, for electronics manufacturers to provide after-sales service.

- ***Delivery***. The pre-owned consumer electronics collected by our upstream sourcing partners will be delivered to us within certain period or when certain conditions are met, such as the aggregate recycling price of the consumer electronics exceeding a designated amount. The delivery is usually handled by a third-party logistic service provider that we cooperate with.

- ***Promotion service fee and commission arrangement***. We typically pay an agreed percentage of the total monthly procurement value of the pre-owned consumer electronics we procured through offline stores and/or online malls of our upstream sourcing partners as promotion service fees to our upstream sourcing partners and/or as commission fees to their front sales staff, based on the relevant terms of the Collaboration Agreements. We typically reconcile the accounts with our upstream sourcing partners on a monthly basis.

- ***Termination***. The agreement may be terminated in writing upon mutual consent and may be unilaterally terminated by either party subject to the relevant terms of the Collaboration Agreements.

During the Track Record Period, we had engaged third-party human resource service providers for commission distribution purpose considering the large number of front sales staff and varied arrangements with different offline stores. These third-party human resource service providers are primarily responsible for settling the commission fees on behalf of us with the relevant front sales staff of our upstream sourcing partners' offline stores in accordance with their respective arrangement, which help us reduce administrative overheads.

The following are the salient terms of our typical existing agreements with our third-party human resource service providers:

- ***Term***. The term of our agreement is usually one to two years. The agreement is either automatically renewed upon expiration of the term unless a party objects, or a new contract shall be signed if the parties wish to continue the cooperation.

- ***Fees***. The fees that we pay to the third-party human resource service provider is typically comprised of (i) the commission fees paid to the front sales staff of our upstream sourcing partners; and (ii) the service fee paid to such service provider which is typically around 6% of the amount in (i).

- ***Payment***. We typically reconcile the accounts with the third-party human resource service providers on a monthly basis. We either pay within three business days upon receiving the notice for payment, or alternatively, make pre-payment to our account with them which will be transferred to their account upon reconciliation.

- ***Termination***. The agreement may be terminated upon mutual consent and may be unilaterally terminated by either party subject to the relevant terms of the agreements.

Our top five upstream sourcing partners

We became acquainted with our key upstream sourcing partners mostly because they were searching the market for companies with the capabilities of providing consumer electronics recycling services out of their business needs, and they reached out to us to discuss the possibility of cooperation and eventually established a business relationship with them with us after negotiation. In particular, we became acquainted with upstream sourcing partner A because of its strategic investment into us. Upstream sourcing partner A commenced cooperation with us after becoming our Shareholder which has also helped us to develop our recycling business.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our procurement value of pre-owned consumer electronics with our top five upstream sourcing partners by way of trade-in solution in each year/period of the Track Record Period accounted for approximately 59.5%, 51.1%, 34.7% and 48.3% of our total procurement value of pre-owned consumer electronics we sourced under trade-in solution and approximately 53.9%, 45%, 29.4% and 45.6% of our total procurement value of consumer electronics we sourced through our entire supply channels, respectively. Our procurement value of pre-owned consumer electronics with our largest upstream sourcing partner by way of trade-in solution in each year/period of the Track Record Period accounted for approximately 45.2%, 44.7%, 29.1% and 33.8% of our total procurement value of pre-owned consumer electronics we sourced under trade-in solution and approximately 40.9%, 39.3%, 24.8% and 31.9% of our total procurement value of consumer electronics we sourced through our entire supply channels for the same period, respectively. According to Frost & Sullivan, it is consistent with the industry norm to have a substantial amount of consumer electronics procured through the supply channels of a certain number of upstream sourcing partners under trade-in solution in the PRC.

Although we were subject to upstream sourcing partner concentration risk during the Track Record Period, we have been taking measures to lower the concentration risk among our five largest upstream sourcing partners during the Track Record Period, including expanding the number of our upstream sourcing partners (i.e. the number of our active upstream sourcing partners as of December 31, 2021, 2022 and 2023 and June 30, 2024 were 1,749, 2,293, 3,082 and 1,766, respectively), which resulted in a general decreasing trend of our concentration risk among our top five upstream sourcing partners and with our largest upstream sourcing partner, respectively, during the Track Record Period.

As of June 30, 2024, we had an average of approximately five years of business relationship with all of our top five upstream sourcing partners in each year/period of the Track Record Period. As of the Latest Practicable Date, we were not aware of any information or arrangements, which would lead to cessation or termination of our relationships with any of our top five upstream sourcing partners in each year/period of the Track Record Period.

During the Track Record Period and as of the Latest Practicable Date, none of our Directors or their respective associates, or any of our existing Shareholders who, to the best knowledge of our Directors, owned 5% or more of the issued share capital of our Company, had any interest in any of our top five upstream sourcing partners in each year/period of the Track Record Period, except for upstream sourcing partner A, which were also one of our top five suppliers during the Track Record Period and our related parties. For more details of our transactions with upstream sourcing partner A, please refer to "Financial Information – Related Party Transactions" in this document.

The tables below set out the basic information of our top five upstream sourcing partners in each year/period of the Track Record Period:

For the year ended December 31, 2021

Ranking	Upstream sourcing partner	Background of upstream sourcing partner	Major products procured	Procurement value under trade-in solution	Approximate % of total procurement value under trade-in solution	Approximate % of total procurement value	Revenue attributable to the upstream sourcing partner[(2)]	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			(approximately RMB'000)		
1.	Upstream sourcing partner A[(1)]	A China-based company (with its subsidiaries) listed on the Stock Exchange that is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core and a mainstream PRC consumer electronic brand (Consumer Electronic Brand B) headquartered in Beijing, the PRC.	Mobile phones	242,976	45.2	40.9	303,846	40.5	2018
2.	Upstream sourcing partner B	A PRC company established in 1998, with its registered office located in Chengdu city, Sichuan province and with registered share capital of RMB30 million. It has 50-99 employees and principally engages in the sale of consumer electronics.	Mobile phones	43,101	8.0	7.3	49,194	6.6	2017

Ranking	Upstream sourcing partner	Background of upstream sourcing partner	Major products procured	Procurement value under trade-in solution	Approximate % of total procurement value under trade-in solution	Approximate % of total procurement value	Revenue attributable to the upstream sourcing partner(2)	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			(approximately RMB'000)		
3.	Upstream sourcing partner C	A PRC company established in 2008, with its registered office located in Harbin and with registered share capital of RMB2 million. It has less than 50 employees and principally engages in the sale of consumer electronics.	Mobile phones	14,975	2.8	2.5	19,678	2.6	2018
4.	Upstream sourcing partner D	A PRC company established in 2014, with its registered office located in Shenzhen and with registered share capital of RMB10 million. It has 100-199 employees and principally engages in the sale of consumer electronics.	Mobile phones	9,446	1.8	1.6	12,118	1.6	2017
5.	Upstream sourcing partner E	A PRC company established in 2017, with its registered office located in Beijing and with registered share capital of RMB30 million. It has less than 50 employees and principally engages in the technological development and sale of consumer electronics.	Mobile phones	9,259	1.7	1.6	12,383	1.7	2020
	Sub-total:	N/A	N/A	319,757	59.5	53.9	397,219	53.0	N/A

Notes:

1. Upstream sourcing partner A was one of our five largest suppliers and a customer in each year/period of the Track Record Period. Please refer to "– Overlapping of Customers and Suppliers" in this section.

2. Revenue attributable to the upstream sourcing partner means revenue derived from the sale of pre-owned consumer electronics procured from such upstream sourcing partner during the current financial year/period and/or the previous financial year.

For the year ended December 31, 2022

Ranking	Upstream sourcing partner	Background of upstream sourcing partner	Major products procured	Procurement value under trade-in solution	Approximate % of total procurement value under trade-in solution	Approximate % of total procurement value	Revenue attributable to the upstream sourcing partner[(2)]	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			(approximately RMB'000)		
1.	Upstream sourcing partner A[(1)]	A China-based company (with its subsidiaries) listed on the Stock Exchange that is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core and a mainstream PRC consumer electronic brand (Consumer Electronic Brand B) headquartered in Beijing, the PRC.	Mobile phones	294,833	44.7	39.3	360,491	39.2	2018
2.	Upstream sourcing partner B	A PRC company established in 1998, with its registered office located in Chengdu city, Sichuan province and with registered share capital of RMB30 million. It has 50-99 employees and principally engages in the sale of consumer electronics.	Mobile phones	15,352	2.3	2.0	17,156	1.9	2017
3.	Upstream sourcing partner D	A PRC company established in 2014, with its registered office located in Shenzhen and with registered share capital of RMB10 million. It has 100-199 employees and principally engages in the sale of consumer electronics.	Mobile phones	10,224	1.6	1.4	14,094	1.5	2017
4.	Upstream sourcing partner F........................	A PRC company established in 2017, with its registered office located in Beijing and with registered share capital of RMB27 million. It has 100-199 employees and principally engages in the sale of consumer electronics.	Mobile phones	9,495	1.4	1.3	11,689	1.3	2020

Ranking	Upstream sourcing partner	Background of upstream sourcing partner	Major products procured	Procurement value under trade-in solution	Approximate % of total procurement value under trade-in solution	Approximate % of total procurement value	Revenue attributable to the upstream sourcing partner(2)	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			(approximately RMB'000)		
5.	Upstream sourcing partner G	A Hong Kong-based company (with its subsidiaries) listed on the Stock Exchange. It is a mainstream retail seller of mobile telecommunications devices and accessories in the PRC, which principally engages in the sales of mobile phone hardware and accessories, provision of value-added services for software, and provision of personalised services for mobile phones and after-sales services. As at December 31, 2023, it (with its subsidiaries) had over 2,600 employees in the PRC, Hong Kong and other countries.	Mobile phones	7,302	1.1	1.0	10,390	1.1	2016
	Sub-total:	N/A	N/A	337,206	51.1	45.0	413,820	45.0	N/A

Notes:

1. Upstream sourcing partner A was one of our five largest suppliers and a customer in each year/period of the Track Record Period. Please refer to "– Overlapping of Customers and Suppliers" in this section; and

2. Revenue attributable to the upstream sourcing partner means revenue derived from the sale of pre-owned consumer electronics in the current financial year/period procured from such upstream sourcing partner during the current financial year/period and/or the previous financial year.

For the year ended December 31, 2023

Ranking	Upstream sourcing partner	Background of upstream sourcing partner	Major products procured	Procurement value under trade-in solution	Approximate % of total procurement value under trade-in solution	Approximate % of total procurement value	Revenue attributable to the upstream sourcing partner[(2)]	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			(approximately RMB'000)		
1.	Upstream sourcing partner A[(1)]	A China-based company (with its subsidiaries) listed on the Stock Exchange that is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core and a mainstream PRC consumer electronic brand (Consumer Electronic Brand B) headquartered in Beijing, the PRC	Mobile phones	244,458	29.1	24.8	377,480	32.6	2018
2.	Upstream sourcing partner H	A PRC company established in 2018, with its registered office located in Shenzhen, Guangdong province, which is a mainstream PRC consumer electronic brand and with registered share capital of RMB10 million. It principally engages in the production and sale of communications and consumer electronics	Mobile phones	15,625	1.9	1.6	16,509	1.4	2022
3.	Upstream sourcing partner F	A PRC company established in 2017, with its registered office located in Beijing and with registered share capital of RMB27 million. It has 100-199 employees and principally engages in the sale of consumer electronics.	Mobile phones	14,117	1.7	1.4	17,139	1.5	2020
4.	Upstream sourcing partner D	A PRC company established in 2014, with its registered office located in Shenzhen and with registered share capital of RMB10 million. It has 100-199 employees and principally engages in the sale of consumer electronics.	Mobile phones	9,334	1.1	0.9	12,327	1.1	2017

Ranking	Upstream sourcing partner	Background of upstream sourcing partner	Major products procured	Procurement value under trade-in solution	Approximate % of total procurement value under trade-in solution	Approximate % of total procurement value	Revenue attributable to the upstream sourcing partner[2]	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			(approximately RMB'000)		
5.	Upstream sourcing partner I	A PRC company established in 2021, with its registered office located in Hefei city, Anhui province and with registered share capital of RMB5 million. It has 50-99 employees and principally engages in the sale of consumer electronics.	Mobile phones	7,302	0.9	0.7	7,925	0.7	2021
	Sub-total:	N/A	N/A	290,836	34.7	29.4	431,380	37.3	N/A

Notes:

1. Upstream sourcing partner A was one of our five largest suppliers and a customer in each year/period of the Track Record Period. Please refer to "– Overlapping of Customers and Suppliers" in this section; and

2. Revenue attributable to the upstream sourcing partner means revenue derived from the sale of pre-owned consumer electronics in the current financial year/period procured from such upstream sourcing partner during the current financial year/period and/or the previous financial year.

For the six months ended June 30, 2024

Ranking	Upstream sourcing partner	Background of upstream sourcing partner	Major products procured	Procurement value under trade-in solution	Approximate % of total procurement value under trade-in solution	Approximate % of total procurement value	Revenue attributable to the upstream sourcing partner[2]	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			(approximately RMB'000)		
1.	Upstream sourcing partner A[1]............	A China-based company (with its subsidiaries) listed on the Stock Exchange that is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core and a mainstream PRC consumer electronic brand (Consumer Electronic Brand B) headquartered in Beijing, the PRC	Mobile phones	153,192	33.8	31.9	173,885	30.2	2018

Ranking	Upstream sourcing partner	Background of upstream sourcing partner	Major products procured	Procurement value under trade-in solution	Approximate % of total procurement value under trade-in solution	Approximate % of total procurement value	Revenue attributable to the upstream sourcing partner[(2)]	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			(approximately RMB'000)		
2.	Upstream sourcing partner J................	A China-based company (with its subsidiaries) that is a smart devices manufacturing company with smartphones and smart hardware and a mainstream PRC consumer electronic brand (Consumer Electronic Brand D) headquartered in Beijing, PRC	Mobile phones	33,217	7.3	6.9	38,977	6.8	2020
3.	Upstream sourcing partner H	A PRC company established in 2018, with its registered office located in Shenzhen, Guangdong province, which is a mainstream PRC consumer electronic brand and with registered share capital of RMB10 million. It principally engages in the production and sale of communications and consumer electronics	Mobile phones	16,492	3.6	3.4	16,175	2.8	2022
4.	Upstream sourcing partner K	A PRC company established in 1996, with its registered office located in Beijing, which is a mainstream consumer electronic brand and with registered share capital of USD197.2 million. It principally engages in the production and sale of communications and consumer electronics	Mobile phones	8,540	1.9	1.8	5,542	1.0	2019
5.	Upstream sourcing partner L................	A China-based company (with its subsidiaries) that is a technology company that principally manufactures consumer electronics and a mainstream PRC consumer electronic brand (Vivo) headquartered in Beijing, PRC	Mobile phones	7,769	1.7	1.6	7,727	1.3	2020
	Sub-total:..................	N/A	N/A	219,210	48.3	45.6	242,307	42.1	N/A

Notes:

1. Upstream sourcing partner A was one of our five largest suppliers and a customer in each year/period of the Track Record Period. Please refer to "– Overlapping of Customers and Suppliers" in this section; and

2. Revenue attributable to the upstream sourcing partner means revenue derived from the sale of pre-owned consumer electronics in the current financial year/period procured from such upstream sourcing partner during the current financial year/period and/or the previous financial year.

Sale Solution

Apart from the trade-in solution which is our main business focus, we also collect idle devices from individual consumers by way of sale solution where consumers recycle pre-owned consumer electronics in exchange for cash. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate number and the total procurement value of consumer electronics we sourced through our supply channels by way of sale solution were approximately 51,000, 94,000, 58,000 and 9,000 units and approximately RMB27.8 million, RMB59.7 million, RMB56.1 million and RMB8.8 million, respectively, representing approximately 3.7%, 5.4%, 2.4% and 1.1% of the total number and approximately 4.7%, 8%, 5.7% and 1.8% of the total procurement value of consumer electronics we sourced through our entire supply channels, respectively.

Self-operated online recycling platform

During the Track Record Period, we had operated our online recycling platform under the brand of Shanhui Youpin (閃回有品), which enabled individual consumers to sell their pre-owned consumer electronics for cash. For a typical consumer who uses our online recycling platform we provide a seamless transaction experience as follows:

- ***Device condition inquiry*.** On the main page of the gateway, the consumer can choose the type of device he or she intends to sell, followed by the brand and model. The consumer is then guided to answer a series of questions about the condition of the device, including time and channel of purchase, whether the device functions normally, whether the screen remains intact, whether there are any damages to the body of the device, terms of warranty left and other dysfunctionalities, if any.

- ***Estimated pricing*.** Upon providing responses to the set of questions, a consumer obtains estimated pricing in real time. The pricing is automatically generated by our pricing model leveraging our central database, taking into consideration not only the current condition of the device, but also market demand, depreciation and other factors that impact the retail value of the device. The consumer is then able to decide whether to proceed with selling based-on the estimated pricing.

- ***Confirm sale order.*** If the estimated pricing meets the consumer's expectation, the consumer can place an order to sell the device. The consumer may choose to request arrangement of a pick-up by the logistic service provider we cooperate with at his or her designated location, or courier the device directly to our inspection center, where the device is inspected, graded and priced.

- ***Inspection, grading and pricing.*** Upon receiving the device from the consumer, we apply our standard inspection, grading and pricing process and examine the condition of the device. We then provide the consumer with a final quote leveraging our proprietary pricing model. Our consumer service team will answer any potential questions the consumer may have regarding the final price quote for the pre-owned consumer electronic device.

- ***Completion of order.*** If the consumer agrees to the final price quote, we will complete the order by issuing payment to the consumer and erasing all user data stored in the device. If the consumer is not satisfied with the price quote and asks to cancel the order, we will send the device back to the consumer within 48 hours upon receipt of a cancellation request. The logistics fee for such return is generally borne by the consumer.

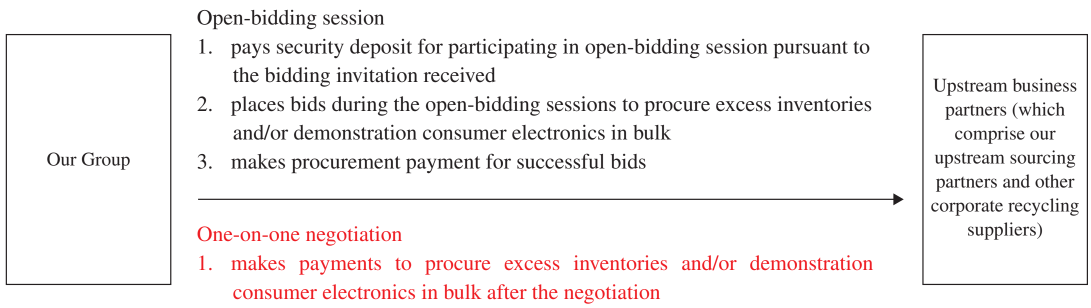
Other online recycling channels

In addition to our proprietary Shanhuishou (閃回收) recycling system, we have also cooperated with certain third-party platforms to provide our recycling services under sale solution to their customers. For instances, we have embedded and/or in the process of embedding our Shanhuishou (閃回收) mini-program in the mobile applications of certain PRC commercial banks to recycle the idle consumer electronics of their customers with ease and convenience. In addition, we have also developed a few mini-programs which can be accessed through mainstream PRC social media and payment applications which provide recycling services of pre-owned consumer electronics and act as a supplement to our own online recycling stores.

Corporate Recycling

Leveraging our established position in the PRC mobile phone recycling service market and our deep and synergistic relationship with our various upstream sourcing partners, we have become a regular processor of certain consumer electronic brands and various corporations to handle their excess inventories and/or demonstration consumer electronics which cannot be sold as brand-new products. We typically purchase such consumer electronics in bulk through open bidding sessions or one-on-one negotiations and then resell them to our customers. We also, occasionally, handle other recycling requests of consumer electronics in bulk to satisfy the diversified business needs of our upstream business partners. We believe that our corporate recycling services have diversified our collaboration methods with our upstream sourcing partners, which in turn, contributes to an enhanced stickiness between us and our upstream sourcing partners, especially, the mainstream consumer electronic brands. By offering customized recycling services to corporations, we are able to satisfy their needs for diverse business scenarios, all of which expanded and diversified our supply channels of pre-owned consumer electronics.

The flowchart below sets out a typical flow of services and fees between us and an upstream business partner where we procure consumer electronics in bulk through open-bidding session or one-on-one negotiation for our corporate recycling:



For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate number and the total procurement value of consumer electronics we sourced through corporate recycling were approximately 277,000, 470,000, 844,000 and 250,000 units and approximately RMB28.1 million, RMB31 million, RMB90.6 million and RMB18.2 million, respectively, representing approximately 20.4%, 27.1%, 35.1% and 30.7% of the total number and approximately 4.7%, 4.1%, 9.2% and 3.8% of the total procurement value of consumer electronics we sourced through our entire supply channels for the same periods, respectively.

The following are the salient terms of our typical existing agreements with certain upstream sourcing partners and various corporations for corporate recycling:

- ***Term***. Our agreement in connection with corporate recycling services is either an agreement of a fixed term of usually one to two years or an one-off agreement.

- ***Methods of collaboration***. The agreements in connection with corporate recycling usually stipulate that we agree to purchase certain excess inventories of our upstream sourcing partners on an "as is" basis, or that we will facilitate with the disposition of demonstration devices and conduct inspection and grading of such devices.

- ***Payment***. In the event that we are the buyer or the successful bidder during open bidding sessions for handling the consumer excess inventories, we usually pay the purchase price of the devices within three business days of the award of contract notice. In the event that we bid for our purchase demonstration devices, we typically provide a quote after inspection and make payments within three days after the quote has been confirmed and accepted.

- ***Delivery***. Depending on our specific arrangements with different consumer upstream sourcing partners and various corporations, we either pick up the procured devices at their designated locations, or they will deliver the devices to us under which scenario the courier fee is usually borne by us.

- ***Representations and warranties***. The agreements in connection with corporate recycling usually stipulate that we shall not sell the devices we procured as new devices.

Our top five upstream business partners under corporate recycling

We became acquainted with upstream business partners under corporate recycling mostly under the business scenario that they released a tender notice to market participants and we would participate in the bidding process, ultimately winning the bid and thereby initiating business cooperation.

Our procurement value with our top five upstream business partners under corporate recycling in each year/period of the Track Record Period accounted for approximately 98.8%, 99.2%, 98.2% and 100% of our total procurement value we sourced through corporate recycling and approximately 4.2%, 3.8%, 8.2% and 3.4% of our total procurement value we sourced through our entire supply channels for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, and the procurement value with our largest upstream business partner under corporate recycling in each year/period of the Track Record Period accounted for approximately 71.7%, 58.3%, 42.1% and 92.4% of our total procurement value we sourced through corporate recycling and approximately 3.1%, 2.2%, 3.5% and 3.1% of our total procurement value we sourced through our entire supply channels for the same period, respectively. As of June 30, 2024, we had an average of approximately four years of business relationship with all of top five upstream business partners under corporate recycling in each year/period of the Track Record Period. As of the Latest Practicable Date, we were not aware of any information or arrangements, which would lead to cessation or termination of our relationships with any of our top five upstream business partners under corporate recycling in each year/period of the Track Record Period.

During the Track Record Period and as of the Latest Practicable Date, none of our Directors or their respective associates, or any of our existing Shareholders who, to the best knowledge of our Directors, owned 5% or more of the issued share capital of our Company, had any interest in any of our top five upstream business partners under corporate recycling in each year/period of the Track Record Period, except for upstream business partner A, which were one of our top five suppliers during the Track Record Period and our related parties. For more details of our transactions with upstream business partner A, please refer to "Financial Information – Related Party Transactions" in this document.

The tables below set out the basic information of our top five upstream business partners under corporate recycling in each year/period of the Track Record Period:

For the year ended December 31, 2021

Ranking	Upstream business partner	Background of upstream business partner	Major products procured	Procurement value	Approximate % of total procurement value through corporate recycling	Approximate % of total procurement value	Year of commencement of business with us
				(approximately RMB'000)			
1.	Upstream business partner A.....	A China-based company (with its subsidiaries) listed on the Stock Exchange that is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core and a mainstream PRC consumer electronic brand (Consumer Electronic Brand B) headquartered in Beijing, the PRC.	Consumer electronics	18,225	71.1	3.1	2018
2.	Upstream business partner B.....	A PRC company based in Shenzhen, Guangdong province, which is a mainstream PRC consumer electronic brand and principally engages in the development, production and sale of communications and consumer electronics.	Consumer electronics	5,487	21.6	0.9	2021
3.	Upstream business partner C.....	A China-based company (with its subsidiaries) listed on the Shenzhen Stock Exchange. It is a mainstream telecommunication service provider in PRC, which primarily engages in the provision of telecommunications services and also engages in the sale of consumer electronics. As at December 31, 2023, it (with its subsidiaries) had 3,260 employees in the PRC.	Consumer electronics	609	2.4	0.1	2021

Ranking	Upstream business partner	Background of upstream business partner	Major products procured	Procurement value	Approximate % of total procurement value through corporate recycling	Approximate % of total procurement value	Year of commencement of business with us
				(approximately RMB'000)			
4.	Upstream business partner D.....	A Hong Kong-based company (with its subsidiaries) listed on the New York Stock Exchange and the Stock Exchange. It is a mainstream telecommunication service provider in PRC, which primarily engages in the provision of telecommunications services and also engages in the sale of consumer electronics. As at December 31, 2022, it (with its subsidiaries) had over 247,000 employees in the PRC, Hong Kong and other countries.	Consumer electronics	563	2.2	0.1	2017
5.	Upstream business partner E.....	A PRC company established in 1998, listed on the Shenzhen Stock Exchange with its registered office located in Shenzhen and with registered capital of RMB1.2 billion and principally engages in the sale of consumer electronics.	Consumer electronics	219	0.9	0.04	2020
	Sub-total:	N/A	N/A	25,103	98.8	4.2	N/A

For the year ended December 31, 2022

Ranking	Upstream business partner	Background of upstream business partner	Major products procured	Procurement value	Approximate % of total procurement value through corporate recycling	Approximate % of total procurement value	Year of commencement of business with us
				(approximately RMB'000)			
1.	Upstream business partner A.....	A China-based company (with its subsidiaries) listed on the Stock Exchange that is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core and a mainstream PRC consumer electronic brand (Consumer Electronic Brand B) headquartered in Beijing, the PRC.	Consumer electronics	16,346	58.3	2.2	2018
2.	Upstream business partner B.....	A PRC company based in Shenzhen, Guangdong province, which is a mainstream PRC consumer electronic brand and principally engages in the development, production and sale of communications and consumer electronics.	Consumer electronics	7,125	25.4	1.0	2021
3.	Upstream business partner D.....	A Hong Kong-based company (with its subsidiaries) listed on the New York Stock Exchange and the Stock Exchange. It is a mainstream telecommunication service provider in PRC, which primarily engages in the provision of telecommunications services and also engages in the sale of consumer electronics. As at December 31, 2022, it (with its subsidiaries) had over 247,000 employees in the PRC, Hong Kong and other countries.	Consumer electronics	2,399	8.6	0.3	2017

Ranking	Upstream business partner	Background of upstream business partner	Major products procured	Procurement value	Approximate % of total procurement value through corporate recycling	Approximate % of total procurement value	Year of commencement of business with us
				(approximately RMB'000)			
4.	Upstream business partner C.....	A China-based company (with its subsidiaries) listed on the Shenzhen Stock Exchange. It is a mainstream telecommunication service provider in PRC, which primarily engages in the provision of telecommunications services and also engages in the sale of consumer electronics. As at December 31, 2023, it (with its subsidiaries) had 3,260 employees in the PRC.	Consumer electronics	1,171	4.2	0.2	2021
5.	Upstream business partner E.....	A PRC company established in 1998, listed on the Shenzhen Stock Exchange with its registered office located in Shenzhen and with registered capital of RMB1.2 billion and principally engages in the sale of consumer electronics.	Consumer electronics	770	2.7	0.1	2020
	Sub-total:	N/A	N/A	27,811	99.2	3.8	N/A

For the year ended December 31, 2023

Ranking	Upstream business partner	Background of upstream business partner	Major products procured	Procurement value	Approximate % of total procurement value through corporate recycling	Approximate % of total procurement value	Year of commencement of business with us
				(approximately RMB'000)			
1.	Upstream business partner A.....	A China-based company (with its subsidiaries) listed on the Stock Exchange that is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core and a mainstream PRC consumer electronic brand (Consumer Electronic Brand B) headquartered in Beijing, the PRC.	Consumer electronics	34,620	42.1	3.5	2018
2.	Upstream business partner B.....	A PRC company based in Shenzhen, Guangdong province, which is a mainstream PRC consumer electronic brand and principally engages in the development, production and sale of communications and consumer electronics.	Consumer electronics	30,264	36.8	3.1	2021
3.	Upstream business partner F.....	A wholly-owned subsidiary of a PRC company listed on the Shanghai Stock Exchange, established in 2005, with its registered office located in Beijing, and with registered share capital of RMB500 million. It has 100-199 employees and principally engages in the sale of consumer electronics.	Consumer electronics	12,697	15.5	1.3	2023

Ranking	Upstream business partner	Background of upstream business partner	Major products procured	Procurement value	Approximate % of total procurement value through corporate recycling	Approximate % of total procurement value	Year of commencement of business with us
				(approximately RMB'000)			
4.	Upstream business partner D.....	A Hong Kong-based company (with its subsidiaries) listed on the New York Stock Exchange and the Stock Exchange. It is a mainstream telecommunication service provider in PRC, which primarily engages in the provision of telecommunications services and also engages in the sale of consumer electronics. As at December 31, 2022, it (with its subsidiaries) had over 247,000 employees in the PRC, Hong Kong and other countries.	Consumer electronics	1,722	2.1	0.2	2017
5.	Upstream business partner G.....	A wholly-owned subsidiary of a Hong Kong company listed on the Stock Exchange, which is a mainstream Chinese-American multinational technology company, which primarily engages in designing, manufacturing, and marketing consumer electronics and personal computers. It has 6,000-6,999 employees in the PRC with its registered office located in Beijing and with registered share capital of HKD5.6 billion.	Consumer electronics	1,406	1.7	0.1	2020
	Sub-total:	N/A	N/A	80,709	98.2	8.2	N/A

For the six months ended June 30, 2024

Ranking	Upstream business partner[1]	Background of upstream business partner	Major products procured	Procurement value	Approximate % of total procurement value through corporate recycling	Approximate % of total procurement value	Year of commencement of business with us
				(approximately RMB'000)			
1.	Upstream business partner A.....	A China-based company (with its subsidiaries) listed on the Stock Exchange that is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core and a mainstream PRC consumer electronic brand (Consumer Electronic Brand B) headquartered in Beijing, the PRC.	Consumer electronics	14,921	92.4	3.1	2018
2.	Upstream business partner D.....	A Hong Kong-based company (with its subsidiaries) listed on the New York Stock Exchange and the Stock Exchange. It is a mainstream telecommunication service provider in PRC, which primarily engages in the provision of telecommunications services and also engages in the sale of consumer electronics. As at December 31, 2022, it (with its subsidiaries) had over 247,000 employees in the PRC, Hong Kong and other countries.	Consumer electronics	1,178	7.3	0.3	2017

Ranking	Upstream business partner[1]	Background of upstream business partner	Major products procured	Procurement value	Approximate % of total procurement value through corporate recycling	Approximate % of total procurement value	Year of commencement of business with us
				(approximately RMB'000)			
3.	Upstream business partner B.....	A PRC company based in Shenzhen, Guangdong province, which is a mainstream PRC consumer electronic brand and principally engages in the development, production and sale of communications and consumer electronics.	Consumer electronics	53	0.3	0.01	2021
	Sub-total:	N/A	N/A	16,152	100[1]	3.4	N/A

Note:

1. We only had three upstream business partners under corporate recycling during the six months ended June 30, 2024 due to the adjustment of our business strategy to focus more on procurement through our trade-in solution.

Our Top Five Suppliers

During the Track Record Period, we procured (i) pre-owned consumer electronics from the channels of our upstream business partners, primarily including our upstream sourcing partners, through trade-in solution, sale solution and corporate recycling; and (ii) other services, such as labor and commission distribution services and delivery and logistics services, from our third-party service suppliers. For pre-owned consumer electronics we procured from the channels of our upstream sourcing partners, our ultimate suppliers are vast amount of individual consumers who trade in or recycle their pre-owned consumer electronics either offline or online. We have established stable business relationships with our upstream business partners. As of June 30, 2024, we had an average of approximately four years of business relationship with all of our top five suppliers in each year/period of the Track Record Period.

During the Track Record Period and as of the Latest Practicable Date, none of our Directors or their respective associates, or any of our existing Shareholders who, to the best knowledge of our Directors, owned 5% or more of the issued share capital of our Company, had any interest in any of our top five suppliers in each year/period of the Track Record Period, except for Supplier A, which are our related parties. For more details of our transactions with Supplier A, please refer to "Financial Information – Related Party Transactions" in this document. Our procurement value with our top five suppliers in each year/period of the Track Record Period accounted for approximately 7.4%, 9.3%, 11.3% and 8.4% of our total procurement value for the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, respectively, and the procurement value to our largest supplier in each year/period of the Track Record Period accounted for approximately 3.1%, 5%, 3.8% and 2.3% of our total procurement value for the same periods, respectively. As of the Latest Practicable Date, we were not aware of any information or arrangements, which would lead to cessation or termination of our relationships with any of our top five suppliers in each year/period of the Track Record Period.

The tables below set out the basic information of our top five suppliers in each year/period of the Track Record Period:

For the year ended December 31, 2021

Ranking	Supplier	Background of the supplier	Major products and/or services procured	Procurement value with the supplier	Approximate % of total procurement value	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
1.	Supplier A[1]	A China-based company (with its subsidiaries) listed on the Stock Exchange that is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core and a mainstream PRC consumer electronic brand (Consumer Electronic Brand B) headquartered in Beijing, the PRC	Consumer electronics procured from Supplier A through corporate recycling; promotion service fees paid to Supplier A for the supply procured through trade-in solution	23,134	3.1	2018	For consumer electronics procured through corporate recycling: within three business days of the award of contract or after the quote has been confirmed and accepted/For promotion service fee: within five working days after the reconciliation accounts have been confirmed with Supplier A	Online transfer
2.	SF Holding Co., Ltd.	A PRC company (with its subsidiaries) listed on Shenzhen Stock Exchange (stock code: 002352) with headquarters in Shenzhen, Guangdong province, and principally engages in providing logistics services	Delivery and logistics services	10,883	1.5	2017	Within 30 calendar days after the end of each month	Online transfer

Ranking	Supplier	Background of the supplier	Major products and/or services procured	Procurement value with the supplier	Approximate % of total procurement value	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
3.	Supplier B[(2)]	Two PRC companies with (i) one based in Jiujiang City, Jiangxi province and principally engages in providing labor and related services, and was deregistered in August 2023, and (ii) one based in Nanchang City, Jiangxi province and principally engages in providing labor and commission distribution services and was established in January 2022	Labor and commission distribution services	10,253	1.4	2021	Within three business days after delivery of monthly bills	Online transfer
4.	Supplier C	A PRC company based in Tianjin, and principally engages in providing property damage insurance services	Provision of insurance in relating to various after-sales services provided by our Group to individual consumers, such as screen assurance services	5,511	0.7	2020	Within two business days after receipt of monthly bills	Online transfer
5.	Supplier D............	A PRC company based in Shenzhen, Guangdong province, which is a mainstream PRC consumer electronic brand and principally engages in the development, production and sale of communications and consumer electronics	Consumer electronics procured through corporate recycling	5,487	0.7	2021	Within three business days after signing of the contract	Online transfer
	Sub-total:..............	N/A	N/A	55,268	7.4	N/A	N/A	N/A

Note:

1. Supplier A was one of our five largest suppliers and a customer in each year/period of the Track Record Period. Please refer to "– Overlapping of Customers and Suppliers" in this section.

2. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, the PRC company based in Jiujiang City, Jiangxi province was deregistered in August 2023 due to its own internal restructuring needs and such deregistration did not have any material and adverse impact on our business, financial performance and results of operations considering that such supplier was not the sole supplier at the relevant time and we had maintained a list of qualified labor and commission distribution services providers during the Track Record Period.

For the year ended December 31, 2022

Ranking	Supplier	Background of the supplier	Major products and/or services procured	Procurement value with the supplier	Approximate % of total procurement value	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
1.	Supplier B[2]	Two PRC companies with (i) one based in Jiujiang City, Jiangxi province and principally engages in providing labor and related services and was deregistered in August 2023 and (ii) one based in Nanchang City, Jiangxi province and principally engages in providing labor and commission distribution services and was established in January 2022	Labor and commission distribution services	48,895	5.0	2021	Within three business days after delivery of monthly bills	Online transfer
2.	Supplier A[1]	A China-based company (with its subsidiaries) listed on the Stock Exchange that is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core and a mainstream PRC consumer electronic brand (Consumer Electronic Brand B) headquartered in Beijing, the PRC	Consumer electronics procured from Supplier A through corporate recycling; promotion service fees paid to Supplier A for the supply procured through trade-in solution	18,021	1.9	2018	For consumer electronics procured through corporate recycling: within three business days of the award of contract notice or after the quote has been confirmed and accepted/For promotion service fee: within five working days after the reconciliation accounts have been confirmed with Supplier A	Online transfer

Ranking	Supplier	Background of the supplier	Major products and/or services procured	Procurement value with the supplier	Approximate % of total procurement value	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
3.	SF Holding Co., Ltd.	A PRC company (with its subsidiaries) listed on Shenzhen Stock Exchange (stock code: 002352) with headquarters in Shenzhen, Guangdong province, and principally engages in providing logistics services	Delivery and logistics services	10,262	1.1	2017	Within 30 calendar days after the end of each month	Online transfer
4.	Supplier D	A PRC company based in Shenzhen, Guangdong province, which is a mainstream PRC consumer electronic brand and principally engages in the development, production and sale of communications and consumer electronics	Consumer electronics procured through corporate recycling	7,125	0.7	2021	Within three business days after signing of the contract	Online transfer
5.	Supplier C	A PRC company based in Tianjin, and principally engages in providing property damage insurance services	Provision of insurance relating to various after-sales services provided by our Group to individual consumers, such as screen assurance services	6,125	0.6	2020	Within two business days after delivery of monthly bills	Online transfer
	Sub-total:	N/A	N/A	90,428	9.3	N/A	N/A	N/A

Note:

1. Supplier A was one of our five largest suppliers and a customer in each year/period of the Track Record Period. Please refer to "– Overlapping of Customers and Suppliers" in this section.

2. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, the PRC company based in Jiujiang City, Jiangxi province was deregistered in August 2023 due to its own internal restructuring needs and such deregistration did not have any material and adverse impact on our business, financial performance and results of operations considering that such supplier was not the sole supplier at the relevant time and we had maintained a list of qualified labor and commission distribution services providers during the Track Record Period.

For the year ended December 31, 2023

Ranking	Supplier	Background of supplier	Major products and/or services procured	Procurement value with the supplier	Approximate % of total procurement value	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
1.	Supplier B[2]	Two PRC companies with (i) one based in Jiujiang City, Jiangxi province and principally engages in providing labor and related services, and was deregistered in August 2023, and (ii) one based in Nanchang City, Jiangxi province and principally engages in providing labor and commission distribution services and was established in January 2022	Labor and commission distribution services	46,235	3.8	2021	Within three business days after receipt of monthly bills	Online transfer
2.	Supplier A[1]	A China-based company (with its subsidiaries) listed on the Stock Exchange that is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core and a mainstream PRC consumer electronic brand (Consumer Electronic Brand B) headquartered in Beijing, the PRC	Consumer electronics procured from Supplier A through corporate recycling; promotion service fees paid to Supplier A for the supply procured through trade-in solution	40,588	3.4	2018	For consumer electronics procured through corporate recycling: within three business days of the award of contract notice or after the quote has been confirmed and accepted/For promotion service fee: within five working days after the reconciliation accounts have been confirmed with Supplier A	Online transfer

Ranking	Supplier	Background of supplier	Major products and/or services procured	Procurement value with the supplier	Approximate % of total procurement value	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
3.	Supplier D	A PRC company based in Shenzhen, Guangdong province, which is a mainstream PRC consumer electronic brand and principally engages in the development, production and sale of communications and consumer electronics	Consumer electronics procured through corporate recycling	30,264	2.5	2021	Within three business days after signing of the contract	Online transfer
4.	SF Holding Co., Ltd.	A PRC company (with its subsidiaries) listed on Shenzhen Stock Exchange (stock code: 002352) with headquarters in Shenzhen, Guangdong province, and principally engages in providing logistics services	Delivery and logistics services	14,125	1.2	2017	Within 30 calendar days after the end of each month	Online transfer
5.	Supplier C	A PRC company based in Tianjin, and principally engages in providing property damage insurance services	Provision of insurance in relating to various aftersales services provided by our Group to individual consumers, such as screen assurance services	4,805	0.4	2020	Within two business days after receipt of monthly bills	Online transfer
	Sub-total:	N/A	N/A	136,017	11.2	N/A	N/A	N/A

Note:

1. Supplier A was one of our five largest suppliers and a customer in each year/period of the Track Record Period. Please refer to "– Overlapping of Customers and Suppliers" in this section.

2. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, the PRC company based in Jiujiang City, Jiangxi province was deregistered in August 2023 due to its own internal restructuring needs and such deregistration did not have any material and adverse impact on our business, financial performance and results of operations considering that such supplier was not the sole supplier at the relevant time and we had maintained a list of qualified labor and commission distribution services providers during the Track Record Period.

For the six months ended June 30, 2024

Ranking	Supplier	Background of supplier	Major products and/ or services procured	Procurement value with the supplier	Approximate % of total procurement value	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
1.	Supplier A[1].....	A China-based company (with its subsidiaries) listed on the Stock Exchange that is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core and a mainstream PRC consumer electronic brand (Consumer Electronic Brand B) headquartered in Beijing, the PRC	Consumer electronics procured from Supplier A through corporate recycling; promotion service fees paid to Supplier A for the supply procured through trade-in solution	14,328	2.3	2018	For consumer Electronics procured through corporate recycling: within three business days of the award of contract notice or after the quote has been confirmed and accepted/For promotion service fee: within five working days after the reconciliation accounts have been confirmed with Supplier A	Online transfer
2.	Supplier E	A PRC company established in 2022, with its registered office located at Chongqing, and with registered share capital of RMB10 million. It principally engages in providing labor and commission distribution services	Labor and commission distribution services	14,209	2.3	2023	Within two business days after reconciliation of monthly bills	Online transfer

Ranking	Supplier	Background of supplier	Major products and/ or services procured	Procurement value with the supplier	Approximate % of total procurement value	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
3.	Supplier B[(2)].....	Two PRC companies with (i) one based in Jiujiang City, Jiangxi province and principally engages in providing labor and related services and was deregistered in August 2023, and (ii) one based in Nanchang City, Jiangxi province and principally engages in providing labor and commission distribution services and was established in January 2022	Labor and commission distribution services	10,636	1.7	2021	Within three business days after receipt of monthly bills	Online transfer
4.	Supplier F	A PRC company established in 2024, with its registered office located in Nanchang, Jiangxi province and with registered share capital of RMB2 million. It principally engages in providing labor and commission distribution services	Labor and commission distribution services	8,768	1.4	2024	Within three business days after receipt of monthly bills	Online transfer
5.	Supplier G	A wholly-owned subsidiary (with registered capital of RMB100 million) of a consolidated variable interest entity of an e-commerce company listed on the Stock Exchange with its national headquarters located in Beijing, the PRC and with more than 510,000 employees as of December 31, 2023.	Delivery and logistics services	3,335	0.5	2018	Within 25 calendar days after the end of each month	Online transfer
	Sub-total:	N/A	N/A	51,276	8.4	N/A	N/A	N/A

Notes:

1. Supplier A was one of our five largest suppliers and a customer in each year/period of the Track Record Period. Please refer to "– Overlapping of Customers and Suppliers" in this section.

2. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, the PRC company based in Jiujiang City, Jiangxi province was deregistered in August 2023 due to its own internal restructuring needs and such deregistration did not have any material and adverse impact on our business, financial performance and results of operations considering that such supplier was not the sole supplier at the relevant time and we had maintained a list of qualified labor and commission distribution services providers during the Track Record Period.

INSPECTION, GRADING AND PRICING OF PRE-OWNED CONSUMER ELECTRONICS

Upon receiving the pre-owned consumer electronics, we have dedicated inspection personnel to conduct final inspection to determine their actual conditions and value, and to perform pre-sale classification. Our inspection process relating to pre-owned consumer electronics generally follows the standards below:

1. ***Upon receipt***. A label will be affixed to each device received and unpacked as its unique identification code during our inspection process.

2. ***Testing, inspection and grading***. Testing on the functionalities of the mobile phones will be conducted according to our standard testing procedures, and the devices will be classified into various levels according to our rules and testing results; different levels of devices will be allocated to different sale flows and sold to different buyers.

3. ***Pricing***. Based on our inspection and grading process, a price is automatically generated by our pricing model leveraging our central database, taking into consideration not only the current condition of the device, but also market demand, depreciation and other factors that impact the retail value of the device.

4. ***Data erasing***. We generally remind consumers to restore factory settings when they recycle pre-owned mobile phones by way of acknowledgement of our terms and conditions. Our inspection center will also utilize our self-developed application to overwrite and erase each device during the inspection process. Our data erasing procedure is in line with the relevant rules and regulations.

5. ***Warehousing for sale***. After the inspection and classification, we perform limited touch-ups to the pre-owned mobile phones, such as exterior cleaning, proceed to packaging according to pre-sale classification and list them on our Shanhui Youpin (閃回有品) online platform as well as our own online stores operated on other third-party e-commercial platforms for sales.

Our inspectors will be provided with on-the-job training after joining our Group. We believe that our current inspection process is well organized and productive. Nevertheless, we plan to drive our inspection process towards the direction of intelligence, automation, and modularization in the future, and reduce our reliance on manual labor in the inspection process. In doing so, we plan to upgrade the inspection hardware and testing and grading functionalities of our Shanhuishou (閃回收) recycling system with more AI capabilities so that we can better analyze the data insight we collect from thousands of pre-owned consumer electronics and millions of transactions, which includes historical recycling and sales data, competitors' performance, our various transaction costs for procurement and sale, future demand of the second-hand consumer electronic market and our expected profit margin. We believe this can further strengthen our competitive advantage in pricing pre-owned consumer electronics accurately and speedily, which has been a major strength that differentiates us from our competitors and serves as an important growth engine.

TECHNOLOGY, RESEARCH AND DEVELOPMENT

We believe that our proprietary technologies are one of the key factors to our success. Throughout the years, we have emphasized on technology, research and development and have cultivated our own competitive capabilities, which we believe are among our most valuable assets and distinguish us from our competitors. Our technology and development team, which is led by our chief technology officer, Mr. Lin Lexin, who is our executive Director and an industry veteran with over ten years of frontline experience, has been continuously focusing on developing and upgrading our IT system and technologies with AI capabilities to cater to the ever-changing market and improve our business efficiency and accuracy. As of June 30, 2024, we had an experienced technology and development team consisting of a total of 41 personnel and have made great effort in building and developing our technical infrastructure.

We have developed proprietary technologies with AI capabilities with several major application scenarios: remote testing, image recognition, order reviewing, and pricing. Leveraging our proprietary technologies, our processing time from inspection, grading and pricing for each consumer electronic device that is physically collected from our upstream sourcing partners to putting these devices on resale is approximately 24 hours, while that of our major competitors would typically take several days, according to Frost & Sullivan. As of the Latest Practicable Date, we had, in aggregate, 114 software copyrights, 63 registered trademarks, nine registered domain names, 16 registered patents and 40 patents in application that are related to our technologies in different aspects including design and development of recycling technologies and equipment, and our inspection, grading and pricing capabilities are also recognized and trusted by our business partners and individual consumers.

We have developed an automatic remote testing system. Under the offline trade-in solution, the stores' front sales staff will present our remote testing QR code for the individual consumers to scan which is linked to a WeChat mini program. This program will automatically identify the model of the mobile phone and initiate testing of its basic functions, including but not limited to face recognition, touch screen, network and screen color loss. In addition, the program will automatically enter the international mobile equipment identity (IMEI) number of the mobile phone and obtain the internal device information such as its make and date of production based on the IMEI.

We typically conduct quality inspection of pre-owned consumer electronics in various stages of the recycling process and detect exterior and interior defects through analyzing images of the devices, including but not limited to screen scratches, frame and back panel scratches and screen leakage. As second-hand consumer electronics are non-standard items, the image recognition tools currently available in the market to inspect the quality of these second-hand devices have limited capabilities and are insufficient for meeting our business needs. Therefore, we developed our owned image recognition model specifically designed for pre-owned consumer electronics that is capable of identifying minor defects automatically based on the photos taken, which provided a solid basis for our backstage order reviewing engineers.

However, according to our past experience, manual mode of order reviewing is unable to cope with the business volume during peak hours and the reviewing accuracy may also be affected by human errors. As such, we created a separate order reviewing model which is capable of automatically assessing the risks of an order based on the historical data of the respective store and stores' front sales staff involved in that particular transaction. This reduces the workload of our order review engineers and improves the accuracy of risk control.

While consistency and accuracy of quality inspection of pre-owned consumer electronics has been a major technical problem in this industry, our development in evaluation tools help us obtain supply and empower the front sales staff of our upstream sourcing partners' stores to facilitate the trading-in of pre-owned consumer electronics. Our recycling system under our brand of Shanhuishou (閃回收) allows pre-owned consumer electronics to be inspected both locally and remotely and displays a competitive sale price in approximately five minutes.

We have also created a machine learning driven smart pricing model to ensure pricing objectiveness for each device transacted on our recycling system. Since pre-owned mobile phones are non-standard items with no uniformed market price, a single model may come with many combinations due to each device's unique conditions and every combination has its respective corresponding price. As such, grading and pricing them manually is incapable of achieving the level of accuracy that we expect, especially when the device has a combination of multiple defects in various aspects which price largely deviates from the market fair price. As such, we created our smart pricing model utilizing our business data from the collection of thousands of consumer electronics, millions of transactions, and millions of sellers and buyers that transact on our platform, and developed separate modeling for long-term price trends and short-term price fluctuations. Our algorithms take into account a number of factors when pricing a certain pre-owned consumer electronic device in order to achieve pricing objectiveness, including, but not limited to, the overall condition of the pre-owned consumer electronic device, market demand of a new device that is of same model of such device and the recent selling price, the recycling price offered by our competitors for the same model of such pre-owned consumer electronic device, our historical recycling and sales data of similar devices, our various transaction costs for procurement and sale, and our expected profit margin, as well as other public information that could possibly affect the selling price of such pre-owned consumer electronic device, such as the upcoming launch of a new model under the same consumer electronic brand.

Our four inspection and operation centers in Shenzhen, Chengdu, Sichuan province, Zhengzhou, Henan province and Nanjing, Jiangsu province are all equipped with our proprietary technologies and relevant capabilities to facilitate the inspection, grading and pricing of pre-owned consumer electronics. We believe that our technology, research and development capabilities have been and will continue to be our core competitive strength for our success in the pre-owned consumer electronics recycling service market.

OUR SALES

During the Track Record Period, our revenue was primarily derived from the sale of pre-owned consumer electronics, especially, mobile phones, sourced from our various supply channels. During the Track Record Period, we primarily derived our revenue from the sale of pre-owned consumer electronics we procured through providing our trade-in and sale solutions. Among which, our revenue derived from the sale of pre-owned mobile phones amounted to approximately RMB693.4 million, RMB856.3 million, RMB1,050 million and RMB546.8 million, respectively, representing approximately 92.5%, 93.2%, 90.6% and 94.8% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. In order to satisfy the business needs of our customers, we also sell part of our procured consumer electronics in bulk through our offline sale, and also provide various value-added and after-sales services to them. For more details in relation to our value-added and after-sales services, please refer to "– Our Sales – Our Other Services" in this section.

Pre-owned mobile phones have always been in short supply in the PRC second-hand consumer electronics market and is estimated to continue to be so in the future. In the pre-owned mobile phones recycling industry, there are generally no shortage of purchasers of pre-owned mobile phones as there will always be a right buyer for any pre-owned mobile phone across the entire quality spectrum. According to Frost & Sullivan, the average inventory turnover days for the industry typically ranged from 10 to 15 days. As such, with our ability to obtain steady and quality supply through our strategic cooperation with our upstream sourcing partners, we have secured an advantageous position in the pre-owned mobile phones sales market. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our average inventory turnover days were approximately 8.4, 8.6, 8.9 and 9.4 days, respectively. Further, our processing time from inspection, grading and pricing for each device that is physically collected from our upstream sourcing partners to putting these devices on resale is approximately 24 hours, while that of our major competitors typically would take several days, according to Frost & Sullivan.

We are situated in the midstream of the industrial chain of consumer electronics after-market and target various downstream customers. As different types of customers have different demand in the quality and condition of pre-owned consumer electronics, we sort them according to their conditions/features, bundle up certain number of devices of similar conditions/features, and offer different bundles on various sales platforms oriented to different types of customers. To the best knowledge of our Directors, during the Track Record Period, the majority of our pre-owned consumer electronics were sold to merchant customers who conduct business in the second-hand consumer electronic market and sell the pre-owned consumer electronics they procured from us to their own customers.

The table below sets out our revenue by customer type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Merchant customers[(1)]	712,922	95.1	875,348	95.2	1,094,283	94.5	498,447	96.2	546,911	94.8
Individual customers[(2)]	24,288	3.2	26,422	2.9	45,995	3.9	11,819	2.3	21,976	3.8
Total:	**737,210**	**98.3**	**901,770**	**98.1**	**1,140,278**	**98.4**	**510,266**	**98.4**	**568,887**	**98.6**

Notes:

1. Merchant customers primarily refer to customers who purchased our pre-owned consumer electronics through (i) our sale platforms, including, our Shanhui Youpin (閃回有品) online platform and our own online stores on third-party e-commerce platforms that mainly target merchant customers, such as Paijitang (拍機堂) and Caihuoxia (採貨俠); and (ii) offline sale; and

2. Individual customers primarily refer to customers who purchased pre-owned consumer electronics through our online stores on third-party e-commerce platforms that mainly target individual customers, such as Idle Fish (閒魚) and Tik Tok (抖音).

The table below sets out the number of customers and average selling price per customer for the periods indicated, respectively:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Number of customers	Average selling price/ customer (RMB)	Number of customers	Average selling price/ customer (RMB)	Number of customers	Average selling price/ customer (RMB)	Number of customers	Average selling price/ customer (RMB)	Number of customers	Average selling price/ customer (RMB)
Merchant customers[(1)]	5,146	138,539	3,541	247,204	5,810	188,345	3,450	144,477	4,731	115,602
Individual customers[(2)]	5,033	4,825	11,656	2,267	19,444	2,366	7,390	1,599	5,083	4,323
Total:	**10,179**	**N/A**	**15,197**	**34,048**	**25,254**	**N/A**	**10,840**	**N/A**	**9,814**	**N/A**

Notes:

1. Merchant customers primarily refer to customers who purchased our pre-owned consumer electronics through (i) our sale platforms, including, our Shanhui Youpin (閃回有品) online platform and our own online stores on third-party e-commerce platforms that mainly target merchant customers, such as Paijitang (拍機堂) and Caihuoxia (採貨俠); and (ii) offline sale; and

2. Individual customers primarily refer to customers who purchased pre-owned consumer electronics through our online stores on third-party e-commerce platforms that mainly target individual customers, such as Idle Fish (閒魚) and Tik Tok (抖音).

Our Directors do not consider that we had adopted a distributorship business model as set out in Chapter 4.5 of the Guide based on our business model as described in this document for the following reasons: (i) we do not have any distributorship arrangement or exclusive relationships with our customers; (ii) we do not rely on our customers to distribute our pre-owned consumer electronics or expect them to resell such on our behalf; (iii) our customers engage in trading and sale of our pre-owned consumer electronics independently and at their own risk and expense, without our involvement; (iv) we do not impose any restrictions on our customers in relation to their resale regions or requirements for subsequent sales, such as minimum price, sales amount, targets, or ultimate users; (v) we generally do not accept product returns if the application for product returns was not submitted to us within 72 hours after the pre-owned consumer electronics was delivered to our customers; and (vi) we do not offer repurchase options to our customers, nor do we control their inventory management.

The table below sets out the breakdown of our revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
							(Unaudited)			
Sale of products	737,210	98.3	901,770	98.1	1,140,278	98.4	510,266	98.4	568,887	98.6
– Sale of pre-owned mobile phones	693,393	92.5	856,346	93.2	1,050,003	90.6	471,315	90.9	546,797	94.8
– Sale of other pre-owned consumer electronics	43,817	5.8	45,424	4.9	90,275	7.8	38,951	7.5	22,090	3.8
Other services[1]	12,521	1.7	17,342	1.9	18,115	1.6	8,116	1.6	7,971	1.4
Total:	**749,731**	**100**	**919,112**	**100**	**1,158,393**	**100**	**518,382**	**100**	**576,858**	**100**

Note:

1. Other services primarily include (i) providing services related to matching the purchase and sale needs of consumer electronics in bulk of our upstream business partners and customers; (ii) conducting quality inspection of pre-owned mobile phones transacted on certain well-known third-party e-commerce platforms; and (iii) providing after-sales services, such as screen assurance services and value maintain services.

The table below sets out the sales volume and average selling price of pre-owned consumer electronics that we sold by product type for the periods indicated, respectively:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)
Sale of pre-owned mobile phones	1,057	656	1,214	705.4	1,506	697.2	666	707.7	552	990.6
Sale of other pre-owned consumer electronics	331	132	406	111.9	966	93.5	568	68.6	329	67.1
Total:	**1,388**	N/A	**1,620**	N/A	**2,472**	N/A	**1,234**	N/A	**881**	N/A

We currently conduct the majority of our sales through our proprietary online platform under the brand of Shanhui Youpin (閃回有品). We subsequently developed an associated Shanhui Youpin (閃回有品) mobile application and WeChat or Alipay mini-program also under such brand, which have become our main sales platforms enabling buyers to purchase and/or bid for pre-owned consumer electronics through different business modules. In addition to our Shanhui Youpin (閃回有品) online platform, we have also established cooperative relationship with various third-party e-commerce platforms, including certain well-known PRC e-commerce recycling platforms and online shopping platforms, as well as live-streaming platforms, targeting various types of customers. We typically set up and operate our own online stores on these third-party e-commerce platforms. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our revenue derived from the sale of pre-owned consumer electronics through (i) our Shanhui Youpin (閃回有品) online platform amounted to approximately RMB641.5 million, RMB801.1 million, RMB927.7 million and RMB513.7 million, representing approximately 85.6%, 87.2%, 80.1% and 89% of our total revenue for the same periods, respectively; and (ii) other third-party e-commerce platforms amounted to approximately RMB69.1 million, RMB62.7 million, RMB121.8 million and RMB36.9 million, representing approximately 9.2%, 6.8%, 10.5% and 6.4% of our total revenue for the same periods, respectively. In future, we intend to establish our branded online stores on more third-party e-commerce platforms to further diversify our sales channels.

Leveraging our established position in the PRC mobile phone recycling service market and our understanding of the needs and preferences of buyers in the second-hand consumer electronics market, we also engage offline sale where we sell part of our procured consumer electronics in bulk which meet the requirements of our certain customers and satisfy their diversified business needs. For the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, our revenue derived from the sale of consumer electronics through offline sale amounted to approximately RMB26.6 million, RMB38 million, RMB90.7 million and RMB18.3 million, representing approximately 3.5%, 4.1%, 7.8% and 3.2% of our total revenue for the same periods, respectively.

The table below sets out our revenue of sale of products by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Sale of pre-owned consumer electronics through sales platforms	710,612	94.8	863,810	94.0	1,049,537	90.6	472,630	91.2	550,565	95.4
– Sale through Shanhui Youpin (閃回有品)	641,470	85.6	801,094	87.2	927,735	80.1	418,682	80.8	513,685	89.0
– Sale through third-party e-commerce platforms	69,142	9.2	62,716	6.8	121,802	10.5	53,948	10.4	36,880	6.4
Sale of consumer electronics through offline sale	26,598	3.5	37,960	4.1	90,741	7.8	37,636	7.2	18,322	3.2
Total:	**737,210**	**98.3**	**901,770**	**98.1**	**1,140,278**	**98.4**	**510,266**	**98.4**	**568,887**	**98.6**

Our revenue generated from the sale of consumer electronics through offline sale has decreased by 51.3% from RMB37.6 million for the six months ended June 30, 2023 to RMB18.3 million for the six months ended June 30, 2024 due to the adjustment of our business strategy to focus more on sales through our proprietary Shanhui Youpin (閃回有品) online platform.

The table below sets out the sales volume and average selling price of consumer electronics that we sold by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)
Sale of pre-owned consumer electronics through sales platforms	1,247	569.9	1,254	688.8	1,545	679.3	691	684.0	562	979.7
– Sale through Shanhui Youpin (閃回有品)	1,035	619.8	1,163	688.8	1,371	676.7	605	692.0	520	987.9
– Sale through third-party e-commerce platforms	212	326.2	91	689.2	174	700.0	86	627.3	43	857.7
Sale of consumer electronics through offline sale	141	188.6	366	103.7	927	97.9	543	69.3	318	57.6
Total:	**1,388**	N/A	**1,620**	N/A	**2,472**	N/A	**1,234**	N/A	**881**	N/A

Shanhui Youpin (閃回有品)

We launched the brand of Shanhui Youpin (閃回有品) and developed our proprietary online platform under such brand in 2021. We then developed Shanhui Youpin (閃回有品) mobile application and associated Shanhui Youpin (閃回有品) PC end sales platform, Shanhui Youpin (閃回有品) WeChat mini-program and Shanhui Youpin (閃回有品) Alipay mini-program, which have become our main sales platform enabling buyers to purchase and/or bid for our pre-owned consumer electronics through different applications and business modules, including the real-time open bidding module, single-device sales module and single-device bidding module. Customers shall register on our Shanhui Youpin (閃回有品) online platform before making a purchase or participating in a bidding session.

One major business module within our Shanhui Youpin (閃回有品) online platform is a bidding module where single-device open bidding sessions are held on a real-time basis. This module is associated with our offline trade-in solution and customers can place bids simultaneously through our Shanhui Youpin (閃回有品) online platform. For a typical transaction conducted under the offline trade-in solution where this real-time open bidding module is involved, when an individual consumer walks into an offline store of our upstream sourcing partner and intends to trade in his/her pre-owned consumer electronic device, the front sales staff of our upstream sourcing partner will take photos of the device and upload these photos along with any other auxiliary information to our Shanhuishou (閃回收) recycling system, which will then be automatically uploaded to our real-time open bidding module on our Shanhui Youpin (閃回有品) online platform. Our back-end inspection staff will then examine the photos and all the other necessary information and generate an initial recycling price with a recommended recycling pricing range based on our pricing model. At the same time, our customers who are using our real-time open bidding module on our Shanhui Youpin (閃回有品) online platform will also be able to view the photos and all the other necessary information and bid for such device simultaneously.

The bidding process typically lasts for two to three minutes. Once the bidding session ends, the final recycling price (and our recommended recycling pricing range), which is generated based on our pricing model and algorithm by taking into account our various transaction costs for procurement and sale as well as our target profit margin, would be imputed from the highest bidding price appeared in our real-time open bidding session and subsequently shown on our Shanhuishou (閃回收) recycling system to the front sales staff of our upstream sourcing partners' stores. Such front sales staff will then have the flexibility to determine the final recycling price they would give to consumers within our recommended recycling price range under different circumstances and transactions. The mechanism for the front sales staff to determine the final recycling prices is that, pursuant to our business arrangements with our upstream sourcing partners, we are typically required to pay commission fees to the front sales staff for each recycling transaction they managed to complete. If he/she decides to show a relevant higher recycling price to the consumer in store, he/she would have a better chance to close the transaction but will receive a relatively lower commission. On the contrary, if he/she decides to show a relatively lower recycling price to the consumer in store, he/she will receive a relatively higher commission, but may not be able to close the transaction that easily as the individual consumer in store may not accept the recycling price. The front sales staff can only give out the recycling price to consumer in store within the price range pre-determined by the Shanhuishou (閃回收) recycling system based on the information he/she uploads and the backstage inspection. This arrangement provides certain flexibility to the front sales staff as they are the ones who meet the individual consumers in person and to close the transactions.

Once the individual consumer agrees to the final recycling price, the front sales staff of our upstream sourcing partners will perform the normal trade-in services and close the recycling transaction. Simultaneously, the relevant pre-owned consumer electronic device will be sold to the successful bidder who just provided the highest bidding price during the open-bidding session. In the event that no participating bidder offers a bidding price (after taking into account our various transaction costs for procurement and sale as well as our target profit margin) that is higher than our initial recycling price generated based on our pricing model, which mainly takes into consideration the recycling price offered by our competitors for the same model of such pre-owned consumer electronic device, our historical recycling data for similar devices, and our procurement transaction cost, we would then procure such device from the individual consumer at our recycling price as long as he/she is willing to trade in.

Our initial recycling price (with our recommended recycling pricing range) is generated based on the same pricing model that we utilize for procuring pre-owned consumer electronics through our supply channels without using our real-time open bidding module and will not be modified during the entire bidding session. In other words, we simply set a floor price and guarantee that under the circumstances where all participating bidders underbid on a particular pre-owned consumer electronic device (i.e. the highest bidding price after taking into account our various transaction costs for procurement and sale as well as our target profit margin is still lower than our initial recycling price), we are still able to procure, and the individual consumer still has the option, to trade in his/her device at our initial recycling price generated by our pricing model, which we believe, is objective and reasonable.

Once the individual consumer accepts the recycling price displayed to him/her and after the front sales staff closes the trade-in transaction, his/her pre-owned consumer electronic device will be delivered to our inspection center where, under most circumstances, no additional inspection will be conducted before delivering it to the successful bidder. This is mainly due to two considerations: firstly, our smart pricing model is capable of ensuring pricing objectiveness through analyzing the photos and information uploaded by the front sales staff through continuous optimization; and secondly, most of the bidders using our real-time open bidding module are, to the best of the knowledge, information and belief of our Directors, customers who conduct business in the second-hand consumer electronic market, and are able to make sound business judgment based on their industry experience. We generally require full payment of the pre-owned consumer electronics from the successful bidder upon confirmation of the sale and before delivery.

During the Track Record Period, approximately 9.3%, 20%, 42.7% and 79% of our revenue were derived from the sale of the pre-owned mobile phones we procured under our offline trade-in solutions and sold through our real-time open bidding module on Shanhui Youpin (閃回有品) online platform simultaneously. We believe that with this business module, we are able to receive payments promptly on the same day of the sale for the pre-owned consumer electronics sold on our sales platform, contributing to a healthy cash flow and quick inventory turnover. In addition, this business module also helps avoid the risk of a drop in market price during the inventory period. From the perspective of individual consumers, they are able to enjoy a better trade-in price as long as there is a bidder offers a price higher than our recycling price and as such, a "win-win" for both of us and the individual consumers.

In addition to the aforementioned real-time bidding module, there are several other modules within our Shanhui Youpin (閃回有品) online platform each carrying out different functions targeting different customers. For instance, there is a single-device sales module which generally lists the pre-owned mobile phones with super condition to be sold at a fixed price. Such price is automatically generated by our pricing model leveraging our central database, taking into consideration not only the recycling price we paid for and current condition of the device based on our inspection and grading, but also market demand, depreciation and other factors that impact the retail value of the device. There is also a single-device bidding module where we hold bidding sessions on a daily basis listing the pre-owned consumer electronics that we have procured from our upstream sourcing partners, which is different from the real-time open bidding module as customers are able to bid during several fixed time intervals during a day. We also operate a PC end sales platform particularly developed for customers to bid for and purchase packages of pre-owned consumer electronics of similar features pre-selected by us. Furthermore, once our procured pre-owned consumer electronics are ready for sale after our inspection, grading and classification, we will list them on our Shanhui Youpin (閃回有品) online platform and our own stores on other third-party e-commerce platforms for sale simultaneously. During the Track Record Period, we were generally able to sell approximately 87% of our pre-owned consumer electronics traded-in within three days after such consumer electronic devices had been delivered to our inspection centers.

Our customers are required to pay security deposit before participating in different bidding modules on our Shanhui Youpin (閃回有品) online platform. We generally sell our pre-owned consumer electronics to the highest bidder. For customers using the real-time open bidding module, they are required to pay a deposit of RMB5,000 and top up sufficient account balance before participating in a bidding session. For customers using the single-device bidding module on our Shanhui Youpin (閃回有品) mobile application, they need to pay a deposit of RMB1,000 while customers using the PC end sales platform are required to pay a deposit of RMB5,000 as those customers often bid for packages of pre-owned consumer electronics in bulk, before participating in a respective bidding session. In the event a customer is the successful bidder but fails to make the relevant payment within the required time period, the customer's right to purchase the pre-owned device will be revoked and a penalty of RMB50 per unit will be deducted from such customer's account, up to a maximum of the customer's deposit amount, and the relevant consumer electronic device(s) will be resold through the bidding module. After the settlement of all bidding transactions in process, customers are entitled to apply for a deposit withdrawal where such requests are processed within three to five business days.

For the years ended December 31, 2024, 2022 and 2023 and the six months ended June 30, 2024, our revenue derived from the sale of pre-owned consumer electronics through (i) our real-time open bidding module on Shanhui Youpin (閃回有品) online platform amounted to approximately RMB69.5 million, RMB183.8 million, RMB494.6 million and RMB455.5 million, representing approximately 9.3%, 20%, 42.7% and 79% of our total revenue for the same periods, respectively; and (ii) our other modules on Shanhui Youpin (閃回有品) online platform amounted to approximately RMB572 million, RMB617.2 million, RMB433.1 million and RMB58.2 million, representing approximately 76.3%, 67.2%, 37.4% and 10% of our total revenue for the same periods, respectively. In future, we intend to further develop our Shanhui Youpin (閃回有品) online platform into an integrated platform with the capabilities of providing online consumer electronics recycling and trading services which enables consumers to sell their idle devices and purchase pre-owned consumer electronics we procured with ease and convenience.

The table below sets out the key operating metrics of our Shanhui Youpin (閃回有品) online platform for the periods indicated:

	As of/Year ended December 31,			As of/Six months ended June 30,	
	2021	2022	2023	2023	2024
Monthly active customers(1)	92	179	217	357	313
Active customers of the relevant year/period(2)	4,901	7,432	4,225	2,717	1,899
Average revenue per active customer of the relevant year/period(3)	RMB130,885.5	RMB107,789.8	RMB219,582.2	RMB154,097.2	RMB270,502.9
Recurring customers of the relevant year/period(4)	318	595	816	750	526
Revenue from recurring customers of the relevant year/period(5)	RMB452.3 million	RMB592.1 million	RMB574.9 million	RMB329.5 million	RMB351.0 million
Average revenue per recurring customer of the relevant year/period(6)	RMB1.4 million	RMB1.0 million	RMB0.7 million	RMB0.4 million	RMB0.7 million

Notes:

1. "Monthly active customers" refer to customers that have at least one transaction with us in each month in a particular financial year/period through our Shanhui Youpin (閃回有品) online platform;

2. "Active customers of the relevant year/period" refer to customers that have at least one transaction with us in a particular financial year/period through our Shanhui Youpin (閃回有品) online platform;

3. "Average revenue per active customer of the relevant year/period" represents our revenue of sale through Shanhui Youpin (閃回有品) online platform for a particular financial year/period divided by the number of active customers of that particular financial year/period;

4. "Recurring customers of the relevant year/period" refer to customers that have at least one transaction with us in the previous and current financial year/period through our Shanhui Youpin (閃回有品) online platform;

5. "Revenue from recurring customers of relevant year/period" represents our revenue of sale through Shanhui Youpin (閃回有品) online platform from recurring customers of the relevant year/period; and

6. "Average revenue per recurring customers of the relevant year/period" represents our revenue of sale through Shanhui Youpin (閃回有品) online platform from recurring customers of the relevant financial year/period divided by the number of recurring customers of that particular financial year/period.

General contracts with customers

As far as we understand, majority of our customers are players in the second-hand consumer electronics market. We typically enter into general contracts with our customers, who undertake to sell the pre-owned consumer electronics we sold to them and/or dismantle spare parts, without refurbishing parts involving the logos of any consumer electronic brands, at their own risks. However, we do not routinely monitor the sales performance or compliance of our customers as we do not adopt a distributorship business model for our sales, and our customers engage in trading and sale of our pre-owned consumer electronics independently and at their own risks and expenses. As such, there can be no assurance that our customers will always comply with the above undertaking in our contracts with them. Please also refer to "Risk Factors – We May Not Have Control over The Non-compliance of Our Customers" in this document for further details.

The following are the salient terms of our general contracts with our customers who participate in the bidding sessions on our Shanhui Youpin (閃回有品) online platform:

- ***Precondition***. The customers are required to register an account on Shanhui Youpin (閃回有品) mobile application and pay the respective security deposit before being allowed to participate in the bidding sessions.

- ***Payment***. The customers are required to pay the purchase price of the devices in full within a stipulated time period, and we are entitled to deduct such amount from the customer's security deposit in the event that the customer fails to make payment on a timely basis.

- ***Delivery.*** We will arrange delivery of the devices to the address provided by the customer during account registration upon receipt of the payment from the customer. Any potential issues or losses caused by an error in the address provided by the customer will be solely borne by the customer.

- ***Return policy.*** The customers acknowledge and accept that the consumer electronics sold on our platform are pre-owned consumer electronics with certain defects and will not demand return of same without our consent. Where we consent to the return of the devices after negotiations with the customer, the customer will deliver the devices to a warehouse designated by us.

- ***Security deposit***. The customer is not required to pay a separate security deposit for each single bidding session but if the security deposit is deducted for any reason, including but not limited to payment of the purchase price, liquidated damages or penalties, the customer will be asked to make up the deposit within one day after receiving a notice from us. We are entitled to refuse such customer's participation in any following bidding sessions before the security deposit has been made up.

- ***Term.*** The term of the general contract is usually one year.

Third-party E-commerce Platforms

In addition to our proprietary Shanhui Youpin (閃回有品) online platform, we have also established cooperative relationship with various third-party e-commerce platforms, including PRC e-commerce recycling platforms and online shopping platforms, to set up and operate our own online stores targeting various types of customers. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our revenue generated from our sales from third-party e-commerce platforms amounted to approximately RMB69.1 million, RMB62.7 million, RMB121.8 million and RMB36.9 million, respectively, representing approximately 9.2%, 6.8%, 10.5% and 6.4% of our total revenue for the same period, respectively.

During the Track Record Period, we had opened our own online stores on ten third-party e-commerce platforms, of which two third-party e-commerce platforms mainly target merchant customers, such as Paijitang (拍機堂) and Caihuoxia (採貨俠), and eight third-party e-commerce platforms mainly target individual customers, such as Idle Fish (閒魚) and Tik Tok (抖音). For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our revenue generated from our sales on third-party e-commerce platforms that target merchant customers amounted to approximately RMB52.3 million, RMB46.2 million, RMB75.8 million and RMB17.4 million, respectively, and our revenue generated from our sales on third-party e-commerce platforms that target individual customers amounted to approximately RMB16.8 million, RMB16.5 million, RMB46 million, and RMB22 million respectively. Further, for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, approximately 80.7%, 96%, 95.2% and 85.8% of our revenue, respectively, and approximately 47.3%, 72.2%, 86.3% and 93% of the sales volume, respectively, derived from our sales on third-party e-commerce platforms were attributable to our online stores opened on Caihuoxia (採貨俠), Paijitang (拍機堂), Idle Fish (閒魚) and Tik Tok (抖音).

Based on the relevant terms of our agreement with these third-party e-commerce platforms, we are required to typically pay (i) a security deposit in order to conduct our sale of pre-owned consumer electronics on such platforms, and (ii) an agreed percentage of the actual transaction amount of the pre-owned consumer electronics sold through our own online stores on third-party e-commerce platforms as service fees to such third-party e-commerce platforms. For the pre-owned consumer electronics we sell on such platforms, we typically classify them based on the conditions according to our inspection and grading results, for example, quasi-new, 99 percent-new, 95 percent-new or 90 percent-new, and then price them with reference to our aggregate recycling costs and the recommended sale price generated by our pricing model.

We intend to establish our branded online stores on more third-party e-commerce platforms focusing on selling mid-to-high-end pre-owned mobile phones to further diversify our sales channels in near future.

New media sales channel

We have been actively exploring cooperation opportunities with short video clips and live-streaming platforms as we see great market potential in such platforms that are increasingly focused on e-commerce. In 2022, we had a test-run live-streaming on a PRC mainstream live-streaming platform focused on the sale of pre-owned premium models of certain branded mobile phones, which turned out to be quite successful as we had recorded sales revenue of approximately RMB928,160 from such live-streaming. We intend to continue exploring cooperation possibilities with leading live-streaming platforms and market and promote our brand and increase web traffic in order to accurately target potential individual customers and boost the number of active buyers on these platforms. We will also continue to explore conducting sale of pre-owned mobile phones through promotional contents and video clips on live-streaming platforms targeted at different end users. In order to improve the quality and attractiveness of our contents and videos and to boost of our sales on various live-streaming and other e-commerce platforms, we intend to recruit a total of 39 experienced personnel in the field of e-commerce operation, including two livestream operators, nine popular live-streamers, five short video scripting, filming and editing personnel, nine live broadcast controllers, two e-commerce trading and pricing managers, and twelve customer service staff members during the coming three years ending December 31, 2027. Some of these personnel will also be assisting on setting up our online stores on various third-party e-commerce platforms to conduct sale by publishing promotional contents and video clips on livestreaming platforms, designing and implementing sales strategies of our online stores on third-party e-commerce platforms, and providing after-sales services to our customers on these platforms. Live broadcast controller is also responsible for coordinating the live-streamers and preparing the live broadcast and managing the orders placed during the live broadcast. Leveraging our presence on these platforms, we will grow our brand awareness and strengthen our influence, and attract different end users customers and achieve business scale in a broader market.

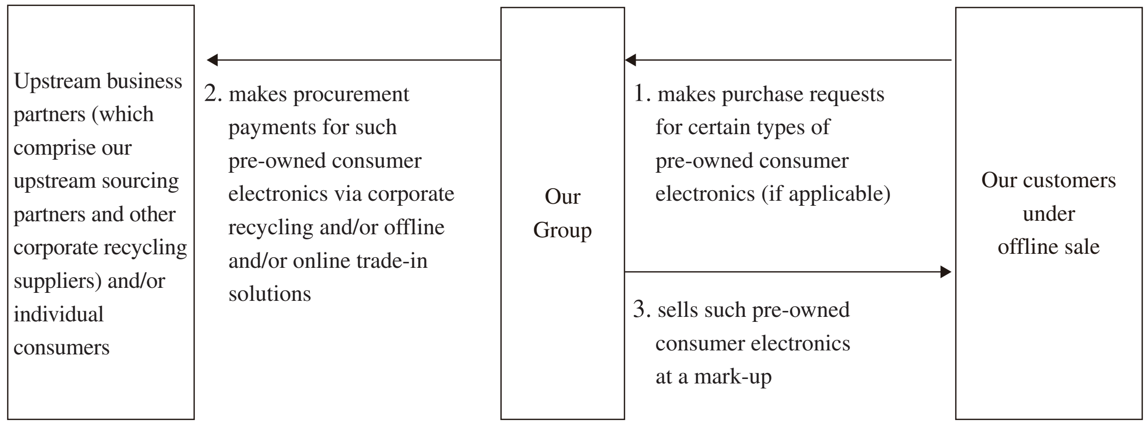
Branded Offline Retail Stores

In September 2023, we opened up our first offline retail store in Shenzhen under our brand name of Shanhui Youpin (閃回有品) to conduct both recycling and sale services of pre-own consumer electronics. We believe that our offline presence will contribute to the strengthening of our brand awareness among individual consumers, which will help us to expand the spectrum and increase the depth of services we provide to them, and eventually attract more buyers and sellers to our ecosystem. We opened up our second offline retail store in Shenzhen in December 2023. For the year ended December 31, 2023 and the six months ended June 30, 2024, our procurement value of pre-owned consumer electronics in these two offline branded stores amounted to approximately RMB8,600 and RMB53,000, respectively, and our revenue derived from sale of pre-owned consumer electronics in these two offline branded retail stores amounted to approximately RMB109,000 and RMB2.6 million, respectively. Depending on our business strategies and development, we plan to further explore the commercial possibilities to open up more branded retail stores in the future.

Offline Sale

Leveraging our established position in the PRC mobile phone recycling service market and our strategic and synergistic relationship with our various upstream sourcing partners, we have been engaged in the corporate recycling by certain of our upstream sourcing partners to handle their excess inventories and/or demonstration consumer electronics and/or other recycling requests of consumer electronics in bulk to satisfy the diversified business needs of our upstream business partners. Based on our understanding of the needs and preferences of buyers in the second-hand consumer electronics market, we are then able to sell the majority of our pre-owned consumer electronics procured through corporate recycling to our customers through offline sale, while the remaining are sold through our sales platforms. During the Track Record Period, approximately 72.5%, 75.6%, 79.2% and 81.8% of our pre-owned consumer electronics procured through corporate recycling were sold to our customers through offline sale in terms of procurement value of consumer electronics, respectively. The reason for not selling all of our pre-owned consumer electronics procured through corporate recycling to customers through offline sale was that, according to the best knowledge and belief of our Directors, under certain circumstances, the number of devices in some bulks of pre-owned consumer electronics we procured through corporate recycling was relatively not sufficient where our merchant customers would generally not offer a competitive price as their ability to resell such bulks at higher prices was restricted when they were not in possession of a considerable number of a certain model of pre-owned consumer electronics. As such, we would sell these smaller bulks of pre-owned consumer electronics on our sales platforms where suitable customers were more likely to offer higher prices. On the other hand, for those consumer electronics we procured through corporate recycling that are essentially brand new, (most of which are demonstration devices in the stores of our upstream sourcing partners), we would typically sell them through our offline sale. We also handle some ad-hoc offline purchase requests of consumer electronics in bulk from our customers, and procure and sell the same which meet the requirements to satisfy their business needs. The bulk-sale nature of our typical offline sale transactions contributes to a higher turnover rate, which in turn, is beneficial to maintaining a healthy cash flow. This also diversifies our collaboration arrangements with our upstream sourcing partners and contributes to an enhanced stickiness between us. For more details of our corporate recycling, please refer to "– Our Supply Channels – Corporate Recycling" in this section.

The flowchart below sets out a typical flow of services and fees for our offline sale:



Our top five customers under offline sale

We became acquainted with our customers under offline sale as they have business needs for purchasing a large quantity of pre-owned consumer electronics and possess strong purchasing power. They proactively reached out to us for placing orders and/or raising purchase requests of consumer electronics, and becoming our key customers under offline sale based on their competitiveness.

During the Track Record Period, our revenue derived from the sale of consumer electronics to our top five customers under offline sale accounted for approximately 70%, 84.3%, 82.2% and 100% of our revenue through offline sale, respectively, and approximately 2.4%, 3.5%, 6.4% and 2.7% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, respectively, and the revenue derived from our largest customer under offline sale in each year/period of the Track Record Period accounted for approximately 20.7%, 40.9%, 44.5% and 49.4% of our total revenue through offline sale, respectively, and approximately 0.7%, 1.7%, 3.5% and 1.4% of our total revenue for the same period, respectively. As of June 30, 2024, we had an average of approximately three years of business relationship with all of top five customers under offline sale in each year/period of the Track Record Period. As of the Latest Practicable Date, we were not aware of any information or arrangements, which would lead to cessation or termination of our relationships with any of our top five customers under offline sale in each year/period of the Track Record Period.

During the Track Record Period and as of the Latest Practicable Date, none of our Directors or their respective associates, or any of our existing Shareholders who, to the best knowledge of our Directors, owned 5% or more of the issued share capital of our Company, had any interest in any of our top five customers under offline sale in each year/period of the Track Record Period.

The tables below set out the basic information of our top five offline sale customers in each year/period of the Track Record Period:

For the year ended December 31, 2021

Ranking	Offline sale customer	Background of offline sale customer	Major products sold	Sales amount	Approximate % of total revenue through offline sale	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			
1.	Offline sale customer A	An individual customer	Consumer electronics	5,516	20.7	0.7	2019
2.	Offline sale customer B	An individual customer	Consumer electronics	5,310	20.0	0.7	2021
3.	Offline sale customer C	An individual customer	Consumer electronics	4,155	15.6	0.6	2022
4.	Offline sale customer D	A PRC company, established in 2013, with its registered office in Beijing and with registered share capital of RMB10 million. It has less than 50 employees and principally engages in the sale of consumer electronics	Consumer electronics	1,858	7.0	0.2	2021
5.	Offline sale customer E	A PRC company, established in 2011, with its registered office in Beijing and with registered share capital of RMB2 million. It has less than 50 employees and principally engages in the sale of consumer electronics	Consumer electronics	1,793	6.7	0.2	2021
	Sub-total:	N/A	N/A	18,632	70.0	2.4	N/A

For the year ended December 31, 2022

Ranking	Offline sale customer	Background of offline sale customer	Major products sold	Sales amount	Approximate % of total revenue through offline sale	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			
1.	Offline sale customer C	An individual customer	Consumer electronics	15,518	40.9	1.7	2022
2.	Offline sale customer F.......	A PRC company, established in 2018, with its registered office located in Nanchang, Jiangxi province and with registered share capital of RMB10 million. It principally engages in the maintenance and sale of consumer electronics	Consumer electronics	7,196	19.0	0.8	2022
3.	Shenzhen Lianmingfa Technology Co. 深圳市聯銘發科技有限公司...	A PRC company established in 2014, with its registered office located in Shenzhen, Guangdong province and with registered share capital of RMB5 million. It has 100-199 employees and principally engages in the sale of consumer electronics	Consumer electronics	3,997	10.5	0.4	2022

Ranking	Offline sale customer	Background of offline sale customer	Major products sold	Sales amount	Approximate % of total revenue through offline sale	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			
4.	Offline sale customer G......	A PRC company established in 2005, with its registered office located in Guangzhou and with registered share capital of RMB30 million. It principally engages in the maintenance and sale of consumer electronics	Consumer electronics	3,474	9.2	0.4	2021
5.	Offline sale customer H......	A PRC company established in 2015, with its registered office located in Shenzhen and with registered share capital of RMB5 million. It has less than 50 employees and principally engages in marketing and sale of consumer electronics	Consumer electronics	1,770	4.7	0.2	2020
	Sub-total:.............	N/A	N/A	31,955	84.3	3.5	N/A

For the year ended December 31, 2023

Ranking	Offline sale customer	Background of offline sale customer	Major products sold	Sales amount	Approximate % of total revenue through offline sale	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			
1.	Shenzhen Lianmingfa Technology Co. 深圳市聯銘發科技有限公司...	A PRC company established in 2014, with its registered office located in Shenzhen, Guangdong province and with registered share capital of RMB5 million. It has 100-199 employees and principally engages in the sale of consumer electronics	Consumer electronics	40,377	44.5	3.5	2022
2.	Offline sale customer C	An individual customer	Consumer electronics	13,921	15.3	1.2	2022
3.	Offline sale customer I........	A PRC company established in 2005, with its registered office located in Shenzhen and with registered share capital is RMB1.01 million. It has less than 50 employees and principally engages in the sale of consumer electronics	Consumer electronics	8,438	9.3	0.7	2023

Ranking	Offline sale customer	Background of offline sale customer	Major products sold	Sales amount	Approximate % of total revenue through offline sale	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			
4.	Offline sale customer J	A PRC company established in 2019, with registered office located in Wuxi and registered share capital of RMB50 million. It has less than 50 employees and principally engages in the sale of consumer electronics	Consumer electronics	7,265	8.0	0.6	2022
5.	Offline sale customer K	A PRC company established in 2022, with its registered office located in Dongguan and with registered share capital of RMB1 million. It principally engages in the marketing and sale of consumer electronics	Consumer electronics	4,633	5.1	0.4	2023
	Sub-total:.............	N/A	N/A	74,634	82.2	6.4	N/A

For the six months ended June 30, 2024

Ranking	Offline sale customer	Background of offline sale customer	Major products sold	Sales amount	Approximate % of total revenue through offline sale	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			
1.	Shenzhen Lianmingfa Technology Co. 深圳市聯銘發科技有限公司...	A PRC company established in 2014, with its registered office located in Shenzhen, Guangdong province and with registered share capital of RMB5 million. It has 100-199 employees and principally engages in the sale of consumer electronics	Consumer electronics	7,800	49.4	1.4	2022
2.	Offline sale customer C	An individual customer	Consumer electronics	6,074	38.5	1.0	2022
3.	Offline sale customer L.......	A PRC company established in 2019, with its registered office located in Fuzhou, Fujian Province and with registered share capital of RMB10 million. It principally engages in the sale of consumer electronics	Consumer electronics	1,583	10	0.3	2024

Ranking	Offline sale customer	Background of offline sale customer	Major products sold	Sales amount	Approximate % of total revenue through offline sale	Approximate % of total revenue	Year of commencement of business with us
				(approximately RMB'000)			
4.	Offline sale customer G......	A PRC company established in 2005, with its registered office located in Guangzhou and with registered share capital of RMB30 million. It principally engages in the maintenance and sale of consumer electronics	Consumer electronics	278	1.8	0.1	2021
5.	Offline sale customer M......	A PRC company established in 2014, with its registered office located in Huizhou, Guangdong province and with registered share capital of RMB10 million. It principally engages in the recycling of consumer electronics	Consumer electronics	54	0.3	0.01	2024
Sub-total:	N/A	N/A	N/A	15,788	100(1)	2.7	N/A

Note:

1. We only had five customers under our offline sale during the six months ended 30 June 2024 due to the adjustment of our business strategy to focus more on sales through our proprietary Shanhui Youpin (閃回有品) online platform. Our revenue generated from the sale of pre-owned consumer electronics through our proprietary Shanhui Youpin (閃回有品) online platform increased by approximately 22.7% from approximately RMB418.6 million for the six months ended June 30, 2023 to approximately RMB513.7 million for the six months ended June 30, 2024, while our revenue generated from the sale of pre-owned consumer electronics through offline sale decreased by approximately 51.3% from approximately RMB37.6 million for the six months ended June 30, 2023 to approximately RMB18.3 million for the six months ended June 30, 2024.

Our Other Services

In addition to the sale of pre-owned consumer electronics, we also provide various value-added and after-sales services to participants across the upstream and downstream value chain. For instance, based on our understanding of the needs and preferences of buyers in the second-hand consumer electronics market, we would assist both of our upstream business partners and customers by matching their purchase and sale needs. When we are informed of the specific requirements for bulks of consumer electronics of certain customers, we would procure the matching bulks of consumer electronics through our supply channels on behalf of our customers and sell to them by charging them a handling service fee. During the Track Record Period, we negotiated and determined our handling service fee with our customers on a case-by-case basis. Under most circumstances, our handling service fee fell within the range of RMB5 to RMB90 per unit, or one to five percent of the total procurement value of the consumer electronics.

Further, we have also been engaged by certain well-known third-party e-commerce platforms to conduct quality inspection of pre-owned consumer electronics transacted on their platforms, and typically charged a service fee of approximately RMB20 to RMB40 per unit inspected. In addition, we provide certain value-added and after-sales services to individual customers, such as, screen assurance services and value maintain and trade-in services. The fees we generally charged for our quality inspection services were approximately RMB100 to RMB600 depending on the different brand and/or model of the devices.

We believe that through offering such value-added and after-sales services and constantly pursuing new collaboration methods, we not only obtain an advantage in securing a steady supply of pre-owned consumer electronics, but also forge a stronger partnership and all-round alliances with our business partners. We believe that there remains great potential for future growth and we will continue to seek business opportunities to provide more value-added services.

Pricing Policy

We determine our pricing policy taking into account both of the recycling and selling prices of pre-owned consumer electronics and based on a number of factors, including the conditions of the pre-owned consumer electronics, demand of the second-hand consumer electronic market, historical recycling and sales data, competitors' performance, our various transaction costs for procurement and sale, and our expected profit margin. Leveraging our proprietary pricing model and algorithms that utilize business data we collect from thousands of pre-owned consumer electronics and millions of transactions, we are able to ensure pricing objectiveness for each device transacted on our Shanhuishou (閃回收) recycling system and Shanhui Youpin (閃回有品) online platform.

Our Shanhuishou (閃回收) recycling system has integrated the above pricing model and algorithm and the recycling prices proposed by the algorithm are shown to consumers for their consideration and acceptance in relevant transaction. Such use of the pricing model and algorithm may be subject to the regulation of algorithms in China. Please refer to "Regulatory Overview – Regulations Relating to Algorithms" in this document for further details. To comply with the regulatory requirements, we have necessary technical and managerial measures in place and are also filing the pricing model and algorithm with the competent regulators as required to comply with the Provisions on the Administration of Algorithm Recommendation for Internet Information Services. We do not foresee there will be material hurdles in completing the filing.

Marketing

Based on our years of experiences in the industry, the pre-owned consumer electronics market is a market where demand exceeds supply and the biggest challenge for companies engaged in the recycling business is procuring steady and quality supply of pre-own consumer electronics, and there are generally no shortage of purchasers of pre-owned mobile phones as there will always be a right buyer for any pre-owned mobile phone across the entire quality spectrum. Although our quality and diversified consumer electronics are in high demand, we still place great importance on marketing and promotion. We believe that high-quality services and comprehensive coverage of business channels will bring us considerable user traffic and word-of-mouth.

We believe that recognition of our brand among upstream sourcing partners and consumers has helped us gain an adequate supply of pre-owned consumer electronics and contributed to the growth and success of our business. Accordingly, maintaining, protecting and enhancing the recognition of our brand is critical to our business and market position. We have established strategic cooperation with various consumer electronic brands and mobile network operators, and embedded our trade-in solution as well as other service offerings to the consumer electronic brands' promotion campaigns especially when they are launching new products, which not only provides synergies to such consumer electronic brands by boosting their sale of new products, but also secures a steady and reliable supply of pre-owned consumer electronics and consumers for ourselves, while at the same time, increases our brand awareness.

In addition, we have been conducting promotional activities on social media, and have been exploring cooperation possibilities with leading e-commerce and live-streaming platforms. We have set up a specialized new media operation team which is responsible for marketing and promoting our brands and services on PRC mainstream social media, with an aim to attract more customers and convert the online user traffic to business orders leveraging our presence and influence on these platforms. In order to improve the quality and attractiveness of our contents and videos and to boost of our sales on various e-commerce platforms, we also intend to recruit experienced personnel in the field of e-commerce operation, such as e-commerce operator, popular live-streamers, short video scripting, filming and editing personnel and e-commerce trading and pricing experts. Moreover, we opened up our first offline retail store in Shenzhen under our brand of Shanhui Youpin (閃回有品) as we believe that our offline presence will contribute to the strengthening of our brand awareness among individual consumers.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our marketing and advertising expenses amounted to approximately RMB2.6 million, RMB3.9 million, RMB4.7 million and RMB2.2 million, respectively, representing approximately 22.5%, 22.8%, 25.2% and 26.3% of our total selling and distribution expenses for the same years/periods, respectively. Our marketing and advertising expenses were relatively lower for the years ended December 31, 2021 and 2022, primarily due to us holding off our marketing and advertising activities during the COVID-19 pandemic. In the future, we intend to increase our marketing efforts. For more details, please refer to "Future Plans and [**REDACTED**]" in this document.

Seasonality

We experience a moderate level of seasonality in our business primarily as a result of the new models of mobile phones and subsequent promotional campaigns launched by the mainstream consumer electronic brands. As such, we typically experience higher transaction traffic and able to obtain more supply and receive higher sales volume during the second half of the year, when there are new product launches and integrated e-commerce activities. Further, all of the marketing activities or campaigns conducted by these mainstream consumer electronic brands and third-party e-commerce platforms may lead to seasonal variations of our business operation.

Returns and After-sales Service

During the Track Record Period, our average return rate of pre-owned consumer electronics transacted on our Shanhui Youpin (閃回有品) online platform and our own online stores operated on third-party e-commerce platforms was approximately 1.3% by sales volume, while the average return rate of the sale of pre-owned consumer electronics in the PRC second-hand consumer electronics industry was approximately 2% in terms of sales volume. We are typically required to follow the return policy for our sale on the third-party e-commerce platforms as stipulated in our agreements with them. For the sale on our Shanhui Youpin (閃回有品) online platform, we only accept return of devices from or pay for the relevant price difference to our customers if certain conditions are met.

Generally, if our customers have concerns on or are not satisfied with the quality of our pre-owned consumer electronics sold, he or she can lodge a request to us online. We will then contact the customer and arrange for either remote or in-house inspection. We will only agree to compensate the customers by marking up the price difference or accept the return of the device if damages or dysfunctionalities of such device are not caused by such customers. During the Track Record Period, our return of devices from customers were primarily due to the damages caused during transportation or intermittent failure of the consumer electronic device, leading to our inspection staff unable to detect certain dysfunctionalities during the inspection process, as well as buyers' subjective return willingness. In addition, we do not provide any warranties to customers and generally sell our pre-owned consumer electronics on an "as is" basis.

Benefiting from our professional after-sales service team, we are capable of handling after-sales requests or complaints effectively and efficiently. When our customer service staff receives a request or complaint from our customer, he/she is required to record the details of such request or complaint in detail and provide a solution or suggestion to customer at the best of their abilities. In the event that the request of complaint could not be resolved after discussing with the customer or the matter at issue requires assistance of our other department, our customer service staff will refer the matter to the relevant department and provide ongoing assistance. Our customer service staff are also responsible for promptly following up on the request and complaint handling progress and providing feedback to our customers on the outcome. In addition, we categorize customer complaints into three levels based on the severity and have corresponding processing time requirement with general complaints shall be processed within 24 hours, material complaints within 12 hours and major complaints within six hours.

During the Track Record Period, we did not receive any material complaints from our customers. The table below sets out the number of our pre-owned consumer electronics returned and the respective refund amount for the periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2021			2022			2023			2023			2024		
	unit	Approximate % of total sales volume	RMB'000	unit	Approximate % of total sales volume	RMB'000	unit	Approximate % of total sales volume	RMB'000	unit	Approximate % of total sale volume	RMB'000	unit	Approximate % of total sale volume	RMB'000
Pre-owned mobile phones	16,577	1.6	18,217	22,315	1.8	28,998	34,425	2.3	42,455	17,789	1.4	821	9,089	1.0	17,211
Other pre-owned consumer electronics	603	0.2	787	638	0.2	705	2,920	0.3	1,409	2,471	0.2	20,366	156	0.0	142
Total:	**17,180**	**1.2**	**19,003**	**22,953**	**1.4**	**29,703**	**37,345**	**1.5**	**43,864**	**20,260**	**1.6**	**21,187**	**9,245**	**1.0**	**17,353**

Our Top Five Customers

We became acquainted with our top ten customers because they have been proactively using our sales platform and frequently participating in the bidding process of the various modules on Shanhui Youpin (閃回有品), ultimately winning the bids based on their competitiveness and accumulated a considerable transaction amount with us.

We have a broad base of customers, and during the Track Record Period, all of our top five customers in each year/period of the Track Record Period were independent third parties. To the best knowledge of our Directors, none of our Directors or, their respective associates or any of our shareholders holding more than 5% of the issued share capital of our Company during the Track Record Period and as of the Latest Practicable Date, held any interest in any of the top five customers in each year/period of the Track Record Period.

We generally require our customers to make full payment for their purchases before arranging the delivery of goods. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, revenue generated from our top five customers in each year/period of the Track Record Period were approximately RMB142.8 million, RMB154.8 million, RMB166.6 million and RMB94.3 million, respectively, representing 19%, 16.8%, 14.4% and 16.4% of our total revenue for the same periods, respectively. Revenue from our largest customer in each year/period of the Track Record Period amounted to approximately RMB43.4 million, RMB55.3 million, RMB54.1 million and RMB34.9 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, representing approximately 5.8%, 6%, 4.7% and 6.1% of our total revenue for the same years/periods, respectively.

The tables below set out the basic information of our top five customers in each year/period of the Track Record Period:

For the year ended December 31, 2021

Ranking	Customer	Background of the customer	Major products sold	Sales amount	Approximate % of our total revenue	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
1.	Customer A.......	Two individual customers who are brothers	Consumer electronics through our sales platforms	43,445	5.8%	2020	Within three calendar days after successful bidding	Online transfer

Ranking	Customer	Background of the customer	Major products sold	Sales amount	Approximate % of our total revenue	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
2.	Customer B.......	Individual customer, along with two PRC companies based in Shenzhen, Guangdong province ("Company A & Company B"). Company A is owned by such individual customer as to 95% and Company B is wholly-owned by such individual customer. Company A was established 2016, with registered share capital of RMB1 million. Company B was established in 2018, with registered share capital of RMB1 million. Both companies are principally engaged in the sale of pre-owned consumer electronics	Consumer electronics through our sale platforms	30,012	4.0%	2018	Within three calendar days after successful bidding	Online transfer
3.	Customer C[(1)]...	Two individual customers ("individual customer A & individual customer B"), along with an individual-owned business based in Chengdu, Sichuan province, which was established in 2019 and principally engages in the sale and repairment of consumer electronics and accessories, wholly-owned by individual customer A and employs individual customer B and was deregistered in November 2021	Consumer electronics through our sale platforms	28,370	3.8%	2021	Within three calendar days after successful bidding	Online transfer

Ranking	Customer	Background of the customer	Major products sold	Sales amount	Approximate % of our total revenue	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
4.	Customer D.......	A PRC company established in 2017 with its registered office located in Shenzhen, Guangdong province and registered share capital of RMB0.1 million. It is principally engaged in the sale of consumer electronics	Consumer electronics through our sale platforms	20,936	2.8%	2018	Within three calendar days after successful bidding	Online transfer
5.	Customer E.......	An individual customer	Consumer electronics through our sale platforms	20,044	2.7%	2018	Within three calendar days after successful bidding	Online transfer
	Sub-total:..........	N/A	N/A	142,807	19.0%	N/A	N/A	N/A

Note:

1. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, the individual-owned business was deregistered in November 2021 because of the internal business decision of individual customer A. Our Directors are of the view that such deregistration did not have any material and adverse impact on our business, financial performance and results of operations because we had continued our sales to individual customer A and individual customer B after the individual-owned business was deregistered. As of the Latest Practicable Date, the trade receivables from such individual-owned business was fully-settled. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, (i) before the individual-owned business was de-registered, individual customer A and individual customer B had placed orders with us for the business operation of the individual-owned business; and (ii) after the individual-owned business was de-registered, individual customer A and individual customer B continued to place orders with us as business partners. As the result of the foregoing, sales made to individual customer A and individual customer B were aggregated and presented as Customer C during the Track Record Period.

For the year ended December 31, 2022

Ranking	Customer	Background of the customer	Major products sold	Sales amount	Approximate % of our total revenue	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
1.	Customer A	Two individual customers who are brothers	Consumer electronics through our sales platforms	55,313	6.0	2020	Within three calendar days after successful bidding	Online transfer
2.	Customer C[1] ...	Two individual customers ("individual customer A & individual customer B"), who are business partners	Consumer electronics through our sales platforms	34,237	3.7	2021	Within three calendar days after successful bidding	Online transfer
3.	Customer F	An individual customer, along with an individual-owned business based in Shenzhen, Guangdong province, which was established in 2011, with registered share capital of RMB30,000 and principally engages in the sale of consumer electronics and accessories and wholly-owned by such individual customer	Consumer electronics through our sales platforms	32,949	3.6	2018	Within three calendar days after successful bidding	Online transfer

Ranking	Customer	Background of the customer	Major products sold	Sales amount	Approximate % of our total revenue	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
4.	Customer G........	An individual customer, along with an individual-owned business based in Shenzhen, Guangdong province, which was established in 2017, with registered share capital of RMB2 million and principally engages in the sale of consumer electronics and accessories, and wholly-owned by such individual customer	Consumer electronics through our sales platforms	16,623	1.8	2017	Within three calendar days after successful bidding	Online transfer
5.	Customer H........	An individual customer	Consumer electronics through offline sale and our sales platform	15,658	1.7	2022	Before delivery	Online transfer
	Sub-total:...........	N/A	N/A	154,780	16.8	N/A	N/A	N/A

Note:

1. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, the individual-owned business was deregistered in November 2021 because of the internal business decision of individual customer A. Our Directors are of the view that such deregistration did not have any material and adverse impact on our business, financial performance and results of operations because we had continued our sales to individual customer A and individual customer B after the individual-owned business was deregistered. As of the Latest Practicable Date, the trade receivables from such individual-owned business was fully-settled. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, (i) before the individual-owned business was de-registered, individual customer A and individual customer B had placed orders with us for the business operation of the individual-owned business; and (ii) after the individual-owned business was de-registered, individual customer A and individual customer B continued to place orders with us as business partners. As the result of the foregoing, sales made to individual customer A and individual customer B were aggregated and presented as Customer C during the Track Record Period.

For the year ended December 31, 2023

Ranking	Customer	Background	Major products sold	Sales amount	Approximate % of total revenue	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
1.	Customer F	An individual customer, along with an individual-owned business based in Shenzhen, Guangdong province, which was established in 2011, with registered share capital of RMB30,000 and principally engages in the sale of consumer electronics and accessories and wholly-owned by such individual customer	Consumer electronics through our sales platforms	54,110	4.7	2018	Within three calendar days after successful bidding	Online transfer
2.	Shenzhen Lianmingfa Technology Co. 深圳市聯銘發科技有限公司	A PRC company established in 2014, with its registered office located in Shenzhen, Guangdong province and with registered share capital of RMB5 million. It has 100-199 employees and principally engages in the sale of consumer electronics	Consumer electronics through offline sale	40,377	3.5	2022	Before delivery	Online transfer
3.	Customer A	Two individual customers who are brothers	Consumer electronics through our sales platforms	34,904	3.0	2020	Within three calendar days after successful bidding	Online transfer
4.	Customer C[(1)]	Two individual customers ("individual customer A & individual customer B"), who are business partners	Consumer electronics through our sales platforms	21,178	1.8	2021	Within three calendar days after successful bidding	Online transfer

Ranking	Customer	Background	Major products sold	Sales amount	Approximate % of total revenue	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
5.	Customer I	An individual customer	Consumer electronics through our sales platforms	16,056	1.4	2023	Within three calendar days after successful bidding	Online transfer
	Sub-total:	N/A	N/A	166,625	14.4	N/A	N/A	N/A

Note:

1. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, the individual-owned business was deregistered in November 2021 because of the internal business decision of individual customer A. Our Directors are of the view that such deregistration did not have any material and adverse impact on our business, financial performance and results of operations because we had continued our sales to individual customer A and individual customer B after the individual-owned business was deregistered. As of the Latest Practicable Date, the trade receivables from such individual-owned business was fully-settled. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, (i) before the individual-owned business was de-registered, individual customer A and individual customer B had placed orders with us for the business operation of the individual-owned business; and (ii) after the individual-owned business was de-registered, individual customer A and individual customer B continued to place orders with us as business partners. As the result of the foregoing, sales made to individual customer A and individual customer B were aggregated and presented as Customer C during the Track Record Period.

For the six months ended June 30, 2024

Ranking	Customer	Background	Major products sold	Sales amount	Approximate % of total revenue	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
1.	Customer F	An individual customer, along with an individual-owned business based in Shenzhen, Guangdong province, which was established in 2011, with registered share capital of RMB30,000 and principally engages in the sale of consumer electronics and accessories and wholly-owned by such individual customer	Consumer electronics through our sales platforms	34,903	6.1	2018	Within three calendar days after successful bidding	Online transfer

Ranking	Customer	Background	Major products sold	Sales amount	Approximate % of total revenue	Year of commencement of business with us	Credit term	Payment method
				(approximately RMB'000)				
2.	Customer J	An individual customer, along with a PRC company established in 2021 with its registered office located in Xi'an, Shaanxi province and with registered share capital of RMB0.5 million, which principally engages in the sale of consumer electronics and wholly-owned by such individual customer	Consumer electronics through our sales platforms	21,413	3.7	2021	Within three calendar days after successful bidding	Online transfer
3.	Customer K	An individual customer	Consumer electronics through our sales platforms	14,139	2.5	2021	Within three calendar days after successful bidding	Online transfer
4.	Customer L	An individual customer, along with an individual-owned business based in Sanya, Hainan province, which was established in 2023, and principally engages in the sale of consumer electronics and wholly-owned by such individual customer	Consumer electronics through our sales platforms	12,264	2.1	2023	Within three calendar days after successful bidding	Online transfer
5.	Customer M	An individual customer	Consumer electronics through our sales platforms	11,556	2.0	2023	Within three calendar days after successful bidding	Online transfer
	Sub-total:	N/A	N/A	94,275	16.4	N/A	N/A	N/A

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, Supplier A, which comprises several companies within the same group, was one of our five largest suppliers and also a customer in each year/period of the Track Record Period. Supplier A is our key upstream sourcing partner, which is also a mainstream consumer brand. As we have formed a close and all-rounded strategic collaboration relationship with our key upstream sourcing partners, we generally have overlapping customers or suppliers for our recycling and sale business.

Our Recycling Transaction Services through or with Supplier A

During the Track Record Period, we procured pre-owned consumer electronics through the offline stores and online mall of Supplier A by way of trade-in solution and also through corporate recycling. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the promotion service fees for the supply procured through trade-in solution of Supplier A amounted to RMB3.1 million, RMB4.6 million, RMB2.4 million and RMB1.4 million, respectively. Our procurement value of pre-owned consumer electronics from Supplier A by way of corporate recycling amounted to RMB18.2 million, RMB16.3 million, RMB34.6 million and RMB14.9 million.

Our Services Provided to Supplier A

During the Track Record Period, Supplier A engaged us to provide certain value-added and after-sales services to individual consumers, such as screen assurance services and value maintain and trade-in services, and to handle certain purchasing and selling services of consumer electronics in bulk to satisfy its diversified business needs. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our revenue generated from Supplier A amounted to approximately RMB1.8 million, RMB2.0 million, RMB1.6 million and RMB0.2 million, respectively which accounted for approximately 0.3%, 0.2%, 0.1% and 0% of our total revenue for the same periods, respectively.

Negotiations of the terms of our procurement through/from and our services provided to Supplier A were conducted on an individual basis, and the sales and purchases were neither inter-connected or inter-conditional with each other. Our Directors confirm that all of our sales to and purchases from Supplier A were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. Our Directors confirm that, save as disclosed above, none of our major customers was our supplier, or vice versa, during the Track Record Period.

INFORMATION SYSTEM

We believe that digital transformation of businesses is an inevitable trend and a necessary path for most companies to achieve significant improvements in operational quality and efficiency. We designed and developed our BOSS System, which has become a comprehensive and efficient system for our day-to-day operation. The system centralizes all management matters, is a standardized and configurable management system for internal use developed based on our deep understanding of ERP systems to fulfil our requirements for operating in the recycling industry, as opposed to our Shanhui Youpin (閃回有品) online platform which is a sales platform open to our customers for them to purchase pre-owned consumer electronics. For more details of our Shanhui Youpin (閃回有品) online platform, please refer to "– Our sales – Shanhui Youpin (閃回有品)" in this section.

Our self-developed BOSS System integrates mobile phone recycle related modules including recycling system, pricing system, sales management system, CRM and logistics system, etc., covering from recycle side to end-user side, which builds up comprehensive set of mobile phone recycling ecosystem. Further, our BOSS System and Shanhui Youpin (閃回有品) online platform cooperate in the business process in order to complete a transaction. For instance, a pre-owned consumer electronic device will be tested and graded using the modules in the BOSS System, and then be listed on Shanhui Youpin (閃回有品) online platform for sale. Once a customer places an order to purchase such device, the order information will be automatically generated in the BOSS System, and the relevant inspection center will prepare and complete the delivery accordingly, which will be shown in the BOSS System. Subsequently, the customer will be able to view the order status on Shanhui Youpin (閃回有品) online platform. The operation system facilitates the transaction speed of the pre-owned consumer electronics, which ensures our competitive advantages in the industry.

From a long-term perspective, we took into the business needs for backtracking data in the future when developing the BOSS System. We store all the procurement and payment information with respect to our upstream sourcing partners as well as data of our customers and sales information in the BOSS System, which is ready for retrieval whenever needed. In addition, for each single device we recycled, the entire recycling, inspection and resale process is conducted under high definition monitoring with all the relevant records kept in our BOSS System ready for examination anytime, and each device carries with it a quality inspection report. We also transmit relevant data with third-party delivery service providers and external platform operators through BOSS System. We believe that leveraging our proprietary system, we are able to perform effective management and maintenance of our various operational data and information.

The BOSS System also facilitates with transactions conducted under the offline trade-in solution. For example, when the front sales staff in our upstream sourcing partners' offline stores upload the photos and auxiliary information of the pre-owned device proposed to be traded-in using our Shanhuishou (閃回收) recycling system, our back-end inspection staff will immediately be able to view such information through the BOSS System and examine the photos in order to confirm the conditions of the pre-owned device. Leveraging our proprietary pricing model which is also embedded in our BOSS System, our back-end inspection staff will display the recommended recycling price range generated for the traded-in device to the front sales staff to show the individual consumer. Through constantly optimizing our system, we are able to complete the whole review, pricing and payment process under offline trade-in solution within five minutes, which we believe would be critical in capturing and improving customer experience to the greatest extent.

Our information technology system also assists us in planning and managing our inventory control, sales and distribution as well as logistics arrangement, which digitizes the entire process from recycling, warehousing, to shelving and delivery of the pre-owned consumer electronics. Our BOSS System enables us to track and monitor our inventory levels to minimize backlog costs and ensure timely delivery of goods. We believe that leveraging our proprietary information system, we have made transactions for pre-owned consumer electronics more user-friendly, efficient, transparent and secure. The digital nature and end-to-end coverage of our transaction services has reduced the number of intermediaries and transactions required from trade-in to eventual purchase of a pre-owned consumer electronics.

We plan to further develop and improve our information technology system to keep up with the growth of our business, support our Group's digital management and improve our overall operational efficiency. For example, we plan to upgrade and increase the number of servers that we currently rent to increase the data storage, improve the efficiency and enhance the data security of our BOSS System. We believe such improved system will strengthen our operation management in all aspects as well as improve our ability to meet the demands and preferences of our customers.

OUR OPERATION AND INSPECTION CENTERS

In February 2024, we had set up an operation and inspection center at Anji, Zhejiang province to support the operations of our Zhejiang Shanhui by using our own working capital. This operation and inspection center has recently been renovated and is just starting to operate. We plan to further expand this operation and inspection center by using our working capital for the coming three years ending December 31, 2027. As of June 30, 2024, we operated a total of five operation and inspection centers, equipped with proprietary data processing technology and technicians in Shenzhen, Guangdong province, Zhengzhou, Henan province, Chengdu, Sichuan province, Nanjing, Jiangsu province and Anji, Zhejiang province with a team of 57 personnel. Our operation and inspection centers have an aggregate GFA of approximately 5,212.3 square meters.

Our standard inspection examines various criteria and aspects including exterior inspection, such as scratch inspection; hardware inspection, such as Bluetooth inspection and touch screen inspection; and interior inspection, such as water damage inspection. Upon completion of the inspection, our system automatically generates a comprehensive, standardized report. Each report includes extensive information on the exterior, hardware and interior of the device, and the entire inspection process is conducted under video surveillance which is available for reviewing any time.

Our proprietary inspection technologies and grading process allow us to categorize the inherently non-standardized pre-owned consumer electronics into standard grades that customers can rely on. We plan to upgrade all of our existing inspection and operation centers in Shenzhen, Chengdu, Zhengzhou and Nanjing and purchase and/or upgrade certain equipment, for instance, smart shelves and automatic packing machines. To support the above upgrade of our inspection and operation centers, we intend to recruit four receiving and packing staff and six quality inspectors for each of our Shenzhen, Chengdu, Zhengzhou, and Nanjing inspection and operation centers for the coming three years ending December 31, 2027. We expect that these centers would better facilitate the efficient collection, inspection and grading, repairment and maintenance, and further sales and distribution of our pre-owned consumer electronics procured, which in turn, help us to strengthen our service coverage, increase our inventory turnover and improve our operational efficiency.

The utilization rates for our operation and inspection centers showed a general decreasing trend during the Track Record Period, primarily due to the increasing sales of the pre-owned mobile phones we collected under the offline-trade-in through our real-time open bidding module on Shanhui Youpin (閃回有品) online platform during the Track Record Period, where, under most circumstances, no additional inspection will be conducted before delivering it to the successful bidder. During the Track Record Period approximately 9.3%, 20%, 42.7% and 79% of our revenue were derived from the sale of the pre-owned mobile phones we procured under our offline trade-in solutions and sold through our real-time open-bidding module on Shanhui Youpin (閃回有品) online platform simultaneously. For more details in relation to our real-time open bidding module on Shanhui Youpin (閃回有品) online platform, please refer to "– Our sales – Shanhui Youpin (閃回有品)" in this section.

The following table sets forth a summary of our annual inspection capacity in terms of inspection capacity and utilisation rates for our operation and inspection centers for the periods indicated:

	Year ended December 31,											
	2021				2022				2023			
	Inspection capacity[1]	Inspection volume		Utilisation rate[2]	Inspection capacity[1]	Inspection volume		Utilisation rate[2]	Inspection capacity[1]	Inspection volume		Utilisation rate[2]
		Pre-owned mobile phones	Other pre-owned consumer electronics			Pre-owned mobile phones	Other pre-owned consumer electronics			Pre-owned mobile phones	Other pre-owned consumer electronics	
		(units)		*(%)*		*(units)*		*(%)*		*(units)*		*(%)*
Shenzhen, Guangdong Province	840,000	1,014,328	31,831	125[3]	840,000	933,380	35,480	115[3]	630,000	751,649	29,686	124[3]
Zhengzhou, Henan province	21,000	17,293	338	84	42,000	37,013	938	90	126,000	90,467	1,020	73
Chengdu, Sichuan province	13,500	11,188	229	85	63,000	62,872	2,174	103[3]	63,000	71,292	2,645	117[3]
Nanjing, Jiangsu province	4,500	4,610	153	106[3]	63,000	62,536	2,206	103[3]	63,000	77,490	2,408	127[3]
Total:	**879,000**	**1,047,419**	**32,551**	**122.9[3]**	**1,008,000**	**1,095,801**	**40,798**	**112.8[3]**	**882,000**	**990,898**	**35,759**	**116.4[3]**

	Six months ended June 30,							
	2023				2024			
	Inspection Capacity[1]	Inspection volume		Utilisation Rate[2]	Inspection Capacity[1]	Inspection volume		Utilisation Rate[2]
		Pre-owned mobile phones	Other pre-owned consumer electronics			Pre-owned mobile phones	Other pre-owned consumer electronics	
		(units)		*(%)*		*(units)*		*(%)*
Shenzhen, Guangdong Province	367,500	438,761	17,268	124[3]	315,000	307,900	3,921	99
Zhengzhou, Henan province	52,500	43,053	817	84	63,000	62,424	94	99
Chengdu, Sichuan province	42,000	40,961	1,760	102[3]	42,000	39,103	144	93
Nanjing, Jiangsu province	42,000	47,004	1,613	116[3]	42,000	37,389	221	90
Total:	**504,000**	**569,779**	**21,458**	**117.3[3]**	**462,000**	**446,816**	**4,380**	**97.7**

Notes:

1. Inspection capacity is calculated based on daily inspection capacity (i.e. estimated number of consumer electronics inspected per day per inspection staff in each operation and inspection center for the relevant financial year/period) multiplied by inspection days per month and inspection months per year/period and based on the following assumptions: (i) no inspection staff took additional leaves during the relevant financial year/period; (ii) the estimated number of consumer electronics inspected by each inspection staff is 75 units per day; and (iii) 140 working days for the six months ended June 30, 2023 and 2024 respectively and 280 working days for the each of the years ended December 31, 2021, 2022 and 2023 respectively.

2. The utilisation rate is calculated based on the actual inspection volume for the relevant year/period divided by the inspection capacity for the relevant year/period.

3. The utilisation rate is over 100% because the inspection capacity is calculated based on several assumptions as explained in Note (1) above, which are subject to variation that could possibly lead to a higher actual inspection volume, such as (i) the number of consumer electronics inspected by an experienced inspection staff is more than 75 units per day and (ii) certain inspection staff worked overtime during the relevant financial year/period.

BUSINESS SUSTAINABILITY

We had achieved sustainable business development but were loss-making during the Track Record Period. The table below sets out certain financial data for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in thousands, except percentages)				
				(Unaudited)	
Revenue	749,731	919,112	1,158,393	518,382	576,858
Gross profit	61,471	55,667	78,343	40,489	25,878
Gross profit margin	8.2%	6.1%	6.8%	7.8%	4.5%
Loss	(48,708)	(99,084)	(98,268)	(68,594)	(40,126)
Loss margin	(6.5%)	(10.8%)	(8.5%)	(13.2%)	(7.0%)
Adjusted profit/(loss) (non-IFRS measure)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted profit/(loss) margin (non-IFRS measure)	[REDACTED]%	([REDACTED]%)	[REDACTED]%	[REDACTED]%	([REDACTED]%)

Our loss-making position during the Track Record Period was primarily due to the following reasons:

- The general increases in our losses for the years ended December 31, 2021, 2022 and 2023 were attributable to the increases in our changes in carrying amount of redemption liabilities from approximately RMB46.1 million for the year ended December 31, 2021 to approximately RMB87.3 million for the year ended December 31, 2023, which represented the amount of changes in our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors. Such preferential rights will be terminated upon their automatic conversion into ordinary Shares upon [**REDACTED**].

- Our business operations and financial performance during the Track Record Period, especially our gross profit and gross profit margin, were largely affected by our cost of sale of pre-owned mobile phones, which in turn, impacted by the macroeconomic condition and competitive business environment in the PRC. The increases in our losses for the year ended December 31, 2022 and the six months ended June 2024 were both due to our decreases of gross profit of our sale of pre-owned mobile phones for the same period, which in turn, led to us realizing adjusted losses (non-IFRS measure) for the same periods. The decrease in our gross profit for the year ended December 31, 2022 was primarily the reason that our procurement cost of pre-owned mobile phones increased relatively faster as compared to the increase in our sale of the same, as both markets of the consumer electronics recycling services and the second-hand consumer electronics got more competitive and the PRC economy also slowed down since the COVID-19 pandemic. The decrease in our gross profit for the six months ended June 30, 2024 was primarily due to the increases in our procurement cost of pre-owned mobile phones as we generally increased the recycling prices of pre-owned mobile phones of similar models and/or quality as compared to previous years under our trade-in solution and our commission fees paid to the front sales personnel of our upstream sourcing partners' stores, so that we would be able to keep up our recycling volume and maintain our market share to actively cope with the increasing competitive market environment and the challenging macroeconomic condition in the PRC during the first half of 2024.

We have been continuously putting efforts to achieve sustainability, and our revenue steadily improved during the Track Record Period. Our revenue grew from approximately RMB749.7 million in 2021 to approximately RMB919.1 million in 2022 and to approximately RMB1,158.4 million in 2023, representing a CAGR of approximately 24.3%. Our revenue also increased by approximately 11.3% from approximately RMB518.4 million for the six months ended June 30, 2023 to approximately RMB576.9 million for the six months ended June 30, 2024. We also recorded adjusted profit (non-IFRS measure) of approximately RMB[**REDACTED**] and RMB[**REDACTED**] for the years ended December 31, 2021 and 2023, respectively.

Future Plans to Improve Our Business Sustainability

Revenue

Our total revenue witnessed growth during the Track Record Period. The following table sets out the breakdown of our revenue for the periods indicated:

	Year ended December 31,						Six Months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
							(Unaudited)			
Sale of products	737,210	98.3	901,770	98.1	1,140,278	98.4	510,266	98.4	568,887	98.6
– Sale of pre-owned mobile phones	693,393	92.5	856,346	93.2	1,050,003	90.6	471,315	90.9	546,797	94.8
– Sale of other pre-owned consumer electronics	43,817	5.8	45,424	4.9	90,275	7.8	38,951	7.5	22,090	3.8
Other services[(1)]	12,521	1.7	17,342	1.9	18,115	1.6	8,116	1.6	7,971	1.4
Total	**749,731**	**100**	**919,112**	**100**	**1,158,393**	**100**	**518,382**	**100**	**576,858**	**100**

Note:

1. Other services primarily include (i) providing services related to matching the purchase and sale needs of consumer electronics in bulk of our upstream business partners and customers; (ii) conducting quality inspection of pre-owned mobile phones transacted on certain well-known third-party e-commerce platforms; and (iii) providing after-sales services, such as screen assurance services and value maintain services.

Sale of pre-owned mobile phones

During the Track Record Period, sale of pre-owned mobile phones was our largest revenue contributor, which accounted for approximately 92.5%, 93.2% 90.6% and 94.8% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 2024, respectively. Our revenue derived from sale of pre-owned mobile phones increased from approximately RMB693.4 million for the year ended December 31, 2021 to approximately RMB856.3 million for the year ended December 31, 2022 and further to approximately RMB1,050 million for the year ended December 31, 2023, and increased from approximately RMB471.3 million for the six months ended June 30, 2023 to approximately RMB546.8 million for the six months ended June 30, 2024. Generally, we expect that our revenue of sale of pre-owned mobile phones will continue to grow as our business expands.

Pre-owned mobile phones have always been in short supply in the PRC second-hand consumer electronics market and is estimated to continue to be so in the future. As such, we seek to continue to drive our revenue growth from our sale of pre-owned mobile phones by implementing the following measures:

- continue expanding our supply channels by establishing new strategic cooperation relationship with more upstream sourcing partners and increase the number of their offline stores that use our services to secure our source of the pre-owned mobile phones for sale. During the Track Record Period, the aggregate number of offline stores operated by our upstream sourcing partners which we had entered into business cooperation with were over 49,000 stores. According to Frost & Sullivan, as of the Latest Practicable Date, the aggregate number of branded offline stores of the six mainstream consumer electronic brands exceeded 250,000 stores in the PRC. We believe that there remains a tremendous market for us to develop;

- continue to put effort and investment in nurturing our offline trade-in transaction services by actively promoting our trade-in solutions in the offline stores of our upstream sourcing partners, and visiting, regularly discussing and entering into new strategic initiatives and collaboration arrangement with our existing upstream sourcing partners to activate and commence recycling business with those offline stores of our upstream sourcing partners which had initially agreed to enter into collaboration with us but had not conducted any trade-in recycling transaction services during the Track Record Period;

- increase our marketing and promoting efforts to enhance our brands of Shanhuishou (閃回收) and Shanhui Youpin (閃回有品) and expand our business to sales channels with more market potential to steadily increase our sales volume, which may in the short term result in an increase in our sales and marketing expenses and research and development expenses but is expected to generate more opportunities and increase our gross profit in the long run;

- with the continuous upgrading and rolling-out of new mobile phone models, we believe the average selling prices of pre-owned mobile phones will continue to increase which will drive our revenue growth; and

- continue to put efforts to further develop and solidify our mobile phone recycling and sale service capabilities in Hong Kong and make it our overseas headquarter for our future expansion of trade-in transaction services in other Southeast Asian countries.

Please also refer to "– Our Strategies" in this section and "Future Plans and [**REDACTED**]" in this document for more details.

Gross Profit and Gross Profit Margin

We had positive gross profit and gross profit margins during the Track Record Period. In general, we expect our gross profit and gross profit margin to improve as our business continues to grow and our operational efficiency continues to increase.

Sale of pre-owned mobile phones

Our sale of pre-owned mobile phones segment had relatively fluctuating gross profit margins during the Track Record Period, primarily due to the challenging macroeconomic fluctuation in the PRC and the increasingly competitive environment. The table below sets out the gross profit and gross profit margin for the periods indicated, respectively:

	Year ended December 31,						Six Months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Sale of Pre-owned Mobile Phones......	46,206	6.7	42,057	4.9	61,241	5.8	33,609	7.1	20,987	3.8

Our gross profit margin of our sale of pre-own mobile phones is expected to improve with the recovery of the PRC economy and our future business development. This is because, with the gradual recovery of macroeconomic environment in the PRC, (i) our recycling prices of pre-owned mobile phones will stabilize rather than being passively increased; and (ii) the commission paid to the front sales personnel of our upstream sourcing partners' stores can be better controlled. Our gross profit margin decreased from approximately 7.1% for the six months ended June 30, 2023 to approximately 3.8% for the six months ended June 30, 2024, which we believe is temporary, and we have made adjustment on our procurement to keep up our recycling volume and maintain our share to actively cope with the challenging market environment. In future, we plan to actively promote and market our brand of Shanhui Youpin (閃回有品) online platform to existing and potential customers, expand our business to sales channels that have more market potential to increase our sales volume, and increase our transaction and operational efficiencies to increase our gross profit margin. For more details, please also refer to "– Our Strategies" in this section and "Future Plan and [**REDACTED**]" in this document.

Operating Expense Leverage

During the Track Record Period, we were able to maintain a relatively stable operating leverage. The following table sets forth our selling and marketing expenses, research and development expenses and administrative expenses, in each case excluding [**REDACTED**] expense, as a percentage of revenue for the periods indicated:

	Year ended December 31,			Six Months ended June 30,	
	2021	2022	2023	2023	2024
	%	%	%	% (*Unaudited*)	%
Selling and marketing expenses as a percentage of revenue	1.5	1.9	1.6	1.5	1.5
Research and development expenses as a percentage of revenue	1.4	1.9	1.6	1.8	1.6
Administrative expense excluding [**REDACTED**] expenses as a percentage of revenue	4.8	4.6	4.0	4.0	4.2
Total operating expenses excluding [REDACTED] expenses as a percentage of revenue	**7.7**	**8.4**	**7.3**	**7.3**	**7.3**

Our operating expenses excluding [**REDACTED**] expenses as a percentage of total revenue was 7.7%, 8.4%, 7.3% and 7.3% for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our operating expenses to revenue ratio increased from approximately 7.7% for the year ended December 31, 2021 to approximately 8.4% for the year ended December 31, 2022, primarily due to the reason that the increases in our selling and distribution expenses and our research and development expenses were relatively faster as compared to the increase in our revenue, which to a certain extent, was affected by the COVID-19 pandemic in 2022. We expect to improve the efficiency of our selling and marketing, research and development, and administrative activities and our expenditures on such activities. As a result of our continuous business expansion, we expect our operating expenses to increase in absolute amounts but decrease as a percentage of total revenue in the long term due to economies of scale. We have been making efforts to control expenses by adopting more stringent expense control and budget approval policies.

In the future, we expect to continuously rapidly grow our revenue and gradually improve our gross profit margin, and we do not expect to have significant investments in sales and marketing, research and development and administrative matters. The efforts above have contributed and are expected to support our sustainability and improve our profitability.

In order to turn around our loss-making positions and to achieve a better profitability in the near future, we have made specific business plans and strategies. Please refer to "– Our Strategies" in this section and "Financial Information – Results of Operation – Non-IFRS Measure" and "Future Plans and [**REDACTED**]" in this document. We expect that both of our revenue generated from the sale of our pre-owned consumer electronics, especially the pre-owned mobile phones, and revenue of our offline sale to grow as a result of our deepened strategic collaboration relationship with our upstream sourcing partners and our enhanced reputation and profile in the second-hand consumer electronic market. We also expect that our gross profit and gross profit margin to improve as we achieve economies of scale and as we continue to expand our recycling service business by providing synergies to our key upstream sourcing partners and expand our sales channels.

PROPERTIES AND FACILITIES

We occupy certain properties in the PRC. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. We do not own any properties. As of the Latest Practicable Date, we primarily leased 13 properties in Shenzhen, Beijing, Chengdu, Nanjing and Zhengzhou, with an aggregate GFA of approximately 6,953.9 square meters in the PRC. Our leased properties are primarily used for our general business operation.

As of the Latest Practicable Date, three of our leased properties in PRC that are primarily used as marketing, technology, research and development spaces with an aggregate GFA of approximately 47.7 sq.m. were subject to potential title defects, representing approximately 0.7% of the total GFA of our leased properties in PRC. The title defects were mainly due to that the lessors of such leased properties had not provided us with the relevant title ownership certificates for the leased properties or proof of authorizations from the property owners to sublease the properties to us. In addition, as of the Latest Practicable Date, the lessors of two properties with an aggregate GFA of approximately 372.6 square meters in the PRC had not leased such properties in accordance with the permitted usage as specified on title certificates. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any disputes with respect to the aforementioned leased properties.

As advised by our PRC Legal Advisor, without ownership certificates or proof of authorizations from the property owners, our use of the aforementioned leased properties may be affected by third parties' claims or challenges against the lease rights. In addition, if the lessors do not have the requisite rights to lease the aforementioned leased properties, we may be required to vacate these leased properties and relocate our offices, technology, research and development spaces.

Our Directors believe that such leased properties will not have a material adverse impact on our business, financial conditions and results of operations, primarily because, as of the Latest Practicable Date, (i) our leases for the aforementioned leased properties were not challenged by third parties or relevant authorities; (ii) we were not involved in disputes, lawsuits or claims or receive administrative penalties in connection with the rights to lease and use the aforementioned leased properties; and (iii) to the best belief of our Directors, replacement premises for the aforementioned leased properties are readily available.

As of the Latest Practicable Date, 14 lease agreements had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities.

As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in us being required to vacate the leased properties. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed. The aggregate amount of the maximum fine will be approximately RMB140,000. Based on the number of these properties and the cities where they are located, we believe the likelihood that we will be punished due to failure to register and file all the relevant lease agreements at the same time is very remote.

In May 2024, we also leased a property in Hong Kong, with a GFA of approximately 1,174 square feet, which is used for our business operation and to support our pre-owned consumer electronics recycling transactions. As we intend to put effort to further solidify our mobile phone recycling services capabilities in Hong Kong, we plan to expand our current Hong Kong office to make it our overseas headquarter for our future expansion of trade-in transaction services in Southeast Asian countries. For more details, please refer to "Future Plans and [**REDACTED**]" in this document.

LOGISTICS

In order to fulfil our orders, we maintain a long-term and/or stable partnership with reputable third-party logistic service providers, which in turn provide on-demand pick-up and delivery services to our upstream sourcing partners and individual customers. Once an order or orders is/are placed through the offline or online channels of our upstream sourcing partners, we will arrange our logistic service providers to collect the consumer electronics from the location designated by our upstream sourcing partners or individual customers, and deliver the same to our operation and inspection centers, where the devices are inspected, graded and priced. For the orders placed on our Shanhui Youpin (閃回有品) online platform, we arrange our logistic service providers to deliver the purchased devices from our operation and inspection centers to the buyers' designated locations.

Our logistics management system has proven to be efficient leveraging the support of our BOSS System, which digitalizes all the information during warehousing and tracks the devices during transportation. Complemented with our integrated information management system, this logistics management system dynamically allocates the logistics resources based on the locations of our upstream sourcing partners' offline stores, individual consumers as well as our customers.

We have entered into service contracts with our logistic service providers which stipulate that they provide us with nationwide collection or delivery of consumer electronics, including collection or delivery of returned or exchanged goods. Delivery cost is typically settled on a basis of a calendar month, and our logistic service providers generally offer us discount to the devices to be handled, depending on the total cost. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our costs paid to third-party logistic service providers amounted to approximately RMB10.5 million, RMB13.4 million, RMB16.3 million and RMB6.6 million, respectively.

AWARDS AND RECOGNITIONS

We have received numerous awards and recognition in respect of our brand recognition, the quality of our products and services, and our social responsibilities.

The following table sets forth our major awards and recognition.

Year of Award	Award/Recognition	Issuing Authority
2023	WISE2023 King of Future Business Potential-Annual New Economy High Growth Enterprise (WISE2023未來商業潛力之王年度新經濟高成長企業)	36Kr Holdings Inc. (北京多氪信息科技有限公司, commonly known as "36氪")

Year of Award	Award/Recognition	Issuing Authority
2023	2022 Top 100 Shenzhen-Hong Kong-Macao Science and Technology Innovation Enterprises (2022深港澳科創新銳企業Top 100)	Shenzhen-Hong Kong-Macao Science and Technology Innovation Committee (深港澳科創大會組委會)
2022	The first batch of initiative units for safe recycling and environmentally-friendly disposal of used mobile phones (廢舊手機安全回收和環保處置第一批倡議單位)	China Circular Economy Association and SEE Foundation (中國循環經濟協會和SEE基金會)
2022	Top 50 Digital Intelligence Innovation of Chinese Enterprises in 2022 (2022中國企業數智化創新TOP50)	EDCC Enterprise Digital Development Co-construction and Sharing Platform of China Academy of Information and Communication (中國信通院EDCC企業數字化發展共建共享平臺)
2022	The Most Socially Impactful Start-Up in China (中國最具社會影響力的創業公司)	Fortune (財富)
2021	The Most Appreciated Chinese Enterprise by Investors in the Field of Consumption in 2021 (2021年度中國大消費領域最受投資人讚賞企業)	iResearch Invest Value (艾瑞諮詢)
2021	2021 Cyzone 100 Future Unicorns (創業邦100未來獨角獸)	Cyzone (創業邦)
2021	China's Outstanding Innovative Enterprises (中國優秀創新企業)	China's Product Quality Certification Supervision and Management Center (中國產品質量認證監督管理中心) China Brand Enterprise Evaluation Management Committee (中國品牌企業評價管理委員會)

Year of Award	Award/Recognition	Issuing Authority
2021	Brands to Assurance and Satisfaction of Nationwide Consumers (全國消費者放心滿意品牌)	China's Product Quality Certification Supervision and Management Center (中國產品質量認證監督管理中心)
		China Brand Enterprise Evaluation Management Committee (中國品牌企業評價管理委員會)
2020	Leading Brands in China's Recycling Industry (中國回收行業領導品牌)	China's Influential Brand Enterprise Selection Summit Forum Organizing Committee (中國影響力品牌企業評選高峰論壇組委會)
		The 4th China's Influential Brand Enterprise Propaganda Organizing Committee (第四屆中國影響力品牌企業宣傳組委會)
2020	The Most Influential Enterprises in China's Recycling Industry (中國回收行業最具影響力企業)	China's Influential Brand Enterprise Selection Summit Forum Organizing Committee (中國影響力品牌企業評選高峰論壇組委會)
		The 4th China's Influential Brand Enterprise Propaganda Organizing Committee (第四屆中國影響力品牌企業宣傳組委會)
2020	"Abiding by Contract and Trustworthy" Enterprises of Guangdong Province ("廣東省守合同重信用"企業)	Shenzhen Administration for Market Regulation (深圳市市場監督管理局)

EMPLOYEES

As of June 30, 2024, we had 294 full-time employees in the PRC. The table below sets forth the number of our full-time employees by function as at the date indicated:

	As at June 30, 2024	
Function	**Number of employees**	**% of total employees**
Inspection	63	18.7%
Sales and marketing	39	21.4%
Supply and procurement	55	13.3%
Operations	64	14.0%
Research and development	41	21.8%
General management, finance and administration	32	10.9%
Total	**294**	**100%**

Our business and performance depend upon our ability to attract, motivate and retain a sufficient number of qualified employees. We recruit our employees based on a number of factors such as our vacancy needs and expansion plans, and the candidates' work experience, interpersonal skills and educational background. We typically hire through recruitment platforms and referrals. We believe our benefits, working environment and development opportunities for our employees have contributed to good employee relations and employee retention. We generally maintained good relationships with our employees and had not experienced any strike or material labor dispute during the Track Record Period.

We enter into individual employment contracts with our employees, which set out, among other things, positions, salaries, working hours and other benefits. An employee's remuneration comprises a basic monthly salary, which correlates with the employee's position and skills, and a performance-based monthly remuneration, which is based on the employee's individual performance, if applicable. We also provide other benefits, including overtime pay and bonus to our employees. We also enter into standard confidentiality agreements with all of our employees, and non-competition agreements with some of our senior management team.

In accordance with the relevant PRC laws and regulations, we participate in various government-mandated employee social security plans, including pension insurance, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance, and housing provident fund plans. We make contributions to these plans at specified percentages of the salaries, bonuses and certain allowances of our employees.

In addition, we provide various training programs for our employees in order to enhance their skills, including leadership skills, professional skills and occupational skills. we place significant emphasis on our employees' training to ensure that each of our employees is equipped with the prerequisite knowledge and techniques of our operation process. We believe that these training efforts can enable our employees to effectively master the necessary skills and professional ethics.

During the Track Record Period and up to the Latest Practicable Date, there was no labor union established by employees. We have maintained a harmonious labor relationship with our employees and did not have any material labor dispute during the Track Record Period and up to the Latest Practicable Date.

COMPETITION

The pre-owned consumer electronics market in the PRC is evolving rapidly and is becoming increasingly competitive.

We face competition mainly from the other top service providers engaged in the recycling services within the PRC for pre-owned consumer electronics supplies and transactions. According to Frost & Sullivan, the top five and top two market players contributed 21.0% and 17.5% market shares of mobile phone recycling service market in terms of total transaction value of mobile phones in 2023, respectively. We are the third largest mobile phone recycling service provider, and the largest offline trade-in mobile phone recycling service provider in the PRC in terms of total transaction value recycled from consumer side in 2023, and we are also the third largest mobile phone recycling service provider in the PRC in terms of the sales value of mobile phones recycled from consumers in 2023. Please refer to "Industry Overview – Competitive Analysis of mobile phone recycle market in China" in this Document for further details.

We believe that we are strategically positioned in the PRC's pre-owned consumer electronics recycling industry. Compared to other peers in the mobile phone recycling service market, we have established sustainable business partnerships with famous electronics brands, mobile network operators, and e-commerce service providers, developed an outstanding business operation system, possesses technology and tenants advantages, and provides comprehensive service matrix, all of which ensure our competitive advantages in the industry.

INTELLECTUAL PROPERTY

We regard our patents, software copyrights, trademarks, domain names, proprietary technologies and other intellectual property rights as the key to our success. As of the Latest Practicable Date, we had, in aggregate, 114 software copyrights, 63 registered trademarks, nine registered domain names, 16 registered patents and 40 patents in application. For details about our intellectual property rights and other related information, please refer to "Appendix IV – Statutory and General Information – B. Further Information About Our Business – 2. Our intellectual property rights" in this document.

We have established an intellectual property ledger to record the relevant information of our intellectual property rights including the name, type and legal status. We rely on copyright, trademark and patent laws, as well as confidentiality and non-compete agreements with our employees and business partners to protect our proprietary rights. To the best of our knowledge, information and belief, we have not encountered any material infringement of our intellectual property rights by third parties, nor had we had any serious violation of third-party intellectual property rights during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

As of the Latest Practicable Date, we maintained property insurance policies covering our offices in Shenzhen and other operation and inspection centers in the PRC for losses due to a wide range of disasters and accidents with reputable insurance company in the PRC.

During the Track Record Period and up to the Latest Practicable Date, we did not make, and neither were we the subject of, any insurance claims that are of a material nature to us. We believe that our existing insurance coverage is sufficient for our business operations and customary for the consumer electronics recycling industry in the PRC. Please refer to "Risk Factors – Risks Relating to Our Business and Industry – We have limited insurance coverage, which may not be adequate to cover all risks of losses associate with our business operation." in this document.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE RESPONSIBILITIES

We are committed to protecting the environment and promoting corporate social responsibility and consider protection of the environment and creation of a positive social impact to be an integral part of our business. We have adopted an internal management policy on environmental, social and corporate governance responsibilities ("**ESG**"). Our Board and senior management take the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Group, and evaluating, determining and addressing our ESG-related risks. Our human resource and administration department is responsible for the daily administration and management of ESG-related issues, including but not limited to formulating internal policies and bylaws related to corporate social responsibilities, carrying out various forms of charitable and social welfare activities and ensuring that our Group fulfills relevant information disclosure obligations. Our human resource and administration department has also been tasked with the compilation and release of the ESG report, as well as the supervision and inspection of the safety production and quality management of our Group.

Furthermore, upon [**REDACTED**], our Directors confirm that they will closely monitor and ensure strict compliance with the Corporate Governance Code as set out in Appendix C1 of the Listing Rules, the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 of the Listing Rules and all relevant rules and regulations in relation to ESG aspects. To this end, our Board and senior management undertake to oversee the compilation of our ESG report, ensure implementation of ESG policies, monitor ESG-related performance and targets, and adjust ESG strategies.

Environmental Protection and Climate-related Matters

We consider the protection of the environment to be important and our business has been reducing electronic waste by extending the useful life of consumer electronic devices. We have implemented measures in the operation of our business to promote compliance with applicable requirements under the environmental laws and regulations in mainland China. These environmental protection policies include reducing the consumption of energy such as water, electricity and paper and dedication to improving energy use efficiency, utilization of environmentally friendly materials and recycled content, adopting low-carbon technologies and designs, and reducing emissions of pollutants.

Going forward, we intend to implement target training programs for our employees to deepen their understanding of our environmental protection principles and best practices for creating a sustainable development environment. We also undertake to regularly assign personnel to check and ensure the proper implementation of our environmental protection policies, correct any behavior that does not comply with our polices and take appropriate remedial measures.

We acknowledge that climate-related issues pose a certain level of threat to us. Actual and potential climate-related risks identified by us can be classified into two major categories: physical risk and transitional risk. We define physical risks as risks that potentially cause physical impact to us. We believe that climate-related issues may bring about the risk of increasingly severe extreme weather events, such as more frequent storms, typhoons and flooding. We may potentially be impacted by higher operation and maintenance cost, as well as more insurance premium payable for protection. The health and safety of employees may also be endangered.

Due to climate change and climate-related issues, consumers may shift their preferences for products and services, while regulators may require more extensive ESG-related disclosures. Such transitional risks result in additional operating expenses. For example, potential transition risk may arise from technological advancement which may increase our operating costs or affect the competitiveness of our services. With regard to increasing responsibilities on ESG-related disclosure, we may be impacted by increased cost to execute more stringent monitoring measures on pollutant emissions and resource consumption.

In order to manage the environmental, social and climate-related risks, our Directors will adhere to our established ESG policy and measures to tackle the risks identified and minimize any potential risks inherent in our business operations. We also perform maintenance of our facilities, equipment and IT devices to minimize the risk of unmaintained facilities, equipment and IT devices causing damage to our office space, and the health and safety of employees and staff.

To mitigate climate-related risks such as more frequent extreme weather conditions, we will put in place emergency plans against extreme weather conditions so that employees and other personnel be notified promptly with any related measures. Furthermore, we will consult professional parties whenever necessary to ensure compliance with evolving requirements on resource consumption disclosures, and regularly communicate with different stakeholders on their views on climate-related issues.

Metrics and Targets on Environmental and Climate-related Risks

Major parameters and measurable metrics we use to assess and manage our environmental and climate-related risks include water consumption and electricity consumption. We typically do not generate electronic waste by ourselves from the recycling of pre-owned consumer electronics as such devices are sold via our various sales channels, rather than being disposed of as scrap. Due to the nature of our business, a substantial portion of our business is conducted online with little to no impact on the environment and natural resources. For the portion of our business that requires offline participation, such as the delivery of pre-owned mobile phones, we engage third-party logistics service providers to carry out these functions.

While we do not produce emissions or consume resources significantly, we believe in the importance of caring for our planet and strive to strike a balance between our role as a for-profit company and our effort to protect the environment of our planet. Although relevant industry standards are not available, we have adopted various metrics to measure the impact of our business on the environment with reference to the environment protection laws and regulations in the PRC. Such metrics primarily include the amount of resource consumed. The following table sets forth our resource consumption indicators during the Track Record Period.

	For the years ended December 31,			**For six months ended June 30,**	
	2021	**2022**	**2023**	**2023**	**2024**
Resource consumption					
Electricity					
– Total amount (kWh)	244,351.8	394,652.1	336,678.13	116,339.96	151,440.09
– Intensity* (kWh/sq.m.)	9.07	8.51	4.76	3.41	3.61
Water					
– Total amount (m^3)	3,159.0	5,407.0	3,965.5	2,703.4	1,455.0
– Intensity* (m^3/sq.m.)	0.12	0.12	0.06	0.08	0.03

* Calculated as the total amount of resource consumption divided by the gross floor area of our office premises

While our power and water usage will not have any actual or potential impact on our business operations or financial performance, we intend to reduce the level of our power and water usage and have implemented and will continue to implement the following measures:

- replacing traditional bulbs with LED lights or other energy-saving lights without affecting our business operations;

- requiring employees to switch off electronic devices and lights when they are not in use;

- switching off air conditioners after normal business hours and during non-working days; and

- promoting the reduction of electricity and water consumption among our employees.

These measures have contributed to the decrease in our consumption on water and electricity for the year ended December 31, 2023 as compared to that for the year ended December 31, 2022 and the decrease in our consumption of water for the six months ended June 30, 2024 as compared to that for the six months ended June 30, 2023. Our consumption on electricity for the six months ended June 30, 2024 has increased when compared to that for the six months ended June 30, 2023 but our electricity intensity for the same periods have maintained relatively stable as the gross floor area of our office premises for the six months ended June 30, 2024 has increased when compared to that for the six months ended June 30, 2023. With the expansion of our business, we will endeavor to continue reducing our resource consumption or keeping it relatively stable.

During the Track Record Period, we did not incur any expenses in relation to the compliance with the applicable environmental laws and regulations. We expect our future annual costs in relation to environmental, health and workplace safety compliance to be immaterial. We believe that there are no significant environmental or climate-related risks which impact our business, strategy or financial performance.

During the Track Record Period, as advised by our PRC Legal Advisor, we had not been subject to any fines or penalties by government agencies in the PRC resulting from any non-compliance with any environmental protection laws in the PRC. So far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any PRC environmental government agencies in respect thereof.

Corporate Social Responsibility

We are committed to sustainable development, while constantly promoting the harmonious coexistence between human and nature. Our policies on compensation and dismissal, equal opportunities, diversity, anti-discrimination, and other benefits and welfare are evaluated and adjusted from time to time in accordance with the changes to the applicable laws and regulations. We are also committed to living up to our corporate social responsibilities and to promote the value of a sustainable company culture. For example, we are committed to carbon mitigation measures by asking our employees to be mindful of the environment when printing or consuming office supplies.

Since late December 2019, the outbreak of COVID-19 had materially and adversely affected the global economy. In response to the COVID-19 outbreak, we had employed various measures to mitigate any impact that COVID-19 outbreak might have on our business, including, among others, temporary closure of our inspection and operation centers and travel restrictions or suspension. Our inspection and operation centers were closed from March 14 to March 20 in 2022, and according to Frost & Sullivan, various major cities in the PRC including Beijing, Shenzhen, Guangzhou, Chengdu, Hangzhou, Nanjing, etc, experienced lockdown or dynamic control measures due to the impact of COVID-19 in 2022 for approximately two months on average. This resulted in temporary closure of our upstream sourcing partners' offline stores, leading to a decrease in the Company's revenue growth rate. However, it did not result in a decrease in the Company's gross revenue or gross profit. We endeavored to provide a safe work environment and adopted various hygiene and precautionary measures including improving ventilation, procurement of epidemic prevention materials and release of work-from-home plan and work resumption plan. We consider the safety of our employees as one of our top priorities and consider corporate social responsibility as part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our Shareholders. During the pandemic, we strived to provide support to our employees and business partners to the best of our abilities, which we believe strengthened our community ties and reflected our long-term value proposition of fulfilling our social responsibilities.

Occupational Health and Safety and Corporate Policy

We are subject to the relevant PRC laws and regulations regarding labor and work safety. For further details, please refer to "Regulatory Overview – Regulations relating to employment and social welfare" in this document.

In an effort to ensure the health and safety of our employees and to ensure compliance with applicable laws and regulations, we have incorporated a series of safety rules in our ESG management policy and carry out periodic inspection of our operation and inspection centers to eliminate any potentially hazardous working environment. Further, we strictly abide by the statutory requirements with respect to working hours and employee's right to leave and vacation. In addition, we hire employees based on their merits and 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. Moreover, we appreciate the services of our employees, and care about their wellbeing.

We did not experience any material workplace accident during the Track Record Period. Our PRC Legal Advisor confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material penalties associated with any violation of applicable laws or regulations with respect to occupational health and work safety in the PRC.

DATA PRIVACY AND PROTECTION

We are well aware of the importance of personal information to users and committed to protecting user privacy through our Group-wide privacy protection policy. We are subject to various laws and regulations relating to data protection and privacy, as well as the collection and use of personal and behavioral data in China. Please refer to "Regulatory Overview – Regulations Relating to Cybersecurity, Data Security and Protection of Personal Information" in this document for further details.

In the ordinary course of our business, we from time to time collect and use certain personal information of our users, such as the user's name, address, phone number, bank account or other payment account, and order information, etc., when it is necessary for users to conduct selling and/or buying activities, such as account registration, product information display and search, order placement, product delivery and after-sales customer services, and take measures to ensure that irrelevant personal information will not be collected. We display our privacy policy to the users and obtain their consent before they use our software or provide personal information to us. Our privacy policy primarily sets forth the scope of personal information, how we collect, use, share, disclose and protect users' personal information and how users can manage their personal information provided to us.

We consider the protection of the data privacy of our customers to be of paramount importance. To ensure the confidentiality and integrity of our data, we have in place policies, procedures, software and technology infrastructure in relation to the collection, use, storage, retainment, transmission, destruction, backup and recovery of our consumer data. The organizational and technical safeguards as adopted can suffice the compliance requirements under applicable data protection laws and regulations of the PRC. Our data protection and privacy policies aim to ensure that (i) personal information we collect is necessary for and proportionate to the purposes for which it is collected and that our users are informed of the purposes for which their personal information is collected and used and of their rights with respect to such data, and (ii) the unauthorized access to, breach of, tampering with or loss of personal information can be detected and prevented throughout the data lifecycle. For example, we maintain stringent control over access to personal information as well as strict assessment and approval procedures to prohibit invalid or illegitimate uses. Our database can only be accessed by certain designated and authorized personnel and we limit any access based on necessity and maintain records of data access. We have also designated personnel to be in charge of data security and personal information protection to collect, use, store, retain and transmit our consumer data in compliance with applicable data protection laws and regulations of the PRC.

We store personal information of users collected in clouds operated by third party cloud service providers in mainland China. We strictly comply with applicable data privacy laws and regulations and do not share, transfer or publicly disclose users' personal information except in certain limited circumstances, including when such transfer or disclosure is expressly authorized by users, is necessary for providing services to users, or is in compliance with applicable laws and regulations. We only process users' personal information collected during the operation of our business in mainland China within mainland China and do not transfer such users' personal information outside of mainland China nor allow remote access from outside mainland China. Moreover, we have set forth certain data destruction rules in our policies and will delete the relevant user data upon the request of users or when users cancel their account. Meanwhile, we will, as far as possible, notify the other parties (if any) who have obtained such personal information from us and ask them to delete the relevant user data.

To ensure data privacy, we have adopted measures to erase user data stored in the pre-owned devices under our various business models. Under the offline trade-in solution and offline sale solution, we will remind the individual consumer to erase the data on his/her pre-owned consumer electronic device before transporting any device into our inspection centers. The front sales staff typically helps reset his/her pre-owned consumer electronic device to factory settings in front of the individual consumer or asks the consumer to reset the device himself/herself. Under the online trade-in solution and for pre-owned consumer electronics procured through our online platform Shanhui Youpin (閃回有品) as well as other online recycling channels, we generally remind consumers to restore factory settings by way of acknowledgement of our terms and conditions. Once the consumer agrees to the final price quote we provided, we will utilize our self-developed application to overwrite and erase the user data stored in such device.

Under the corporate recycling model as the sources of such pre-owned devices are our upstream sourcing partners, mostly consumer electronic brands and mobile network operators which are subject to their own internal policy and requirement regarding data privacy, they will erase the user data, if any, in those consumer electronics before selling them to us. For demonstration devices, they will uninstall the demonstration system before transporting them to our inspection centers. After receiving the pre-owned consumer electronics from our upstream sourcing partners, we will utilize our self-developed application to overwrite and erase the user data stored in the pre-owned devices.

We use various technologies to encrypt confidential personal information and take other necessary measures to ensure the secure processing, transmission and usage of data. To minimize the risk of data loss or leakage, we employ a variety of technical solutions to prevent and detect risks and vulnerabilities in data privacy and security, such as firewall, vulnerability scanning, and conducting regular data backup, etc. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge and belief of our Directors after making reasonable enquiries, (i) we had not experienced any material hacking incident, data leakage, IT system failure or other cyber security incidents; and (ii) we were in compliance with applicable laws and regulations relating to cybersecurity and data protection in all material aspects and have not received any penalty or any material claim from any third party against us due to breach of cybersecurity or data privacy.

RISK MANAGEMENT AND INTERNAL CONTROL

In order to identify, assess and mitigate the risks that may create impediments to our success, we have implemented a comprehensive set of risk management policies and procedures including anti-fraud regulations and risk management regulations, to identify, assess and manage risks that we are exposed to in our day-to-day operations. Our Company has established an audit committee to assist our Board of Directors in providing independent advice on the effectiveness of our Company's financial reporting process, risk management and internal control systems. Our Board of Directors and senior management are responsible for making risk assessment of our Group and preparing an annual risk assessment report.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], apart from establishing an audit committee, we have implemented, and will continue to implement, the following risk management and internal control measures on our Group level:

- We have established an employee feedback, anti-fraud and anti-money laundering policy which regulates our anti-fraud, anti-money laundering and employee complaint mechanism, provides a reporting channel for employees and establishes procedures for handling unethical conducts and conflict of interest matters submitted by the employees in a confidential and anonymous manner.

- We have adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to connected transactions and information disclosure.

- We have adopted a risk management policy which clarifies the execution process and the monitoring procedures of our risk management, including financial risk management.

- We have adopted an internal control audit and supervision policy which formulates the organizational structure of the internal audit department and specifies the internal audit workflow.

In preparation for the [**REDACTED**], we engaged an independent internal control consultant to perform an independent review on the effectiveness and enforcement of our internal control policies and measures. The work scope of such internal control team covers reviewing and assessing various aspects of our operations, including (i) entity level controls, which covers employee training, board of directors and board committees, management philosophy, organizational structure, financial reporting, roles and responsibilities, human resources and legal and regulatory compliance, and (ii) business process level controls, which covers revenue and receivables, purchases and payables, inventory, human resource and payroll, assets, monetary fund, budgeting, insurance, accounting and reporting, tax, general controls of information technology, and intellectual property. We have improved our internal control system based on the recommendations of the internal control consultant, our Directors are of the view that our enhanced internal control system and measures currently in place, if implemented on a continuous basis, is adequate and effective for our current operations.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

We may be involved, from time to time, in legal or administrative proceedings arising from the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings except as disclosed below:

In July 2021, Shenzhen Shanhui and Beijing Yiying Jiamei Technology Co., Ltd. (北京怡英嘉美科技有限公司), which is a potential supplier principally engaged in the sale of consumer electronics ("**Yiying Jiamei**"), entered into a cooperation contract, agreeing that Shenzhen Shanhui would provide Yiying Jiamei with a quotation to bid on a batch of pre-owned consumer electronics, and that if Shenzhen Shanhui was the successful bidder, Shenzhen Shanhui would be required to pay the amount of the quotation and pick up the goods, but the employees of Shenzhen Shanhui who handled the quotation failed to verify the specific models of some of the mobile phones in the quotation, which led to the provision of a higher quotation to Yiying Jiamei. After successful bidding, Shenzhen Shanhui and Yiying Jiamei were not able to reach a consensus on adjustment to the quotation. In 2022, Yiying Jiamei initiated a civil lawsuit against Shenzhen Shanhui alleging that Shenzhen Shanhui failed to fulfil its contractual obligations to pick up and pay for the mobile phones sold to us in accordance with the relevant contract. On March 30, 2023, the Beijing (Chaoyang District) People's Court ruled against Shenzhen Shanhui and ordered, among others, Shenzhen Shanhui to pay RMB6 million for breach of contract to Yiying Jiamei within 10 days of the effective date of the judgement. Shenzhen Shanhui appealed to Beijing District People's Court, which published the final judgment dismissing our Company's appeal on July 31, 2023.

As the RMB6 million mentioned above was already paid and recorded as part of our other expenses for the year ended December 31, 2022, our Directors are of the view that this lawsuit will not have any material adverse impact on our business, financial position or results of operation.

Based on the court judgements mentioned above and as confirmed by our Directors, none of our Directors was involved in the above proceeding. Based on the foregoing, the Sole Sponsor is of the view that the Directors (i) are still able to satisfy the required level of skill, care and diligence for the management and operation of the Group; and (ii) continue to possess the character, experience and integrity and demonstrate a standard of competence commensurate with their position as directors of a listed company.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration, or administrative penalties against us or our Directors that could, individually or in the aggregate, had a material adverse effect on our business, results of operations and financial condition.

Non-compliance incidents

Our Directors confirm that, save as disclosed below, our Group had conducted our operations and carried out our business in compliance with the relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date in all material aspects:

Failure to make social insurance fund contributions and housing provident fund contributions in full and engagement of a third party payment agent to make contributions of social insurance and housing provident funds

During the Track Record Period, we were not in strict compliance with the social insurance and housing provident fund contributions requirements as prescribed by the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) and other relevant PRC laws and regulations in relation to our employees as we did not make social insurance and housing provident fund contributions in full for our employees, the number of which was 320, 307, 305 and 286 as of December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, and we engaged a third party payment agent to make contributions of social insurance and housing provident fund on behalf of us for certain employees, the number of which was 10, 8, nil and nil as of December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. The aggregate shortfall of social insurance and housing provident fund contributions amounted to approximately RMB4.5 million, RMB5.8 million, RMB5.1 million and RMB2.6 million in 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

The non-compliance incident in relation to the shortfall in payment was mainly due to the unwillingness of certain employees to make contributions of social insurance and housing provident fund in full for personal reasons, mainly considering the increase in their financial burden, and to participate in the social insurance schemes and housing provident fund schemes where they chose to participate in local pension schemes and housing provident fund schemes offered in their place of residency due to personal reasons. In addition, we engaged a third party payment agent to make the contributions for certain employees on our behalf as we were not able to open local accounts for the purpose of paying the contributions.

According to relevant PRC laws and regulations, (a) in respect of outstanding social insurance contributions, the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. Based on unpaid amount of our social insurance contribution of approximately RMB3.3 million, RMB4.3 million, RMB3.7 million and RMB1.9 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, the potential maximum fine which may be imposed on us if we fail to make required payments within the stipulated period required by the competent authority equals to three times of the outstanding amount of our social insurance contribution. If our Group is ordered to make payment for any such under-contribution of social insurance and overdue charge by competent government authority, we will do so within the prescribed time period and we do not expect to incur further fines; and (b) in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period by the housing provident fund administrative center. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. As advised by our PRC Legal Advisor, there are no expressed legal provisions or regulations that imposes a penalty on our Group for such under-payment but we may be ordered to pay the outstanding amount of our housing provident fund. And such outstanding amount is in the sum of approximately RMB1.2 million, RMB1.5 million, RMB1.4 million and RMB0.7 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. If we were ordered to make such payment, we will do so within the prescribed time period.

With respect to the engaging a third party agent to make contributions of social insurance and housing provident fund, since August 2023, we have rectified the arrangement of engaging the third party agent, by directly paying for all employees for their social insurance and housing provident funds without engaging third party agents.

As of the Latest Practicable Date, we had not been subject to any material administrative action or penalty imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor did we have any outstanding notice or demand from any competent authorities taking the initiative to order us to pay shortfalls for the social insurance and housing provident fund contributions. We were also not aware of any material pending complaint filed by any of our employees regarding our social insurance and housing provident fund policy.

According to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council to Effectively Stabilise the Collection of Social Insurance (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) issued by the General Office of the Ministry of Human Resources and Social Security on September 21, 2018, local governmental authorities are prohibited from organizing and conducting centralized collection of enterprises' historical unpaid social insurance contributions without permission.

Our Directors believe that such non-compliance would not have a material adverse effect on our business and results of operations, considering that: (i) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (ii) as of the Latest Practicable Date, we did not have any outstanding notification from the relevant PRC authorities taking the initiative to require us to pay shortfalls or the penalties with respect to social insurance and housing provident funds; (iii) we were neither aware of any material pending employee complaints nor were involved in any material pending labor disputes with our employees with respect to social insurance and housing provident funds as of the Latest Practicable Date; and (iv) as advised by our PRC Legal Advisor, based on the relevant regulatory policies, the Company's confirmation on paying the outstanding contributions within prescribed time period when ordered to do so and the facts stated above, and the confirmations from and interviews with relevant authorities, the likelihood that we would be subject to material administrative penalties due to such non-compliance is relatively remote. As a result, we did not make any provisions in connection with these non-compliances during the Track Record Period and up to the Latest Practicable Date.

We have taken the following rectification measures to prevent future occurrences of such non-compliances:

- we have provided and will continue to provide regular trainings to our employees in relation to social insurance fund and housing provident fund contributions compliance requirements and the relevant laws and regulations; and

- we have adopted a set of internal policies in relation to social insurance fund and housing provident fund contribution, and we will continue to maintain the arrangement that our local subsidiaries shall make their own social insurance and housing provident fund contributions instead of engaging any third-party agent to do so.

Non-compliance on unauthorised operation of telecommunications business

During the Track Record Period, Shenzhen Shanhui failed to obtain the relevant value-added telecommunications business operation licence (the "**VAT Licence**") for (i) the operation of an information distribution platform on its own website for users to post information on trading of pre-owned goods and recruitment without charge, which fell within the "information distribution platform and delivery service" under the category of "information service business" stipulated in the Classification Catalog of Telecommunications Services (2015 version) (the "**2015 Telecom Catalog**"), which required a VAT Licence for the category of information service business (the "**ICP Licence**"); and (ii) the sales of third-party consignment products on its online platform by charging service fees (the "**Consignment Business**"), which fell under the category of "online data processing and transaction business' under the 2015 Telecom Catalog, which required a VAT Licence for the category of "online data processing and transaction processing business" (the "**EDI Licence**").

With respect to the above-mentioned non-compliance incidents, Shenzhen Shanhui took the initiative to make rectifications by ceasing the operation of the aforesaid information distribution platform in April 2021 and the Consignment Business in October 2021. During the Track Record Period, Shenzhen Shanhui did not generate any revenue from the aforesaid information distribution platform and the amount of revenue generated from the Consignment Business were approximately RMB0.4 million, nil, nil and nil for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024.

According to the Regulations of the People's Republic of China on Telecommunications (the "**Telecommunications Regulations**"), the operation of value-added telecommunications business requires the acquisition of a corresponding VAT Licence. According to the Telecommunications Regulations and the Administrative Measures on Telecommunications Business License, any unauthorised operation of telecommunications business or over-range operation of telecommunications business will be ordered by the competent department of information industry to make rectification, confiscate the unlawful proceeds, and will be imposed a fine of more than three times and less than five times of the unlawful proceeds, and if there is no unlawful proceeds or if the unlawful proceeds are less than RMB50,000, a fine of not less than RMB100,000 and not more than RMB1 million will be imposed, and if the circumstances are serious, penalties such as suspension of business, and inclusion in the loss of trust list of telecommunications business operation will be imposed.

According to aforesaid PRC law and regulations, Shenzhen Shanhui may be subject to administrative penalties imposed by the competent authorities for unauthorised operation of telecommunications business due to the aforesaid non-compliance incidents. However, on the basis that that: (i) Shenzhen Shanhui did not generate any revenue from the information distribution platform and the amount of revenue generated from the Consignment Business during the Track Record Period was relatively small, and Shenzhen Shanhui has taken the initiative to rectify such non-compliance; (ii) according to the interview conducted by the Sole Sponsor, our PRC Legal Advisor and the PRC legal advisor of the Sole Sponsor with Shenzhen Communications Administration (深圳市通信管理局), if the historical non-compliance incidents were rectified, administrative penalties would generally not be imposed; (iii) the public search on the website of the Guangdong Provincial Communications Administration conducted by our PRC Legal Advisor revealed no record of Shenzhen Shanhui being penalised by the telecommunications authority during the Track Record Period; (iv) according to the Administrative Penalties Law of the PRC, no administrative penalty will be imposed if the non-compliance incident is not discovered within two years, and the Company confirms that during the Track Record Period, Shenzhen Shanhui has not been penalised by the competent authorities, nor has it received any notice from the competent authorities requesting the rectification of the non-compliance incidents, our PRC Legal Advisor is of the view that the risk of Shenzhen Shanhui being subject to administrative penalties due to such non-compliance is relatively remote.

The Company's business activities in the PRC are not required to obtain any VAT Licence

During the Track Record Period and up to the Latest Practicable Date, the main functions of our online platforms including websites, mobile apps and mini programs in the PRC are: (a) to receive information on pre-owned customer electronics to be provided by the individual consumer, provide our recycling price to the individual consumer and complete the transactions on the recycling of pre-owned consumer electronics, and the management of our upstream sourcing partners involved in our recycling business; (b) to sell pre-owned consumer electronics we procured, receive the bidding price from our customers and provide after-sales services. our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor are of the view that except for the historical non-compliance incidents (for more details, please refer to

"Business – Legal proceedings and non-compliance" in this document), during the Track Record and as of the Latest Practicable Date, our business activities in the PRC do not directly involve provision of any type of value-added telecommunication services under the 2015 Telecom Catalog and are not required to obtain any VAT Licence based on the following:

- according to (a) the Administrative Measures on Internet Information Services (the "**Internet Measures**") (as amended in 2011), which provides that commercial Internet information services refers to service activities such as providing information or webpage production to Internet users through the Internet for a fee, and a VAT Licence shall be obtained when engaging in commercial Internet information services; and non-commercial Internet information service refers to the service activity of providing public and shared information to Internet users through the Internet without charge, and the engagement in non-commercial Internet information service shall complete the filing procedure; and (b) the Circular of the General Office of the Ministry of Commerce on Issues Relating to the Approval and Management of Foreign-invested Sales Projects on the Internet and in the Mode of Vending Machines (《關於外商投資互聯網、自動售貨機方式銷售項目審批管理有關問題的通知》), which came into effect on August 19, 2010 and was repealed on January 1, 2020 in order to safeguard the implementation of the Foreign Investment Law of the PRC and provides that Internet sales is the extension of the enterprise's sales behaviour on the Internet, and the use of its own network platform to provide Internet services for other trading parties shall apply for a VAT Licence; enterprises using their own network platform to directly engage in the sale of goods shall conduct filing procedure, as confirmed by our Directors, our online platforms serve the transactions of our recycling of pre-owned consumer electronics and our sales of pre-owned consumer electronics respectively, which are the extension of our offline recycling behaviour and sales behaviour to the Internet, and we make profits from the difference between the procurement price and the sale price, instead of provision of paid Information services for handling fee or service fee charges, and therefore is not regarded as commercial Internet service and does not require a VAT Licence, and only the corresponding filing procedure is required to be carried out;

- according to the Announcement on Issues Relating to Value-added Telecommunications Business Licence (《關於增值電信業務經營許可有關問題的公告》) issued by the Guangdong Provincial Communication Administration on April 7, 2022 on its official website, enterprises using their own websites and directly selling their own or other enterprises' goods or services in a self-operated manner, without other units or individuals carry out sales on the website in their own name, are not value-added telecommunications businesses and do not need to obtain a VAT Licence, as confirmed by our Directors, the pre-owned customer electronics sold on our online platforms were all acquired by us through our recycling transactions, and we formed separate sale and purchase transactions with the individual consumer from whom we procured pre-owned consumer electronics and with our customers who purchase pre-owned consumer electronics from us, respectively, and there was no third party providing recycling services nor carrying out sales in its own name to our users on our online platforms;

- during the interviews conducted by the Sole Sponsor, our PRC Legal Advisor and the PRC legal advisor to the Sole Sponsor with the Shenzhen Communications Administration, which was the competent authority for the supervision of telecommunication business licences and law enforcement in relation to telecommunication business carried out by enterprises within its jurisdiction, Shenzhen Communications Administration was informed of the core functions of our online platforms and the transaction flows with respect to our recycling and sales business conducted on our online platforms and confirmed that we would not be involved in the provision of value-added telecommunications services by using our online platforms to conduct recycling and sales business in our own name, and would only be required to conduct the filing procedure for non-commercial Internet information services. As of the Latest Practicable Date, we had completed the relevant filing procedure.

OVERVIEW

Our Board consists of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible for and has general powers for the management and operation of our Company.

We [have entered] into service agreements with each of our executive Directors. We [have also entered] into letters of appointment with each of our non-executive Director and independent non-executive Directors.

Our senior management reports to our Board, and they collectively are responsible for the management of day-to day operations of our Company.

BOARD OF DIRECTORS

Members of our Board:

The following table sets forth certain information with respect to our Directors and as of the Latest Practicable Date:

Name	Age	Title	Date of joining our Group	Date of appointment as Director	Role and responsibilities in our Group	Relationship with other Directors and senior management members
Mr. Liu Jianyi (劉劍逸)	54	Chairman, executive Director and general manager	May 18, 2016	August 11, 2021	Responsible for managing the day-to-day operations and overall business of our Group	N/A
Ms. Yu Hairong (余海容)	45	Executive Director and chief executive officer	May 18, 2016	January 17, 2024	Responsible for managing the day-to-day operations of our Group	N/A
Mr. He Xiaomin (何小敏)	46	Executive Director and chief production officer	May 18, 2016	January 17, 2024	Responsible for the day-to-day management of the supply chain department and the implementation of the back-office systems of our Group	N/A

Name	Age	Title	Date of joining our Group	Date of appointment as Director	Role and responsibilities in our Group	Relationship with other Directors and senior management members
Mr. Lin Lexin (林樂新)	35	Executive Director and chief technology officer	May 18, 2016	January 17, 2024	Responsible for managing the technology and development team and supervising technology and development work within our Group	N/A
Mr. Jiang Wen (蔣文)	38	Non-executive Director	July 4, 2018	January 17, 2024	Overseeing Board affairs and providing strategic advice and guidance on the business operations of our Group	N/A
Mr. How Sze Ming (侯思明)	47	Independent non-executive Director	[●]	[●]	Responsible for supervising and providing independent judgement and advice to our Board	N/A
Dr. Leung Kin Cheong Laurent (梁健昌)	54	Independent non-executive Director	[●]	[●]	Responsible for supervising and providing independent judgement and advice to our Board	N/A
Ms. Wen Zhuyun (溫竹韻)	37	Independent non-executive Director	[●]	[●]	Responsible for supervising and providing independent judgement and advice to our Board	N/A

Executive Directors

Mr. Liu Jianyi (劉劍逸), aged 54, was appointed as our Director on August 11, 2021 and appointed as our Chairman and re-designated as our executive Director on January 17, 2024. Mr. Liu is one of the founders of our Group. He has successively served as the executive director and the chairman of the board of Shenzhen Shanhui since its establishment. He is primarily responsible for managing the day-to-day operations and overall business of our Group. He is also the chairman of our Nomination Committee.

Mr. Liu is also the executive director, legal representative and general manager of Zhejiang Shanhui, Shenzhen Xinghe, Shenzhen Tianhai, Shenzhen Shanji and Shenzhen Shanxin and the director of ShanH Holding and Shanhui Technology.

Mr. Liu has over 18 years of experience in the telecommunications industry. Prior to founding our Group, between September 2003 to May 2012, Mr. Liu was appointed as the director of the operator department of Shenzhen Yitian Mobile Digital Chain Co., Ltd. (深圳市易天移動數碼連鎖有限公司), which is a subsidiary of Telling Telecommunication Holding Co., Ltd. (天音通信控股股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000829) and primarily engaged in marketing services for communication products and the mobile internet business ("**Shenzhen Yitian**") where he was mainly in charge of expansion and management of business relationships with mobile network operators in the area of telecommunication. From April 2015 to November 2015, Mr. Liu was appointed as the supervisor of Shenzhen Huishoubao Technology Company Limited (深圳回收寶科技有限公司), a company principally engaged in the trading of pre-owned mobile digital products, where he was responsible for overseeing channel management strategies and operations.

Mr. Liu graduated from Jiangxi University (江西大學), the PRC, with specialization in food science in July 1990. Mr. Liu obtained a master's degree in business administration at University of Wales, the United Kingdom, in October 2007 after he completed such programme at Research Institute of Tsinghua University in Shenzhen (深圳清華大學研究院).

Mr. Liu was the person-in-charge of the following entity which was established in the PRC, at the time or within 12 months from the time of its revocation. The relevant details are as follows:

Entity name	Nature of business	Status	Date of business licence revocation	Reason
Liaoning Yitian Mobile Digital Co., Ltd. Shenyang Xinghua Branch (遼寧易天移動數碼有限公司瀋陽興華店)	trade and technical services of electronic communication products and accessories	business licence revoked	April 12, 2012	failure to undergo annual inspection

As confirmed by Mr. Liu, to the best of his knowledge, Liaoning Yitian Mobile Digital Co., Ltd. Shenyang Xinghua Branch (遼寧易天移動數碼有限公司瀋陽興華店) was solvent immediately prior to its revocation of business license, and such revocation of business license was not caused by his mistake or fault and he was not aware of any actual or potential liability or obligation imposed on or will be made against him by reason of such revocation.

Ms. Yu Hairong (余海容), aged 45, was appointed as our executive Director and chief executive officer on January 17, 2024. She was appointed as the president of Shenzhen Shanhui since its establishment and was re-designated as a director and president of Shenzhen Shanhui on July 5, 2018. She is primarily responsible for managing the day-to-day operations of our Group.

Ms. Yu has over 20 years of experience in the telecommunications industry. Prior to joining our Group, Mr. Yu was the a deputy general manager of Shenzhen Yitian between July 2002 to May 2016 where she was mainly in charge of overseeing the day-to-day operations of the company.

Ms. Yu graduated from Southwest Agricultural University (西南農業大學) (now known as Southwest University (西南大學)), the PRC, in July 2002 with a bachelor's degree in information management and information system.

Mr. He Xiaomin (何小敏), aged 46, was appointed as our executive Director and chief production officer on January 17, 2024. Mr. He joined our Group since its establishment on May 18, 2016 as the supply chain director of Shenzhen Shanhui. He is primarily responsible for the day-to-day management of the supply chain department and the implementation of the back-office systems of our Group.

Mr. He has over 20 years of experience in information technology development and management. Prior to joining our Group, Mr. He was appointed as the manager of the information management department of Shenzhen Yitian between August 2002 and August 2009 where he was mainly in charge of the information system of the retail subsidiaries of the company. Between August 2009 and July 2012, he was the senior manager of the information department of Goldlion (China) Company Limited, Guangzhou Branch (金利來(中國)有限公司廣州分公司), where he was responsible for the informatization planning and system establishment of the parent company, Goldlion Holdings Limited (金利來集團有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 0533). Between October 2012 and February 2013, he was the deputy manager of the information department of New Belle Footwear (Shenzhen) Company Limited (新百麗鞋業(深圳)有限公司), a company formerly listed on the Main Board of the Stock Exchange, where he was primary responsible for information system development. Mr. He was the chief information officer of Shenzhen Yitian between February 2013 and January 2015 where he was responsible for the informatization planning and system establishment of the retail subsidiaries of the company. Between June 2015 and September 2015, Mr. He was appointed as the project manager of Shenzhen Qianhai Zhengrong Software and Information Technology Service Company Limited (深圳市前海正榮軟件和信息技術服務有限公司) where he was mainly in charge of the development, implement and promotion of the information system of the company. Between September 2015 and March 2016, Mr. He was appointed as the chief technology officer of the information technology department of Shenzhen Chaodai Fashion Technology Company Limited (深圳市潮代時尚科技有限公司), a company mainly engages in technical development of network software, where he was mainly in charge of product planning.

Mr. He graduated from Sun Yat-sen University (中山大學), the PRC, majoring in computational mathematics and application software in June 2000.

Mr. Lin Lexin (林樂新), aged 35, was appointed as our executive Director and chief technology officer on January 17, 2024. Mr. Lin has also been the chief technology officer of Shenzhen Shanhui since its establishment on May 18, 2016. Mr. Lin is primarily responsible for managing the technology and development team and supervising technology and development work within our Group.

Mr. Lin is also the supervisor of Zhejiang Shanhui, Shenzhen Xinghe, Shenzhen Tianhai, Shenzhen Shanji and Shenzhen Shanxin.

Mr. Lin has over 10 years of experience in software development. Prior to joining our Group, Mr. Lin worked as a software engineer at Southern Power Grid Shenzhen Digital Power Grid Research Institute Company Limited (南方電網深圳數字電網研究院有限公司) from July 2011 to May 2014, where he was responsible for the development of the supply and financial systems. Between May 2014 and April 2016, he was employed as a front office development engineer of Shenzhen Yixun Tiankong Network Technology Company Limited (深圳市易迅天空網絡技術有限公司), a company mainly engages in network software development and related technical consulting, where he was responsible for the full-stack development and maintenance of mobile websites.

Mr. Lin obtained a bachelor's degree in electronic commerce from South China University of Technology (華南理工大學), the PRC, in July 2011.

Non-executive Director

Mr. Jiang Wen (蔣文), aged 38, was appointed as a director of Shenzhen Shanhui in July 2018. Mr. Jiang was nominated by Shanghai Jiaozeng to act as our non-executive Director on January 17, 2024. Mr. Jiang is primarily responsible for overseeing Board affairs and providing strategic advice and guidance on the business operations of our Group.

Mr. Jiang has approximately nine years of experience in corporate investments. He has been a partner of strategic investment department at Xiaomi Corporation (小米集團), a company listed on the Main Board of the Stock Exchange (Stock Code: 1810) since September 2014 where he is primarily responsible for the investment planing of Xiaomi Corporation. Mr. Jiang has been appointed as an independent non-executive director of Beijing Roborock Technology Co., Ltd. (北京石頭世紀科技股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 688169) between May 2020 and December 2023.

Mr. Jiang obtained a master's degree in linguistics from The Chinese University of Hong Kong, the PRC, in December 2009.

Mr. Jiang served as a director of the following companies, which were established in the PRC or Hong Kong, at the time or within 12 months from the time of their deregistration or dissolution. The relevant details are as follows:

Company name	Place of incorporation/ establishment	Mr. Jiang's position	Nature of business	Status	Date of deregistration or dissolution	Reasons for deregistration or dissolution
Puppet Planet (Beijing) Technology Co., Ltd. (木偶星球(北京)科技有限公司)	PRC	director	technology development and computer system services	deregistered	March 31, 2022	cessation of business
Beijing Dongwen Tianxia Media Technology Co., Ltd. (北京動聞天下傳媒科技有限公司)	PRC	director	technology promotion services and computer system services	deregistered	September 15, 2020	cessation of business
September Guanghe (Beijing) Animation Culture Communication Co., Ltd. (九月光合(北京)動漫文化傳播有限公司)	PRC	director	organization of cultural and artistic activities (excluding performances)	deregistered	June 9, 2020	cessation of business

Mr. Jiang confirmed that the above companies were deregistered or dissolved due to cessation of business operation and were deregistered or dissolved on a voluntary basis, and were solvent at the time of deregistration or dissolved, such deregistration or dissolution was not caused by any fraudulence or misconduct on his part. Mr. Jiang was not aware of any actual or potential liability or obligation imposed on or will be made against him.

Independent Non-executive Directors

Mr. How Sze Ming (侯思明), aged 47, was appointed as our independent non-executive Director on [●]. Mr. How is also the chairman of the Audit Committee of our Company and a member of each of the Remuneration Committee and the Nomination Committee of our Company. Mr. How has over 20 years of experience in investment banking and business assurance industry. He is responsible for supervising and providing independent judgment and opinion to our Board on issues material to our Group and where otherwise required.

From September 1999 to July 2002, Mr. How worked as a senior associate in the assurance and business advisory services department of PricewaterhouseCoopers and is primarily responsible for performing assurance and business advisory work. From July 2002 to December 2004, Mr. How worked as the corporate finance executive and was promoted to the assistant manager at Tai Fook Securities Company Limited (大福融資有限公司) (now known as Haitong International Securities Company Limited (海通國際證券有限公司)), a company principally engaged in securities advisory broking, securities dealing and leveraged foreign exchange trading, where he was responsible for corporate finance advisory. From December 2004 to May 2006, Mr. How worked as the assistant vice president of CCB International Capital Limited (建銀國際融資有限公司), a company principally engaged in securities advisory, securities dealing and corporate finance advisory. From May 2006 to March 2009, Mr. How first worked as the associate and later as the assistant vice president in the investment banking division of ICEA Capital Limited (工商東亞融資有限公司), a company principally engaged in dealing in securities and corporate finance advisory, where he was responsible for corporate finance advisory. From April 2009 to February 2010, Mr. How worked as the assistant vice president in the Investment Banking Division of ICBC International Holdings Limited (工銀國際融資有限公司), a company principally engaged in investment banking. From February 2010 to June 2015, Mr. How was the managing director of the Investment Banking Department of CMB International Capital Corporation Limited (招銀國際融資有限公司), a company principally engaged in investment banking, securities brokerage and asset management, where he was responsible for corporate finance advisory. From July 2015 to January 2016, Mr. How was the managing director of Zhaobangji International Capital Limited (兆邦基國際融資有限公司) (currently known as Yishun Da Capital Limited (易順達融資有限公司), a company principally engaged in investment banking and advisory, where he was responsible for corporate finance advisory. Between February 2016 and September 2021, Mr. How worked as the managing director/head of corporate finance of Southwest Securities (HK) Capital Limited (西證(香港)融資有限公司), a company principally engaged in investment banking and advisory, where he is responsible for corporate finance advisory. Mr. How is currently the managing director of Patrons Capital Limited (百惠資本有限公司), a company principally engaged in corporate financing and advisory, where he is responsible for corporate finance advisory.

Mr. How has been an independent non-executive director of the following companies listed on the Main Board of the Stock Exchange, Watts International Maritime Engineering Limited (華滋國際海洋工程有限公司) (Stock Code: 2258), World-Link Logistics (Asia) Holding Limited (環宇物流(亞洲)控股有限公司) (Stock Code: 6083), and Huashi Group Holding Limited (華視集團控股有限公司) (Stock Code: 1111) since October 2019, October 2018, December 2015, and December 2023, respectively. Mr. How served as an independent non-executive director of 1957 & Co. (Hospitality) Limited (Stock Code: 8495) from December 2017 to August 2022, Shanghai Zendai Property Limited (上海証大房地產有限公司) (Stock Code: 0755) from May 2017 to January 2021 and Ruicheng (China) Media Group Limited (瑞誠(中國)傳媒集團有限公司) (Stock Code: 1640) from October 2019 to June 2024. He has also been serving as an independent non-executive director of Insight Lifetech Co Ltd (深圳北芯生命科技股份有限公司), a company principally engaged in the research, development and sales of medical devices for the diagnosis and treatment of cardiovascular diseases, since July 2021.

Mr. How graduated from The Chinese University of Hong Kong, Hong Kong with a bachelor's degree in business administration in December 1999. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Dr. Leung Kin Cheong Laurent (梁健昌博士), aged 54, was appointed as our independent non-executive Director on [●]. Dr. Leung is also the chairman of the Remuneration Committee of our Company and a member of each of the Audit Committee and the Nomination Committee of our Company. He is responsible for supervising and providing independent judgment and opinion to our Board on issues material to our Group and where otherwise required.

Dr. Leung has over 20 years of experience in financial services industry. Dr. Leung is currently the managing director of Zijing Capital Limited (紫荊融資有限公司) since December 2021, a company which is a subsidiary of Zijing International Financial Holdings Limited (紫荊國際金融控股有限公司) a company listed on the Main Board of the Stock Exchange (Stock Code: 8340), where he is responsible for the management and business development of Zijing Capital Limited. Dr Leung was appointed as an executive director of Zijing International Financial Holdings Limited in December 2021, and was subsequently re-designated as a non-executive director from February 2022 to November 2023. Between October 2012 and December 2021, Dr. Leung worked as the managing director of China Industrial Securities International Capital Limited (興證國際融資有限公司), a company which is a subsidiary of China Industrial Securities International Financial Group Limited (興證國際金融集團有限公司) (a company listed on the Main Board of the Stock Exchange (Stock Code: 6058)), where he was responsible for providing corporate finance services. Between August 2011 and August 2012, Dr. Leung worked as the managing director of Guosen Securities (HK) Capital Company Limited (國信證券(香港)融資有限公司), where he was responsible for providing corporate finance services. Between March 2009 to July 2010, Dr. Leung has served as a non-executive director at A-MAX Holdings Limited (奧瑪仕控股有限公司) (now known as Century Entertainment International Holdings Limited (世紀娛樂國際控股有限公司)), a company listed on the Main Board of the Stock Exchange (Stock Code: 959), where he was responsible for the daily investment banking related operations and providing corporate finance services. Between June 2002 and July 2011, Dr. Leung worked at KGI Capital Asia Limited (凱基金融亞洲有限公司), where his position was a senior vice president in investment banking department.

Dr. Leung graduated from the National Chengchi University (國立政治大學), Taiwan with a bachelor's degree in economics in June 1994. He further obtained a master's of science degree in economics and finance from the University of Warwick, the United Kingdom in January 1998, and a doctor of philosophy in finance from the Shanghai University of Finance and Economics (上海財經大學), the PRC in June 2011. He is also a committee member of the Hong Kong Institute of Directors, the honorary president of Shanghai University of Finance and Economics Hong Kong Alumni Association, and the chairman of the Miniature Football Association of Hong Kong, China Company Limited.

Ms. Wen Zhuyun (溫竹韻), aged 37, was appointed as our independent non-executive Director on [●]. Ms. Wen is also a member of each of the Audit Committee and the Remuneration Committee of our Company. Ms. Wen has over 13 years of experience in accounting and audit industry. She is responsible for supervising and providing independent judgment and opinion to our Board on issues material to our Group and where otherwise required.

Ms. Wen has been the financial expert of X Financial (深圳市小贏科技有限責任公司) since March 2020, a company listed on the New York Stock Exchange (Stock Code: XYF) and is principally engaged in providing online personal finance services, where she is responsible for optimizing financial systems and processes, leading the development of financial databases and coordinating the financial accounting and audit work at the US reporting level. Ms. Wen worked as a senior associate at PricewaterhouseCoopers Limited from November 2017 to March 2020 where she was responsible for leading the initial public offering projects and annual audit projects on site for Hong Kong listed companies. Between July 2016 and November 2017, Ms. Wen worked as a financial advisor at Soundario Inc. (深圳大動靜科技有限公司), a company principally engaged in developing audio apps and hardware products, where she was responsible for building financial management system and coordinating annual audit work. Between January 2013 and June 2016, Ms. Wen worked at Mazars CPA Limited with her last position as a senior auditor, where she was responsible for leading annual audit projects. Since March 2010 to June 2012, Ms. Wen work as staff accountant at SHINEWING (HK) CPA Limited.

Ms. Wen graduated from the Sichuan University (四川大學), the PRC with a bachelor's degree in finance in June 2008. She further obtained a master's degree in professional accounting and corporate governance from the City University of Hong Kong, Hong Kong in February 2010. She is a non-practicing member of the Chinese Institute of Certified Public Accountants since September 2015, a member of the Hong Kong Institute of Certified Public Accountants since May 2017, and a member of American Institute of Certified Public Accountants since January 2023.

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed above and in "Appendix IV – Statutory and General Information – D. Further Information about our Directors and Substantial Shareholders", each of our Directors confirms that: (i) he/she has no interests in the Shares within the meaning of Part XV of the SFO as of the Latest Practicable Date; (ii) he/she is independent from, and is not related to, any other Directors, members of senior management or substantial shareholders as of the Latest Practicable Date; (iii) he/she has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to (v) of the Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his/her appointment.

SENIOR MANAGEMENT

Members of our senior management

The following table sets out certain information with respect to the members of our senior management team as of the Latest Practicable Date:

Name	Age	Title	Date of joining our Group	Date of appointment	Role and responsibilities in our Group	Relationship with other Directors and senior management members
Mr. Liu Jianyi (劉劍逸)	54	General manager	May 18, 2016	January 17, 2024	Responsible for managing the day-to-day operations and overall business of our Group	N/A
Ms. Yu Hairong (余海容)	45	Chief executive officer	May 18, 2016	January 17, 2024	Responsible for managing the day-to-day operations of our Group	N/A
Mr. He Xiaomin (何小敏)	46	Chief production officer	May 18, 2016	January 17, 2024	Responsible for the day-to-day management of the supply chain department and the implementation of the back-office systems of our Group	N/A
Mr. Lin Lexin (林樂新)	35	Chief technology officer	May 18, 2016	January 17, 2024	Responsible for managing the technology and development team and supervising technology and development work within our Group	N/A
Ms. Pan Jianhong (潘劍虹)	44	Chief financial officer	September 11, 2023	January 17, 2024	Responsible for the financial management of our Group	N/A

The biographical information of Mr. Liu Jianyi (劉劍逸), Ms. Yu Hairong (余海容), Mr. Lin Lexin (林樂新) and Mr. He Xiaomin (何小敏) is set out in the paragraph headed "Board of Directors" in this section.

Ms. Pan Jianhong (潘劍虹), aged 44, joined our Group as the chief financial officer in September 2023 and is primarily responsible for the financial and securities aspects of our Group. Ms. Pan is also a joint company secretary of our Company.

Ms. Pan has approximately 10 years of experience in financial management. Prior to joining our Group, from 2012 to 2015, Ms. Pan worked as the investor relations director and assistant chief financial officer at Man Wah Holdings Limited (敏華控股有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 1999), where she was responsible for the financial management. From September 2015 to July 2021, Ms. Pan served as the director of investment department and the general manager of strategic investment department in Palm Eco-town Development Co., Ltd. (棕櫚生態城鎮發展股份有限公司) ("**Palm Eco-town**"), a company listed on the Shenzhen Stock Exchange (Stock Code: 002431), and concurrently served the vice president of Palm Sports Industry Development Group Limited (棕櫚體育產業發展集團有限公司), a joint venture of Palm Eco-town, where she was responsible for mergers and acquisitions and financing activities of Palm Eco-town. From August 2021 to May 2022, Ms. Pan worked as the vice president of the investment and financing and board secretary of Xiangqi Group Co., Ltd. (深圳祥祺集團有限公司), where she was responsible for mergers and acquisitions and financing activities. From October 2022 to August 2023, Ms. Pan worked as the deputy general manager of Qingdao Ying Kang Life Holdings Co., Ltd. (青島盈康一生控股有限公司) and INKON Life Technology Co., Ltd (盈康生命科技股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300143), where she was responsible for the asset management and general corporate governance.

Ms. Pan obtained a bachelor's degree in business administration from the Sun Yat-sen University (中山大學), the PRC, in June 2000. She obtained a master‘s degree in regional economics from Lanzhou University (蘭州大學), the PRC, in June 2013. She also obtained a master's degree in digital marketing strategies from Columbia University, the United States, in November 2022 through long distance learning.

Ms. Pan was awarded the "Qualification Certificate for Board Secretaries of Listed Companies (上市公司董事會秘書資格證書)" by the Shenzhen Stock Exchange in September 2021. She was accredited the certificate of chief financial officer by Shenzhen Stock Exchange Venture Enterprise Training Centre in April 2022. Ms. Pan is also a professional member of International Finance Management Association since May 2014. Ms. Pan obtained the Certificate in ESG Investing issued by CFA Institute in December 2023.

Saved as disclosed above, and in the "Board of Directors – Members of our Board" in this section, none of our senior management members has held any directorship in any other public companies of which the securities are listed on any securities market in Hong Kong or overseas in the past three years.

None of our senior management members is personally related to any of our Directors, senior management or substantial shareholders.

JOINT COMPANY SECRETARY

Ms. Pan Jianhong (潘劍虹) was appointed as one of our joint company secretaries on January 17, 2024. For biographical details of Ms. Pan, please refer to the paragraph headed "Senior Management" in this section.

Ms. Li Ching Yi (李菁怡), was appointed as our joint company secretary on January 17, 2024. Ms. Li is a senior manager of the Listed & Fiduciary Corporate Services Department of Trident Corporate Services (Asia) Limited (恒泰商業服務有限公司), a global professional services firm.

Ms. Li has over 10 years of professional experience in company secretarial field. She is currently the company secretary of Yadong Group Holdings Limited (亞東集團控股有限公司) (Stock Code: 1795), a joint company secretary of Yidu Tech Incorporated (醫渡科技有限公司) (Stock Code: 2158), Pop Mart International Group Limited (泡泡瑪特國際集團有限公司) (Stock Code: 9992), Acotec Scientific Holdings Limited-B (先瑞達醫療科技控股有限公司) (Stock Code: 6669), 3D Medicines Inc. (思路迪醫藥股份有限公司) (Stock Code: 1244), Sipai Health Technology Company Limited (思派健康科技有限公司) (Stock Code: 0314) and Laopu Gold Co., Ltd. – H Shares (老鋪黃金股份有限公司) (Stock Code: 6181), all of which are listed on the Main Board of the Stock Exchange.

Ms. Li is an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). She graduated from Lingnan University, Hong Kong with a bachelor's degree in social sciences in October 2011. She graduated from City University of Hong Kong, Hong Kong with a master's degree in professional accounting and corporate governance in July 2015.

BOARD COMMITTEES

Audit Committee

We have established the Audit Committee on [●] with written terms of reference in accordance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the "**CG Code**"). The Audit Committee consists of three independent non-executive Directors, namely Mr. How Sze Ming, Dr. Leung Kin Cheong Laurent and Ms. Wen Zhuyun. Mr. How Sze Ming has been appointed as the chairman of the Audit Committee. The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of our Group, to oversee the audit process, to develop and review our policies, to make recommendations to our Board on the appointment and dismissal of the external auditors, and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established the Remuneration Committee on [●] with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the CG Code. The Remuneration Committee has three members, namely Dr. Leung Kin Cheong Laurent, Mr. How Sze Ming and Ms. Wen Zhuyun. Dr. Leung Kin Cheong Laurent, has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management, review and approve our management's remuneration proposals with reference to our Board's corporate goals and objectives, ensure none of our Directors determine their own remuneration, and make recommendations on employee benefit arrangement.

Nomination Committee

We have established the Nomination Committee on [●] with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the CG Code. The Nomination Committee consists of three members, namely Mr. Liu Jianyi, Mr. How Sze Ming and Dr. Leung Kin Cheong Laurent. Mr. Liu Jianyi has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and make recommendation to our Board on any proposed changes to our Board to complement our Group's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to our Board on the selection of individuals nominated for directorships; assess the independence of independent non-executive Directors; and make recommendations to our Board on the appointment or reappointment of Directors and succession planning of Directors.

BOARD DIVERSITY POLICY

With a view to achieving sustainable and balanced development, we [have adopted] a board diversity policy (the "**Board Diversity Policy**") to achieve diversity in our Board. Our Board Diversity Policy sets out the objective of and approach by our Board to achieve and maintain diversity in our Board in order to enhance the effectiveness of our Board and recognizes and embraces the benefits of diversity in our Board. We endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the implementation of our business strategy. Pursuant to our Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service and any other factors that our Board may consider relevant and applicable from time to time. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will enable our Company to best serve our Shareholders and other stakeholders going forward.

Our Board consists eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have a balanced mix of experience, including overall management and strategic development, marketing and business development, and finance and accounting experiences in addition to experience in the mobile phone and electronic products, corporate investments or telecommunication related industry. In addition, the other three newly appointed independent non-executive Directors are expected to bring in fresh ideas and new perspectives to our Group as well as an element of independence. Our Board believes that, as we currently have two female representation on our Board, based on the mix of different backgrounds and experiences of our Directors and the age diversity, our current Board composition satisfies the principles set out in our Board Diversity Policy. In addition, Ms. Yu, being our executive Director and Chief Executive Officer, and Ms. Pan Jianhong, our chief financial officer and one of our Joint Company Secretaries, are also female. Our Directors therefore consider that our Board our senior management team also possesses gender diversity.

In recognizing the particular importance of gender diversity, the nomination committee will review the composition of our Board and identify and recommend additional suitable female candidate(s) to our Board or senior management team from time to time and make recommendations as to their appointment as and when appropriate. Our Company will also take into consideration factors based on our Group's business model and specific needs from time to time in determining the optimum composition of our Board and our senior management team.

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the CG Code. Our Company is committed to the belief that our Board should include a balanced composition of executive Directors and non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

As of the Latest Practicable Date, to the best of the knowledge, information and belief of our Directors, our Directors were not aware of any deviation from the code provisions as set out in the CG upon completion of the [**REDACTED**].

REMUNERATION POLICY

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, discretionary bonuses, contributions to pension schemes and other allowances and benefits in kind subject to applicable laws, rules and regulations.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and, following the [**REDACTED**], will receive recommendation from the remuneration committee which will take into account the salaries paid by comparable companies, the time of commitment and the responsibilities of our Directors and the performance of our Group.

COMPENSATIONS OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration (including Directors' fees, salaries, contributions to pension schemes, discretionary bonuses, share-based payments, retirement benefit schemes, allowances and other benefits in kind) paid to our Directors for the years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2024 was approximately RMB2.0 million, RMB3.1 million, RMB3.5 million and RMB1.6 million, respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, share-based payments, retirement benefit schemes, allowances and other benefits in kind paid to our five highest paid individuals (excluding our Directors amongst the five highest paid individuals) for the years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2024 was approximately RMB2.2 million, RMB0.7 million, RMB1.6 million and RMB1.7 million, respectively.

Under the arrangement currently in force and pursuant to our Directors' service contracts referred to in "Statutory and General Information – D. Further Information about our Directors and Substantial Shareholders – 1. Directors – (b) Particulars of service agreements" in Appendix IV to this document, the aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, share-based payments, retirement benefit schemes, allowances and other benefits in kind) payable to our Directors for the year ending 31 December 2024 is estimated to be approximately RMB3.6 million.

Save as disclosed above, no other payments including contributions to pension schemes have been paid or are payable, in respect the Track Record Period by us or any of our subsidiaries to our Directors, and no payments were made during the Track Record Period by us to any of our Directors or senior management as an inducement to join or upon joining our Group or as a compensation for loss of office. None of our Directors waived any remuneration during the Track Record Period.

COMPLIANCE ADVISOR

Our Company appointed Zero2IPO Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The compliance advisor will advise our Company on on-going compliance requirements and other issues under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an enquiry of us regarding unusual movements in the price or trading volume of our Shares.

We have entered into a compliance advisor's agreement with the compliance advisor, the material terms of which are summarised as follows:

(a) the compliance advisor's term of appointment shall commence on the [**REDACTED**] and end on the date which we distribute our annual report of financial results for the first full financial year commencing after the [**REDACTED**], or until the agreement is terminated in accordance with the terms thereunder, whichever is earlier;

(b) the compliance advisor shall provide our Company with services, including guidance and advice as to compliance with the requirements under the Listing Rules and all other laws, rules, codes and guidelines applicable to us; and

(c) we may terminate the appointment of the compliance advisor, by service of not less than 20 business days' prior written notice, or a shorter period of time agreed in writing by both parties. The compliance advisor shall have the right to resign or terminate its appointment at any time by service of not less than 20 business days' prior written notice to us.

OTHER INFORMATION

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

Rule 3.09D of the Listing Rules

Each of our Directors has confirmed that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on January 17, 2024, and (ii) understands his or her obligations as a director of [**REDACTED**] under the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Liu and Ms. Yu, in aggregate, had beneficial interests representing approximately 45.35% of the total issued Shares, comprising (i) Shares representing approximately 31.71% of the total number of Shares in issue held by ShanHuiShou BVI, which is wholly owned by Mr. Liu; (ii) Shares representing approximately 10.72% of the total number of Shares in issue held by MGY Wisdom BVI, which is owned as to 80% and 20% by ShanHuiShou BVI and MGY Alliance BVI, respectively; and (iii) Shares representing approximately 2.92% of the total number of Shares in issue held by MGY Alliance BVI, which is wholly owned by Ms. Yu.

Immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme), Mr. Liu and Ms. Yu, in aggregate, will have beneficial interests representing [**REDACTED**] of the total issued Shares, comprising (i) Shares representing approximately [**REDACTED**] of the total number of Shares in issue held by ShanHuiShou BVI; (ii) Shares representing approximately [**REDACTED**] of the total number of Shares in issue held by MGY Wisdom BVI; and (iii) Shares representing approximately [**REDACTED**] of the total number of Shares in issue held by MGY Alliance BVI. Pursuant to the Guide, Mr. Liu and Ms. Yu are presumed to be a group of controlling shareholders by virtue of their shareholdings through MGY Wisdom BVI. Accordingly, Mr. Liu and Ms. Yu, together with ShanHuiShou BVI, MGY Wisdom BVI and MGY Alliance BVI, will be our Controlling Shareholders upon the completion of the [**REDACTED**].

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Each of our Controlling Shareholders and Directors confirms that he/she/it does not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our businesses, which would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the [**REDACTED**].

Operational independence

We have established our own organizational structure with individual departments, each with specific areas of responsibilities. We have not shared our operational resources, such as suppliers, customers, marketing and sales and general administration resources with our Controlling Shareholders and/or their respective close associates. We hold all the relevant material licences, qualifications, intellectual properties and permits necessary for operating our business and have sufficient capital, equipment, facilities and employees to operate our business independently of our Controlling Shareholders. There was no business transaction between our Group on one hand and our Controlling Shareholders and/or their respective close associates on the other hand during the Track Record Period. Having considered the above, our Directors consider that our Group will be able to operate independently from our Controlling Shareholders and their respective close associates after the [**REDACTED**].

Management independence

We aim at establishing and maintaining an effective and independent Board to oversee our business. The main functions of our Board include the approval of our overall business plans and strategies, monitoring the implementation of these plans and strategies and the management of our Company. We have an independent management team comprising our executive Directors and a team of senior management with extensive experience and expertise in our business. Our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors.

Although Mr. Liu and Ms. Yu, our executive Directors, are our Controlling Shareholders, our daily operational and management decisions are made collectively by our executive Directors and senior management. Each Director is aware of his/her fiduciary duties as a director of our Company which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors and/or their respective close associates, the interested Director(s) and his/her/their respective close associates shall abstain from voting at the relevant board meetings of our Company in respect of such transactions. Our independent non-executive Directors have been appointed in compliance with the requirements under the Listing Rules to ensure that the decisions of our Board will be made only after due and careful consideration of independent and impartial opinions. Our Directors believe that the presence of non-executive and independent non-executive Directors provides a balance of views and opinions and will bring independent judgement to the decision-making process of our Board. Having considered the above factors, our Directors are of the view that our Group would be capable of managing its business independently from our Controlling Shareholders and their respective close associates after the [**REDACTED**].

Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company, which is independent from our Controlling Shareholders and their respective close associates. We are able to make financial decisions independently and our Controlling Shareholders and their respective close associates do not intervene with our use of funds.

Our Directors believe that we have sufficient capital to operate our business independently. During the Track Record Period, our Group primarily relied on cash generated from operations as well as bank borrowings to carry on our business. We believe we will continue to have sufficient capital to operate our business independently and have adequate internal resources and a strong credit profile to obtain financing from Independent Third Parties to support our daily operations without reliance on our Controlling Shareholders or their respective close associates after the [**REDACTED**]. As of the Latest Practicable Date, Mr. Liu, being one of our Controlling Shareholders and an executive Director, and Ms. Ao Huili (敖慧麗), being the spouse of Mr. Liu, provided personal guarantees (the "**Guarantees**") for certain bank loans of our Group, please refer to note 18 to the Accountants' Report in Appendix I to this document for further details. Our Directors expect that the Guarantees will be released, either pursuant to the agreement with the relevant banks or by repayment of the relevant bank loans with our Group's internal resources, on or before the [**REDACTED**]. Save as disclosed above, our Directors are of the view that our Group is financially independent from our Controlling Shareholders or their respective associates in our Group's business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

Having considered the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders:

(a) as part of our preparation for the [**REDACTED**], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from our board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of the independent non-executive Directors;

(c) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element in our Board which can effectively exercise independent judgment. Our Company [has appointed] three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders;

(d) our Company has appointed Zero2IPO Capital Limited as our compliance advisor, which will provide advice and guidance to our Company in respect of compliance with applicable laws and the Listing Rules including various requirements relating to directors' duties and internal control;

(e) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions which have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from Independent Third Parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole; and

(f) in the event that our independent non-executive Directors shall review any conflict of interests between our Group and our Controlling Shareholders, our Controlling Shareholders shall provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors.

Based on the above, our Directors consider that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders to protect minority Shareholders' interests after the [**REDACTED**].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who 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 or any of our subsidiaries:

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and the [REDACTED]	
Name of Shareholder	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage**	**Number of Shares**	**Approximate percentage**
ShanHuiShou BVI[(2)]	Beneficial interest	6,839,040(L)	31.71%	[**REDACTED**]	[**REDACTED**]
MGY Wisdom BVI[(2)]	Beneficial interest	2,311,400(L)	10.72%	[**REDACTED**]	[**REDACTED**]
Mr. Liu[(2)]	Interest in controlled corporations and interest held jointly with another person	9,779,620(L)	42.43%	[**REDACTED**]	[**REDACTED**]
Ms. Ao Huili (敖慧麗)[(3)]	Interest of spouse	9,779,620(L)	42.43%	[**REDACTED**]	[**REDACTED**]
Mr. Lei Jun (雷軍)	Interest in controlled corporations[(4)]	1,472,040(L)	6.83%	[**REDACTED**]	[**REDACTED**]
	Interest of spouse[(5)]	841,000(L)	3.90%	[**REDACTED**]	[**REDACTED**]
Xiaomi Corporation	Interest in controlled corporations[(4)]	1,472,040(L)	6.83%	[**REDACTED**]	[**REDACTED**]
Xiaomi H.K. Limited ("**Xiaomi HK**")	Interest in controlled corporations[(4)]	1,472,040(L)	6.83%	[**REDACTED**]	[**REDACTED**]

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and the [REDACTED]	
Name of Shareholder	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage**	**Number of Shares**	**Approximate percentage**
Beijing Xiaomi Software Technology Co., Ltd. (北京小米軟件技術有限公司) ("**Beijing Xiaomi**")	Interest in controlled corporations(4)	1,472,040(L)	6.83%	[REDACTED]	[REDACTED]
Xiaomi Inc. (小米科技有限責任公司) ("**Xiaomi Inc.**")	Interest in controlled corporations(4)	1,472,040(L)	6.83%	[REDACTED]	[REDACTED]
Tianjin Jinxing Investment Co., Ltd. (天津金星創業投資有限公司) ("**Tianjin Jinxing**")	Interest in controlled corporations(4)	1,472,040(L)	6.83%	[REDACTED]	[REDACTED]
Jinmi Investment	Interest in controlled corporations(4)	1,472,040(L)	6.83%	[REDACTED]	[REDACTED]
Shanghai Jiaozeng	Beneficial Interest	1,472,040(L)	6.83%	[REDACTED]	[REDACTED]
Ms. Huang Li (黃荔)	Interest in controlled corporations(6)	1,833,410(L)	8.50%	[REDACTED]	[REDACTED]
Mr. Zheng Weihe (鄭偉鶴)	Interest in controlled corporations(6)	1,833,410(L)	8.50%	[REDACTED]	[REDACTED]
Shenzhen Co-win Venture Capital Investments Limited (深圳市同創偉業創業投資有限公司) ("**Cowin Venture Capital**")	Interest in controlled corporations(6)	1,833,410(L)	8.50%	[REDACTED]	[REDACTED]
Shenzhen Cowin Asset Management Co., Ltd. (深圳同創偉業資產管理股份有限公司) ("**Cowin**")	Interest in controlled corporations(6)	1,833,410(L)	8.50%	[REDACTED]	[REDACTED]

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and the [REDACTED]	
Name of Shareholder	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage**	**Number of Shares**	**Approximate percentage**
Xinyu Tongchuang Investment Management Co., Ltd. (新余同創精選投資管理有限公司) ("**Xinyu Tongchuang**")	Interest in controlled corporations[(6)]	1,833,410(L)	8.50%	[**REDACTED**]	[**REDACTED**]
Cowin Jinxiu Capital Firm (深圳同創錦繡資產管理有限公司) ("**Cowin Jinxiu Capital**")	Interest in controlled corporations[(6)]	1,833,410(L)	8.50%	[**REDACTED**]	[**REDACTED**]
Nanhai Growth	Interest in controlled corporation[(6)]	1,833,410(L)	8.50%	[**REDACTED**]	[**REDACTED**]
Shanghai Xiuhui	Beneficial Interest	1,833,410(L)	8.50%	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The letter (L) denotes the person's long position in the Shares.

(2) ShanHuiShou BVI, which is wholly owned by Mr. Liu, is beneficially interested in 80% of the issued voting shares of MGY Wisdom BVI. By virtue of the SFO, Mr. Liu is deemed to be interested in the Shares held by ShanHuiShou BVI and MGY Wisdom BVI, respectively.

(3) Ms. Ao Huili (敖慧麗) is the spouse of Mr. Liu. By virtue of the SFO, Ms. Ao Huili is deemed to be interested in the Shares in which Mr. Liu is interested.

(4) As of the Latest Practicable Date, the general partner of Shanghai Jiaozeng was Beijing Xiaomi, which was wholly owned by Xiaomi HK, which was in turn wholly owned by Xiaomi Corporation, a company listed on the Stock Exchange (stock code: 1810). Mr. Lei Jun (雷軍) is the ultimate controlling shareholder of Xiaomi Corporation.

As of the Latest Practicable Date, Shanghai Jiaozeng was owned as to 99.91% by Jinmi Investment, which was owned as to 86.20% by Tianjin Jinxing, which was in turn wholly owned by Xiaomi Inc., which is controlled by Xiaomi Corporation.

By virtue of the SFO, each of Beijing Xiaomi, Xiaomi HK, Xiaomi Corporation, Jinmi Investment, Tianjin Jinxing, Xiaomi Inc. and Mr. Lei was deemed to be interested in the Shares held by Shanghai Jiaozeng.

(5) As of the Latest Practicable Date, Shanghai Wenwei held 841,000 Series A-1 Preferred Shares or 3.90% of the total issued Shares ([**REDACTED**] Shares or [**REDACTED**] of the total issued Shares immediately following the completion of the [**REDACTED**] and the [**REDACTED**]), and the general partner of Shanghai Wenwei was Lhasa Economic and Technological Development Zone Shunchuang Venture Capital Partnership (Limited Partnership) (拉薩經濟技術開發區順創創業投資合夥企業(有限合夥)) ("**Lhasa Shunchuang Venture Capital**"), which was owned as to 98.36% by Ms. Zhang Tong (張彤), as the limited partner of Lhasa Shunchuang Venture Capital.

By virtue of the SFO, Mr Lei was deemed to be interested in the Shares held by Shanghai Wenwei.

(6) As of the Latest Practicable Date, the general partner of Shanghai Xiuhui was Xinyu Tongchuang, which was wholly owned by Cowin, a company listed on the National Equities Exchange and Quotations (stock code: 832793). As of the Latest Practicable Date, Cowin was owned as to 35.01% by Cowin Venture Capital, which was in turn owned as to 55% by Ms. Huang Li (黃荔) and as to 45% by Mr. Zheng Weihe (鄭偉鶴).

As of the Latest Practicable Date, Shanghai Xiuhui was owned as to 98.77% by Nanhai Growth as the limited partner. The general partner of Nanhai Growth was Cowin Jinxiu Capital, which was wholly owned by Cowin.

By virtue of the SFO, each of Xinyu Tongchuang, Cowin, Cowin Venture Capital, Nanhai Growth, Cowin Jinxiu Capital, Ms. Huang and Mr. Zheng was deemed to be interested in the Shares held by Shanghai Xiuhui.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company and the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after the [**REDACTED**] and [**REDACTED**].

1. Share capital as of the Latest Practicable Date

(a) Authorized share capital

Number	Description	Approximate aggregate nominal value of shares (HK$)
29,898,750	Shares of HK$0.01 each	298,987.5
841,000	Series A-1 Preferred Shares of HK$0.01 each	8,410.0
1,472,040	Series A-2 Preferred Shares of HK$0.01 each	14,720.4
1,833,410	Series C-1 Preferred Shares of HK$0.01 each	18,334.1
952,540	Series C-2 Preferred Shares of HK$0.01 each	9,525.4
631,920	Series C-3 Preferred Shares of HK$0.01 each	6,319.2
354,380	Series C-4 Preferred Shares of HK$0.01 each	3,543.8
1,105,220	Series C-5 Preferred Shares of HK$0.01 each	11,052.2
406,950	Series C-6 Preferred Shares of HK$0.01 each	4,065.9
503,790	Series D-1 Preferred Shares of HK$0.01 each	5,037.90
38,000,000	**Total**	380,000

(b) Issued share capital

Number	Description	Approximate aggregate nominal value of shares (HK$)
13,464,920	Shares of HK$0.01 each	134,649.2
841,000	Series A-1 Preferred Shares of HK$0.01 each	8,410.0
1,472,040	Series A-2 Preferred Shares of HK$0.01 each	14,720.4
1,833,410	Series C-1 Preferred Shares of HK$0.01 each	18,334.1
952,540	Series C-2 Preferred Shares of HK$0.01 each	9,525.4
631,920	Series C-3 Preferred Shares of HK$0.01 each	6,319.2
354,380	Series C-4 Preferred Shares of HK$0.01 each	3,543.8
1,105,220	Series C-5 Preferred Shares of HK$0.01 each	11,052.2
406,950	Series C-6 Preferred Shares of HK$0.01 each	4,069.5
503,790	Series D-1 Preferred Shares of HK$0.01 each	5,037.9
21,566,170	**Total**	215,661.7

2. Share capital immediately after the completion of the [REDACTED]

(a) Authorized share capital

Number	Description	Approximate aggregate nominal value of shares (HK$)
[5,000,000,000]	ordinary shares of HK$0.01 each	[50,000,000]
[5,000,000,000]	**Total**	[50,000,000]

(b) Issued share capital

Number	Description	Approximate aggregate nominal value of shares (HK$)
21,566,170	Shares of HK$0.01 each	215,661.7
[**REDACTED**]	Shares of HK$0.01 each to be issued pursuant to the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares of HK$0.01 each to be issued pursuant to the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	**Total**	[**REDACTED**]

Note: If the [**REDACTED**] is exercised in full, then [**REDACTED**] additional Shares will be issued resulting in a total issued share capital of [**REDACTED**] Shares with an aggregate of nominal value of [**REDACTED**].

ASSUMPTIONS

The above tables assume that the [**REDACTED**] has become unconditional, the issue of [**REDACTED**] pursuant to the [**REDACTED**] and [**REDACTED**] is made and the Preferred Shares held by the [**REDACTED**] Investors are converted into Shares on a one-to-one basis by way of re-designation to Shares upon the [**REDACTED**]. The above does not take into account any Shares which 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 [**REDACTED**] will be ordinary shares in the share capital of our Company and will carry the same rights in all respects with all our Shares in issue or to be issued as mentioned in this document and, in particular, will qualify 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 save for the entitlement under the [**REDACTED**].

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of the [**REDACTED**] and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total number of issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors [have been granted] a general unconditional mandate to allot, issue and deal with Shares of not more than the sum of:

(i) 20% of the total number of Shares in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**], any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme and treasury Shares held by our Company, if any); and

(ii) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorized to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement.

This general mandate will remain in effect until the earliest of:

- the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company is required by applicable laws or the Articles of Association to hold our next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to "Statutory and General Information – A. Further information about our Company – 3. Resolutions in writing of the Shareholders of our Company passed on [●]" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors [have been granted] a general unconditional mandate to exercise all the powers of our Company to repurchase Shares of not more than 10% of the total number of Shares of our Company in issue immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**], any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme and treasury Shares held by our Company, if any).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares" in Appendix IV to this document.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company is required by applicable laws or the Articles of Association to hold our next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to "Statutory and General Information – A. Further information about our Company – 3. Resolutions in writing of the Shareholders of our Company passed on [●]" and "Statutory and General Information – A. Further information about our Company – 6. Repurchase of our Shares" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce its share capital by shareholders' special resolution. Please refer to "Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (iii) Alteration of capital" in Appendix III to this document for further details.

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. Please refer to "Summary of the Constitution of our Company and Cayman Islands Company Law – 2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this document for further details.

Further, our Company will also hold general meetings from time to time as may be required under the Articles of Association, a summary of which is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Companies Law" in Appendix III to this document.

You should read the following discussion and analysis in conjunction with our consolidated financial statements as of and for each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, and the accompanying notes included in the Accountants' Report set out in Appendix I to this document ("Historical Financial Information"). Our consolidated financial information has been prepared in accordance with IFRS. The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. Please also refer to "Risk Factors" and "Forward-looking Statements" in the document.

OVERVIEW

We are a PRC company engaged in providing consumer electronics after-market transaction services focusing on mobile phone recycling service market. According to Frost & Sullivan, we were the largest mobile phone recycling service provider offering offline trade-in solution and also the third largest mobile phone recycling service provider in the PRC, both in terms of the total transaction value recycled from consumer side in 2023, with a market share of approximately 7.4% and 1.4%, respectively. We were also the third largest mobile phone recycling service provider in the PRC in terms of the sales value of mobile phones recycled from consumers in 2023, according to Frost & Sullivan.

We have been focusing on offering an integrated solution from initiating recycling by way of trade-in while facilitating sale of new mobile phones, to standardizing the procured pre-owned mobile phones for resale, leveraging our proprietary inspecting, grading and pricing technologies and recycling and sales platforms and our strategic cooperation with our upstream sourcing partners, including mainstream consumer electronic brands and their designated distributors, sizable merchants for consumer electronic products and large mobile network operators in the PRC. We obtain supply of pre-owned consumer electronics primarily from trade-ins transacted in both offline and/or online stores of our upstream sourcing partners using our recycling system, Shanhuishou (閃回收), where individual consumers, who are our ultimate suppliers, purchase new consumer electronics at a reduced price by trading in their pre-owned consumer electronics as part of the payment. We then process these procured pre-owned consumer electronics for resale leveraging our proprietary inspection, grading and pricing technologies in our inspection and operation centers, and efficiently distribute such to a variety of buyers in the second-hand consumer electronics market primarily through our online platform, Shanhui Youpin (閃回有品) and our own online stores operated on various third-party e-commerce platforms. Leveraging our established position in the PRC mobile phone recycling service market and our understanding of the needs and preferences of buyers in the second-hand consumer electronics market, we have also been engaged in the corporate recycling and offline sale to handle consumer electronics in bulk to satisfy the business needs of our upstream business partners and customers. In addition, we also provide value-added and after-sales services to participants across the upstream and downstream value chain.

We believe we connect all participants in the consumer electronics after-market and digitally reshapes the value chain for consumer electronic brands, merchants, mobile network operators as well as individual consumers, with a commitment to sustainable development and building a low-carbon and environmentally-friendly society through forging strategic alliances with our business partners. During the Track Record Period, we experienced significant growth in our business operation and an increase in demand for our procured pre-owned consumer electronics. Our revenue increased from approximately RMB749.7 million for the year ended December 31, 2021 to approximately RMB919.1 million for the year ended December 31, 2022, and further to approximately RMB1,158.4 million for the year ended December 31, 2023, representing a CAGR of approximately of 26%. Our revenue also increased from approximately RMB518.4 million for the six months ended June 30, 2023 to approximately RMB576.9 million for the six months ended June 30, 2024, representing a growth rate of approximately of 11.3%.

During the Track Record Period, we experienced losses of approximately RMB48.7 million, RMB99.1 million, RMB98.3 million and RMB40.1 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our losses for the years ended December 31, 2021, 2022 and 2023 were primary attributable to our changes in carrying amount of the redemption liabilities of approximately RMB46.1 million, RMB69.4 million and RMB87.3 million for the same period, respectively. Our changes in carrying amount of redemption liabilities represented the amount of changes in our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors. For more details of our [**REDACTED**] Investments, please refer to "History, Reorganization and Corporate Structure – 5. [**REDACTED**] Investments" in this document. Please also refer to note 21 to the Accountants' Report in Appendix I to this document. In addition, our loss for the year ended December 31, 2022 was partially attributable to the decrease in our gross profit for the same period, which primarily due to the reason that the increase in our procurement costs of pre-owned consumer electronics was relatively faster as compared to the increase in our sale of the same, as both markets of the consumer electronics recycling service and the second-hand consumer electronics got more competitive and the PRC economy also generally slowed down since COVID-19 pandemic.

Our loss for the six months ended June 30, 2024 was primarily attributable to the decrease in our gross profit. Such decrease was primarily due to the increases in our recycling prices of pre-owned mobile phones of similar models and/or quality as compared to previous years under our trade-in solution and also the commission fees paid to the front sales personnel of our upstream sourcing partners' stores, so that we would be able to keep up our recycling volume and maintain our market share to cope with the increasing competitive market environment and the challenging macroeconomic condition, which also led to a consumption downgrade in the PRC during the first half of 2024. While the selling prices of pre-owned mobile phones are relatively more market driven, the faster increase in our cost of sales of pre-owned mobile phones for the six months ended June 30, 2024 led to a decrease in our gross profit for the same period.

We recorded adjusted profit (non-IFRS measure) of approximately RMB[**REDACTED**] and RMB[**REDACTED**] for the years ended December 31, 2021 and 2023, respectively, while we recorded adjusted loss (non-IFRS measure) of approximately RMB[**REDACTED**] and RMB[**REDACTED**] for the year ended December 31, 2022 and the six months ended June 30, 2024, respectively. For more details, please also refer to "– Results of Operations – Non-IFRS Measure" in this section.

BASIS OF PRESENTATION

Our Company was incorporated as a company in the Cayman Islands with limited liability on August 11, 2021. Pursuant to the Reorganization as more fully explained in "History, Reorganization and Corporate Structure – Reorganization" in this document, our Company became the holding company of our Group after a series of the transactions for the purpose of the Reorganization.

Our Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"). The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. For the purpose of preparing our historical financial information, we have adopted all applicable new and revised IFRS that were effective during the Track Record Period. Intra-Group balances, transactions and unrealised gains/losses on intra-Group transactions are eliminated in full in preparing the Historical Financial Information. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. For more details of basis of preparation, please refer to note 1 to our financial statements included in the Accountants' Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, some of which are outside of our control. These factors primarily include the followings:

Brand Recognition

We currently operate our business under our two core corporate brands, namely Shanhuishou (閃回收) and Shanhui Youpin (閃回有品). Shanhuishou (閃回收) is the main brand under which we carry on our offline trade-in solution and collect pre-owned consumer electronics from our upstream sourcing partners. Shanhui Youpin (閃回有品) is the main brand under which we conduct the sale of these procured pre-owned consumer electronics to customers on our proprietary online platform or in our own online stores on third-party e-commerce platforms. Our brands of Shanhuishou (閃回收) and Shanhui Youpin (閃回有品) have won recognition among our upstream sourcing partners, our customers and individual consumers. In 2021, we received the award of "National Consumer Satisfaction Brand (全國消費者放心滿意品牌)" jointly issued by China's Product Quality Certification Supervision and Management Center and China Brand Enterprise Evaluation Management Committee. In 2020, we received the award of "Leading Brands in China's Recycling Industry (中國回收行業領導品牌)" issued by China's Influential Brand Enterprise Selection Summit Forum Organizing Committee (中國影響力品牌企業評選高峰論壇組委會) and The 4th China's Influential Brand Enterprise Propaganda Organizing Committee (第四屆中國影響力品牌企業宣傳組委會). As such, we believe that the market recognition of our brands is critical to our success as market acceptance of our brands may affect the capabilities of our procurement, the market demand for our consumer electronics after-market transaction services, the profit margin we are able to achieve, and our ability to further grow our business.

In future, we intend to devote more resources in our brand building and marketing and advertising activities with multi-faceted marketing strategies. For instance, we plan to increase our budget on placement of online marketing and advertisement and enchance our profile on various online channels where we can promote our brand and transaction services on our and/or third-party online platforms, accurately target potential customers and boost the number of active buyers. We also plan to continue to develop and promote our sale of pre-owned consumer electronics on PRC leading living-streaming and short video clip platforms. Through publishing high quality promotional contents and video clips on these live-streaming platforms, we aim to grow our brand awareness and strengthen our influence to attract different end users and achieve business scale in a broader market. We believe that our success will largely depend on our ability to enhance the awareness of our brands. If we are unable to promote our brands or fail to maintain our current brand position, our business, results of operations and financial conditions may be materially and adversely affected.

Our Ability to Obtain Extensive Supply through Our Strategic Cooperation with Our Upstream Sourcing Partners

Our ability to obtain extensive supply of pre-owned consumer electronics is our key competitive advantage in the second-hand consumer electronic market. Our fully integrated online-offline sourcing network, combined with our strategic partnerships with upstream sourcing partners, have ensured our ability to effectively source the supply to consistently meet the demand of buyers coming to us.

We believe that our strategic cooperation with our upstream sourcing partners in the upstream industrial chain has provided us with unmatched access to stable and desirable supply from reliable channels with relatively lower costs. Leveraging our asset-light business model and benefiting from the simplicity of setting up and embedding our Shanhuishou (閃回收) recycling system, we are able to spread our services to numerous offline stores of our upstream sourcing partners within a relatively short period. During the Track Record Period, we had established cooperation with our upstream sourcing partners, covering more than 49,000 offline stores spanning over 31 provinces in the PRC. In future, we will further cooperate with our upstream sourcing partners to expand our offline network of stores and increase our penetration into lower-tier cities across the PRC. We believe that through our strategic multi-dimensional industrial cooperation with them in the upstream industrial chain, we will continue to realize deep integration and optimization of offline trade-in recycling channels, forming unique industrial network advantages. For more details, please refer to "Business – Our Strategies" and "Future Plan and [**REDACTED**]" in this document.

The Challenging Macroeconomic Condition in the PRC and Intensive Competition in the Industry

We are subject to the challenging macroeconomic condition in the PRC, which may result in significant downturn in the economy and hence, consumption downgrade. Under such market condition, the desire of individual consumers to replace their consumer electronics would be lowered, and thus we may need to increase the recycling prices of pre-owned consumer electronics of similar models and/or quality as compared to previous years to keep up our recycling volume and maintain our position in the mobile phone recycling service market. On the hand, we face intense competition in providing consumer electronics after-market transaction services. We face competition mainly from the other top service providers engaging in the recycling services in the PRC, which may have significantly more resources than we do, including financial, technological and marketing resources. These could allow them to develop new service lines, adapt more quickly to changes in technology and to undertake more extensive marketing campaigns, which may render our platforms less attractive to upstream business partners and customers, and cause us to lose market share. Those smaller companies or new entrants may also be acquired by, receive investment from or enter into strategic relationships with well-established and well-financed companies or investors which would help enhance their competitive positions. Please refer to "Business – Competition" in this document for more information.

The challenging macroeconomic condition and intense competition in the industry which we operate in may exert constraints on our supply, increase our operating expenses and capital expenditures, and reduce our revenue and gross profit and gross profit margin. Failure to compete with current and potential competitors and to cope with the PRC economy downturn may materially affect our business, results of operations and financial condition.

Our Ability to Expand Our Customer Base and Improve Our Gross Profit Margin

During the Track Record Period, our revenue was primarily derived from the sale of pre-owned consumer electronics, mainly mobile phones, sourced from our various supply channels, to buyers in the second-hand consumer electronic market through our Shanhui Youpin (閃回有品) online platform, as well as our own online stores operated on various third-party e-commerce platforms. These platforms have allowed us to extend our reach to customers nationwide, completing a closed-loop that begins with sourcing supply from consumers through our upstream sourcing partners and also facilitates sales demand from customers. During the Track Record Period, our revenue and the number of pre-owned consumer electronics sold had been grown rapidly. Nevertheless, we recorded relatively lower gross profit and gross profit margins during most of the Track Record Period. For more details of our gross profit and gross profit margin, please refer to "– Principal Income Statement Component – Gross Profit and Gross Profit Margin" in this section.

We believe that the scale of our customer base for our sale of pre-owned consumer electronics is crucial to our results of operations and continued revenue growth. Expansion of sales channels will also create new growth opportunities for us which may also increase our gross profit margins. As such, we plan to increase the number of our business development staff in order to expand our business coverage to each and every province and more than 300 cities across the PRC. We will continue to build up our sales support team to facilitate our marketing and branding efforts and to provide more comprehensive and timely after-sales services to our major customers. Specifically, we plan to recruit more experienced sales representatives to promote our Shanhui Youpin (閃回有品) online platform so as to grow our brand awareness and strengthen our influence. In addition to our Shanhui Youpin (閃回有品) online platform, we intend to establish our branded online sales stores on more third-party e-commerce platforms in order to further diversify our sales channels. We will also continue to develop and promote our business on PRC leading living-streaming and short video clip platforms. Furthermore, we have also opened up offline branded stores under our brand of Shanhui Youpin (閃回有品), as we believe that the offline presence will contribute to the strengthening of our brand awareness and attract more customers to achieve business scale in a broader market. For more details, please refer to "Business – Our Strategies" and "Future Plan and [**REDACTED**]" in this document.

Our Ability to Accurately Price Pre-owned Consumer Electronics

During the Track Record Period, approximately 9.3%, 20%, 42.7% and 79% of our revenue were derived from the sale of the pre-owned mobile phones we procured under our offline trade-in solution and sold through our real-time open bidding module Shanhui Youpin (閃回有品) online platform simultaneously. This real-time open bidding module is associated with our Shanhuishou (閃回收) recycling system, where an individual consumer walks into an offline store of our upstream sourcing partner and decides to trade in his/her pre-owned consumer electronic device, and our customers are able to view the photos and all other necessary information of this device and place bid for such device simultaneously through our Shanhui Youpin (閃回有品) online platform. For more details of our real-time bidding module on Shanhui Youpin (閃回有品) online platform, please refer to the section headed "Business – Our Sales – Shanhui Youpin (閃回有品)" in this document.

Our business and financial performance are closely linked to our ability to generate recycling and sale prices of our pre-owned consumer electronics, both of which need to be accurate and competitive. Our recycling pricings are typically influenced by factors such as, (i) the brand, model and condition of the pre-owned consumer electronics; (ii) the transaction cost related to our procurement of pre-owned consumer electronics; (iii) pricing strategies of our competitors for similar pre-owned consumer electronics; and (iv) the competitiveness of the PRC consumer electronics recycling market. On the other hand, our selling pricings are typically affected by factors including (i) the prevailing market demand and prices for the specific brands or types of second-hand consumer electronics; (ii) the transaction cost related to our sale of pre-owned consumer electronics; (iii) our target profit margins to ensure our business growth and shareholders' value; and (iv) the potential growth of our business in the competitive dynamic second-hand consumer electronics market.

Our pricing approach is underpinned by our proprietary pricing model and algorithms, which leverage business data from thousands of pre-owned consumer electronics and millions of transactions involving sellers and buyers transacted on our platforms. In a highly competitive market, we believe that our ability to ensure the objectiveness of pricing for each pre-owned consumer electronic device procured and sold by us is critical to our business expansion and future growth.

Our Results of Operations May Be Subject to Seasonal Fluctuations

We experience a moderate level of seasonality in our revenue and operating income for our business. We typically experience higher transaction traffic, and able to obtain more supply and generate higher sales volume of pre-owned consumer electronics during the second half of the year, primarily due to the new models of mobile phones launched and subsequent promotional and marketing activities or campaigns conducted by our upstream sourcing partners, especially, mainstream consumer electronic brands and various third-party e-commerce platforms. As a result, any comparisons of our sales and operating results between different periods within a single financial year are not necessarily meaningful and cannot be relied on as indicators of our performance. Our results of operations are likely to continue to fluctuate due to seasonality.

Our Ability to Leverage Technology in Our Business Operations

Innovation and technology are at the core of our Group and permeate every aspect of our business operations. We have digitalized our pre-owned consumer electronics transaction services and leveraged technology in everything that we do. Our technology with AI capabilities provides end-to-end coverage of our value chain and standardizes our inspection, grading, and pricing process. Technology infrastructure at our operation and inspection centers supports our growth through automation and data insights, enabling efficient inspection, grading and pricing of pre-owned consumer electronic devices at scale. Our technology capabilities also enable us to assign quality grading to pre-owned consumer electronics on scale faster and more accurate than manual inspection. As a result, we had achieved efficiency and accuracy for our inspection, grading and pricing process and kept a relatively lower average return rate of our pre-owned consumer electronics sold during the Track Record Period. We also effectively distribute these pre-owned consumer electronics we procured through our proprietary bidding modules within our Shanhui Youpin (閃回有品) online platform. These bidding modules have allowed us to extend our reach to customers nationwide, and improve the bidding efficiency and provide us with faster turnaround to ensure that we could sell our procured pre-owned consumer electronics to the highest bidder.

We have made, and will continue to make, investments into our technology development to strengthen our leadership in the industry. We intend to continue to invest resources to attract more talented technology and development personnel and further develop and apply advanced technologies to build a core and integrated technology platform, with an aim to providing more creative solutions for all the participants in the consumer electronics after-market transaction services. For the years ended December 31, 2021, 2022 and 2023 and the six months ended

June 30, 2024, we incurred research and development expenses of approximately RMB10.3 million, RMB17.4 million, RMB18.9 million and RMB9.2 million, respectively. Going forward, we will continue to prudently invest resources in technology, research and development in a cost-effective manner to support the long-term growth of our business. For more details, please refer to "Business – Our Strategies" and "Future Plan and [**REDACTED**]" in this document.

Our Ability to Manage Our Costs and Reach Operational Efficiencies

The profitability of our business depends largely on our ability to enhance the operational efficiency. As cost of our procurement of pre-owned consumers electronics forms a significant portion of our cost of sales, which accounted for approximately 85.3%, 86.1%, 88.4% and 87.6% of our total costs of sales for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, our ability to manage our procurement costs at a reasonable level while expanding our business is important for our results of operations. We expect that our costs of procurement will continue to increase as (i) our business continued to grow; (ii) the continuous updating and upgrading of the new models of mobile phones which led to higher purchase costs than that of the older models; and (iii) the market of mobile phone recycling services gets more competitive. Nevertheless, we will continue to strengthen and expand our strategic relationship with our upstream sourcing partners to benefit from their large and active consumer traffic at a reasonable cost, which will help us achieve better utilization of acquisition costs.

Accuracy and speed have been the major issue for the efficient circulation of pre-owned consumer electronics. We believe that our BOSS System, which is designed and developed by us, provides a feasible and effective solution to these problems. Our BOSS System integrates recycling, testing and grading, pricing, sales, customer management and logistic systems as well as other supplementary modules and functions. It has been developed into a comprehensive and efficient digital center stage for our day-to-day operation. In future, we will further optimize our management efficiency through our BOSS System to ensure that our business is carried out in a more efficient and cost-effective manner, which will in turn, enhance our business profitability.

IMPACT OF THE COVID-19 PANDEMIC

Since late December 2019, the outbreak of the COVID-19 had materially and adversely affected the global economy. The PRC government introduced a series of measures to contain the spread of the virus since its outbreak. Since the beginning of 2022, the Omicron variant of COVID-19 has resurged in various provinces and cities of the PRC, and prevention measures have been implemented to curb the momentum of the outbreak.

In response to the COVID-19 outbreak, we had employed various measures to mitigate any impact that COVID-19 outbreak might have on our business, including, among others, temporary closure of our inspection and operation centers, remote working arrangements for our employees, and travel restrictions or suspension. During the peak of the COVID-19 pandemic in early 2020 and first half of 2022, our business was affected to some extent by the nation-wide pandemic prevention and control requirements and market demand. Some of the offline stores of our upstream sourcing partners and our inspection and operation centers had to be temporarily closed. However, we took immediately corrective measures to reduce the adverse effects of the COVID-19 pandemic. For instance, we ensured no interruption of our proprietary systems, especially our Shanhui Youpin (閃回有品) and BOSS System at the back office, and also arranged sufficient manpower and logistics in our inspection and operation centers that were still in normal operation. These measures were extremely critical to our business during the pandemic as some of pre-owned consumer electronics dealers had to shift to e-commerce channels to increase the recirculation and trading efficiency of their inventories.

As the COVID-19 outbreak was quickly brought under control by the PRC government, our business and operations quickly went back to normal. Furthermore, since December 2022, the PRC government has relaxed the national COVID-19 prevention measures, such as releasing measures to accelerate the economic recovery and resume normal operations of the society. Based on the above, our Directors are of the view that the outbreak of the COVID-19 pandemic did not and will not have a material adverse effect on our business, results of operations and financial condition.

MATERIAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. We have also made certain accounting judgements and estimate in the process of applying our accounting policies. When reviewing our consolidated financial statements, you should consider (i) our selection of material accounting policies; (ii) the judgement and estimate affecting the application of such policies; and (iii) the sensitivity of reported results to change in conditions and assumptions. We have identified below the accounting policies, judgments and estimates that we believe are the most critical to the preparation of our consolidated financial information. Our material accounting policies, judgments and estimates, which are important for an understanding of our financial condition and results of operations, are more detailed set out in notes 2 and 3 to the Accountants' Report in Appendix I to this document.

Revenue

Income is classified by our Group as revenue when it arises from the sales of goods and the provision of services in the ordinary course of our Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Our Group principally generates our revenue from the sale of products, and provision of services.

– Sales of products

Our Group mainly recycles pre-owned mobile phones and other pre-owned consumer electronics from individuals by cooperating with offline stores or through online recycling channels, or recycles prototype or demo phones from the manufacturers or distributors. Revenue from the sales of pre-owned mobile phones or other pre-owned consumer electronics are recognised at the point in time when the customer takes possession of and accepts the products.

– Provision of services

Our Group mainly provides procurement services, and after-sales services, and testing services, etc. Revenue from the after-sales services is recognised over the service period on a straight-line basis because the customer simultaneously receives and consumes the benefits when the control of these services transfer to the customers provide by our Group.

Inventories

Inventories are assets which are held for sale in the ordinary course of business.

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Cost of inventories are calculated using the specific identification basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Contract Liabilities

A contract liability is recognised when the customer pays non-refundable consideration before our Group recognises the related revenue. A contract liability would also be recognised if our Group has an unconditional right to receive non-refundable consideration before our Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

Redemption Liabilities

Our Group's contractual obligations to purchase its own shares/redeem its preferred shares for cash upon the occurrence of events that are beyond the control of both our Group and the holders give rise to financial liabilities.

The redemption liabilities are initially measured at the present value of the redemption amount. Subsequently, any changes in the carrying amount of the redemption liabilities are recorded in "changes in carry amount of the redemption liabilities" in the consolidated statements of profit or loss.

Our Group derecognises the redemption liabilities when, and only when, our Group's redemption obligations are discharged, cancelled, or have expired. When the redemption liabilities expire without exercise, the carrying amount of the redemption liabilities are reclassified to equity.

Financial Assets and Liabilities Measured at Fair Value

The following table presents the fair value of our Group's financial instruments measured at fair value at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

All of our financial liabilities measured at fair value during the Track Record Period is measured within level 3 fair value measurement. We have instituted internal policies on valuation methodologies, models and procedures for valuation of level 3 financial liabilities. We perform valuation assessments of options. We have engaged an independent qualified professional valuer to perform the relevant valuation assessments. Our management team reviewed the external valuer's valuation analysis and results, and they have discussed the basis of the valuation with the reporting accountants of our Company. We focus on the valuation methodologies, computation basis, key assumptions, qualifications and underlying rationales in such assessments.

In relation to our financial liabilities measured at fair value, the Sole Sponsor has reviewed and understood the classification policy of financial liabilities into level 3 fair value measurement, and has further conducted relevant due diligence work, including but not limited to, (1) discussion with our Company about the rationale of the transactions and key basis and assumptions for the valuation; (2) review of transaction documents; and (3) discussion with the reporting accountants of our Company about their work performed in connection with the valuation of our Group's financial liabilities measured at fair value using level 3 valuations. Based on the due diligence work performed, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation.

RESULTS OF OPERATIONS

The following table sets forth selected items of consolidated statements of profit or loss for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue	749,731	919,112	1,158,393	518,382	576,858
Cost of sales	(688,260)	(863,445)	(1,080,050)	(477,893)	(550,980)
Gross profit	61,471	55,667	78,343	40,489	25,878
Other income and gains/(losses)	377	(4,524)	9,034	2,656	1,840
Selling and distribution expenses	(11,581)	(17,243)	(18,528)	(7,974)	(8,514)
Administrative expenses	(42,161)	(45,683)	(57,456)	(28,050)	(32,487)
Research and development expenses	(10,261)	(17,381)	(18,936)	(9,123)	(9,198)
Finance costs	(465)	(537)	(3,423)	(1,420)	(3,713)
Changes in carrying amount of the redemption liabilities	(46,088)	(69,383)	(87,302)	(65,172)	(13,932)
Loss before taxation	(48,708)	(99,084)	(98,268)	(68,594)	(40,126)
Income tax	–	–	–	–	–
Loss for the year/period	(48,708)	(99,084)	(98,268)	(68,594)	(40,126)
Attributable to:					
Owners of our Company/Shenzhen Shanhui	(48,708)	(99,084)	(98,268)	(68,594)	(39,764)
Non-controlling interests	–	–	–	–	(362)
Loss for the year/period	(48,708)	(99,084)	(98,268)	(68,594)	(40,126)

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted profit/(loss) (non-IFRS measure) as additional financial measures, which is not required by, or presented in accordance with IFRS. We believe that the non-IFRS measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted profit/(loss) (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS. We define adjusted profit/(loss) (non-IFRS measure) as loss for the year/period adjusted by adding back changes in carrying amount of the redemption liabilities, [**REDACTED**] expenses and share-based payment expenses.

The following table reconciles our adjusted profit/(loss) (non-IFRS measure) for the periods presented in accordance with IFRS, which are losses for the period indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(Unaudited)	
Reconciliation of net loss for the year/period and adjusted profit/(loss) (non-IFRS measure)					
Loss for the year/period.....	(48,708)	(99,084)	(98,268)	(68,594)	(40,126)
Add:					
Changes in carrying amount of the redemption liabilities(1) ..	46,088	69,383	87,302	65,172	13,932
[**REDACTED**] expenses(2) ...	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Share-based payment expenses(3).....................	1,980	1,012	457	457	–
Adjusted profit/(loss) (non-IFRS measure)......	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. Changes in carrying amount of the redemption liabilities represent amount of changes in our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors. Upon completion of our [**REDACTED**], redemption liabilities in connection with such [**REDACTED**] Investments would be converted into equity of our Company. In addition, the changes on redemption liabilities is a non-cash and non-operational items, which is not directly correlated with our business performance in a particular year/period.

2. [**REDACTED**] expenses represent professional fees, [**REDACTED**] and other fees incurred in connection with the [**REDACTED**].

3. Share-based payment expenses, which are non-cash in nature, represents the expenses recognised in connection with share options granted to selected executives and employees.

We recorded adjusted profit (non-IFRS measure) of approximately RMB[**REDACTED**] for the year ended December 31, 2021 while we recorded adjusted loss (non-IFRS measure) of approximately RMB[**REDACTED**] for the year ended December 31, 2022. Such change was primarily due to the increase in our loss of approximately RMB48.7 million for the year ended December 31, 2021 to approximately RMB99.1 million for the year ended December 31, 2022, which was primarily attributable to the decrease in our gross profit for the same period, which was mainly attributable to the decrease in gross profit of our sale of pre-owned mobile phones as a result of our faster increase in procurement cost of such. Our business had improved as a result of the recovery of the PRC business environment and our organic growth for the year ended December 31, 2023. As such, we recorded adjusted profit (non-IFRS measure) of approximately RMB[**REDACTED**] for the same period. We recorded adjusted loss (non-IFRS measure) of approximately RMB[**REDACTED**] for the six months ended June 30, 2024. Such change was primarily due to the decrease in our gross profit for the same period, which was in turn, attributable to the increases in our recycling prices of pre-owned mobile phones of similar models and/or quality as compared to the previous years under our offline trade-in solution and also the commission fees paid to the front sales personnel of our upstream sourcing partners' stores, so that we would be able to keep up our recycling volume and maintain our market share to actively cope with the increasing competitive market environment and the challenging macroeconomic condition, which also led to a consumption downgrade in the PRC during the first half of 2024. For more details, please refer to "– Period to Period Comparison of Results of Operations" in this section.

In order to turn around our loss-making positions and to achieve a better profitability in the near future, we have made specific business plans and strategies. First of all, we intend to continue to steadily expand and deepen our strategic and all-around cooperation with our existing upstream sourcing partners by further extending our offline trade-in recycling services to more of their offline stores with a national geographic reach, and at the same time, aiming to obtain a more stable and desirable supply of quality pre-owned consumer electronics. During the Track Record Period, the aggregate number of offline stores operated by our upstream sourcing partners which we had entered into business cooperation with were over 49,000 stores. According to Frost & Sullivan, as of the Latest Practicable Date, the aggregate number of branded offline stores of the six mainstream consumer electronic brands that we have already cooperated with exceeded 250,000 stores in the PRC. As such, we believe that there remains a tremendous market for us to develop. We also intend to particularly step up our efforts to collaborate with the large mobile network operators in the PRC to promote our pre-owned mobile phone recycling services. In February 2024, the General Office of the State Council issued the Opinions on Accelerating the Construction of a Waste Recycling System (《關於加快構建廢棄物循環利用體系的意見》) which, among others, calls for the standardization of trading activities in connection with second-hand goods and encourages the development of the "internet & second-hand" business model. It also proposes to introduce regulations related to information clearance methods for consumer electronic products such as tablets and mobile phones when traded by second-hand goods trading enterprises, ensuring the security of seller information during such transactions. We see PRC mobile network operators have already been starting to cooperate more with the consumer electronics after-market service providers and chain retailers to offer trade-in solutions. As we have already established cooperation with the largest four mobile network operators in the PRC in supply of pre-owned mobile phones since 2017, we believe that we possess the first-mover advantage towards our competitors to further strengthen our strategic relationship with these PRC mobile phone network operators, which in turn, will secure us more sufficient and stable supply of pre-owned mobile phones for our offline trade-in recycling business.

On the sale side, we will continue to increase our marketing efforts and explore new sales channels to steadily increase our sales volume and profit margin. In particularly, we intend to grow our brand awareness and strengthen our influence through various brand building activities to attract and retain more individual customers as we believe the gross profit margin of sale of mid-to-high ended second-hand consumer electronic products to individual customers are much higher than that sales to the merchant customers. We also intend to work closely with our key upstream sourcing partners to expand our overseas operation. In October 2023, we had successfully obtained Radio Dealers Licence (Unrestricted) (無線電商牌照) in Hong Kong. We also commenced to provide our offline trade-in recycling transaction service in Hong Kong since November 2023 for one of our key upstream sourcing partners, and sell the same through our local sales channel. For the year ended December 31, 2023 and the six months ended June 30, 2024, our procurement value of pre-owned consumer electronics in Hong Kong amounted to approximately HK$5.6 million and HK$28.8 million, respectively, and our sale in Hong Kong amounted to approximately HK$42,000 and HK$29.3 million, respectively. We believe that with our well-established collaborative relationship with these key upstream sourcing partners and our matured business model, we will be able to quickly add synergies to our key upstream sourcing partners and increase our market shares in both recycling and sale services of pre-owned consumer electronics in Hong Kong.

For more details of our strategies and plans, please refer to "Business – Our Strategies" and "Future Plans and [**REDACTED**]" in this document.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

During the Track Record Period, we primarily derived our revenue from the sale of pre-owned consumer electronics, mainly mobile phones, procured from our various supply channels, to buyers in the second-hand market, primarily through our Shanhui Youpin (閃回有品) online platform, as well as our own online stores operated on various third-party e-commerce platforms. In order to satisfy the business needs of our customers, we also sell part of our procured consumer electronics in bulk through our offline sale, and also provide various value-added and after-sales services to them. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our revenue amounted to approximately RMB749.7 million, RMB919.1 million, RMB1,158.4 million and RMB576.9 million, respectively.

The table below sets out the breakdown of our revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
							(Unaudited)			
Sale of products	737,210	98.3	901,770	98.1	1,140,278	98.4	510,266	98.4	568,887	98.6
– Sale of pre-owned mobile phones	693,393	92.5	856,346	93.2	1,050,003	90.6	471,315	90.9	546,797	94.8
– Sale of other pre-owned consumer electronics	43,817	5.8	45,424	4.9	90,275	7.8	38,951	7.5	22,090	3.8
Other services[1]	12,521	1.7	17,342	1.9	18,115	1.6	8,116	1.6	7,971	1.4
Total:	**749,731**	**100**	**919,112**	**100**	**1,158,393**	**100**	**518,382**	**100**	**576,858**	**100**

Note:

1. Other services primarily include (i) providing services related to matching the purchase and sale needs of consumer electronics in bulk of our upstream business partners and customers; (ii) conducting quality inspection of pre-owned mobile phones transacted on certain well-known third-party e-commerce platforms; and (iii) providing after-sales services, such as screen assurance services and value maintain services.

The table below sets out the sales volume and average selling price of pre-owned consumer electronics that we sold by product type for the periods indicated, respectively:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)
Sale of pre-owned mobile phones	1,057	656	1,214	705.4	1,506	697.2	666	707.7	552	990.6
Sale of other pre-owned consumer electronics	331	132	406	111.9	966	93.5	568	68.6	329	67.1
Total:	**1,388**	**N/A**	**1,620**	**N/A**	**2,472**	**N/A**	**1,234**	**N/A**	**881**	**N/A**

Sale of pre-owned mobile phones is our largest business segment. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our revenue derived from our sale of pre-owned mobile phones amounted to approximately RMB693.4 million, RMB856.3 million, RMB1,050 million and RMB546.8 million, representing approximately 92.5%, 93.2%, 90.6% and 94.8% of our total revenue for the same periods, respectively. The steady growth in revenue generated from our sale of pre-owned mobile phones during the Track Record Period was primarily due to the increases in their sales volume and/or average selling prices, driven by our strategic business expansion. Such increases were primarily attributable to (i) the continuous updating and upgrading of the new models of mobile phones which generally had higher selling prices than that of the older models; and (ii) the expansion of our supply channels by establishing new strategic cooperation relationship with more mainstream consumer electronic brands.

The table below sets out our revenue of pre-owned mobile phones that we sold by consumer electronic brand's name[(1)] for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Consumer Electronic Brand A	52,097	6.9	84,025	9.1	122,161	10.5	44,835	8.6	69,736	12.1
Consumer Electronic Brand B	221,786	29.6	270,543	29.4	301,494	26.0	140,945	27.2	141,152	24.5
Consumer Electronic Brand C	138,314	18.4	185,784	20.2	218,736	18.9	111,401	21.5	110,496	19.2
Consumer Electronic Brand D	28,016	3.7	41,915	4.6	56,725	4.9	26,773	5.2	32,551	5.6

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Consumer Electronic Brand E	1,217	0.2	1,077	0.1	1,471	0.1	539	0.1	851	0.1
Vivo	33,026	4.4	48,140	5.2	64,829	5.6	30,999	6.0	33,098	5.7
Other brands[(2)]	218,937	29.2	224,862	24.5	284,587	24.6	115,823	22.3	158,913	27.5
Total:	**693,393**	**92.5**	**856,346**	**93.2**	**1,050,003**	**90.6**	**471,315**	**90.9**	**546,797**	**94.8**

Notes:

1. During the Track Record Period, our upstream sourcing partners generally allowed individual consumers to have their pre-owned mobile phones under different brands to be traded-in in their branded offline stores.

2. A significant portion of our revenue derived from the sale of pre-owned mobile phones in other brands include our sale of pre-owned mobile phones of one particular mainstream international consumer electronic brand, which we did not cooperate with and provide our trade-in recycling transaction services to it during the Track Record Period.

The table below sets out the sales volume and average selling price of pre-owned mobile phones that we sold by consumer electronic brand's name[(1)] for the periods indicated, respectively:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)
Consumer Electronic Brand A	46	1,132.5	53	1,585.4	77	1,586.5	31	1,446.3	39	1,788.1
Consumer Electronic Brand B	354	626.5	392	690.2	461	654	194	726.5	164	860.7
Consumer Electronic Brand C	195	709.3	250	743.1	316	692.2	151	737.8	118	936.4
Consumer Electronic Brand D	75	373.5	94	445.9	122	465.0	55	486.8	47	692.6
Consumer Electronic Brand E	5	243.4	3	359	2	735.5	1	539	1	851
Vivo	86	384.0	117	411.5	158	410.3	74	418.9	49	675.5
Other brands[(2)]	296	738.7	305	737.3	370	769.2	160	723.9	134	1,185.9
Total:	**1,057**	**N/A**	**1,214**	**N/A**	**1,506**	**N/A**	**666**	**N/A**	**552**	**N/A**

Notes:

1. During the Track Record Period, our upstream sourcing partners generally allowed individual consumers to have their pre-owned mobile phones under different brands to be traded-in in their branded offline stores.

2. A significant portion of our revenue derived from the sale of pre-owned mobile phones in other brands include our sale of pre-owned mobile phones of one particular mainstream international consumer electronic brand, which we did not cooperate with and provide our trade-in recycling transaction services to it during the Track Record Period.

During the Track Record Period, other than the pre-owned mobile phones, we also procured and sold other consumer electronic products, including laptops, PC tablets, phone accessories and other digital products. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our revenue derived from the sale of other pre-owned consumer electronics amounted to approximately RMB43.8 million, RMB45.4 million, RMB90.3 million and RMB22.1 million, representing approximately 5.8%, 4.9%, 7.8% and 3.8% of our total revenue for the same periods, respectively.

Revenue by Sales Channel

We currently conduct the majority of our sales through our proprietary online platform under the brand of Shanhui Youpin (閃回有品). We then subsequently developed an associated Shanhui Youpin (閃回有品) mobile application and WeChat or Alipay mini-program also under such brand, which have become our main sales platforms enabling buyers to purchase and/or bid for pre-owned consumer electronics through different business modules. In addition to our Shanhui Youpin (閃回有品) online platform, we have also established cooperative relationship with various third-party e-commerce platforms, including a few well-known PRC e-commerce recycling platforms and online shopping platforms, as well as live-streaming platforms targeting various types of customers. We typically set up and operate our own online stores on these third-party e-commerce platforms. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our revenue derived from the sale of pre-owned consumer electronics through sales platforms, including both of our Shanhui Youpin (閃回有品) online platform and other third-party e-commerce platforms, amounted to approximately RMB710.6 million, RMB863.8 million, RMB1,049.5 million and RMB550.6 million, representing approximately 94.8%, 94%, 90.6% and 95.4% of our total revenue for the same periods, respectively. In future, we intend to establish our branded online stores on more third-party e-commerce platforms to further diversify our sales channels.

Leveraging our established position in the PRC mobile phone recycling service market and our strategic and synergistic relationship with our various upstream sourcing partners, we have been engaged in the corporate recycling by certain of our upstream sourcing partners to handle their excess inventories and/or demonstration consumer electronics and/or other recycling requests of consumer electronics in bulk to satisfy the diversified business needs of our upstream business partners. Based on our understanding of the needs and preferences of buyers in the second-hand consumer electronics market, we are then able to sell the majority of our pre-owned consumer electronics procured through corporate recycling to our customers through offline sale. During the Tack Record Period, approximately 72.5%, 75.6%, 79.2% and

81.8% of our pre-owned consumer electronics procured through corporate recycling were sold to our customers through offline sale in terms of procurement value of consumer electronics, respectively. We will also handle some ad-hoc offline purchase requests of consumer electronics in bulk from our customers, and procure and sell the same which meet the requirements to satisfy their business needs. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our revenue derived from the sale of consumer electronics through offline sale amounted to approximately RMB26.6 million, RMB38 million, RMB90.7 million and RMB18.3 million, representing approximately 3.5%, 4.1%, 7.8% and 3.2% of our total revenue for the same periods, respectively.

The table below sets out our revenue of sale of products by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
							(Unaudited)			
Sale of pre-owned consumer electronics through sales platforms	710,612	94.8	863,810	94.0	1,049,537	90.6	472,630	91.2	550,565	95.4
– Sale through Shanhui Youpin (閃回有品)	641,470	85.6	801,094	87.2	927,735	80.1	418,682	80.8	513,685	89.0
– Sale through third-party e-commerce platforms	69,142	9.2	62,716	6.8	121,802	10.5	53,948	10.4	36,880	6.4
Sale of consumer electronics through offline sale	26,598	3.5	37,960	4.1	90,741	7.8	37,636	7.2	18,322	3.2
Total:	**737,210**	**98.3**	**901,770**	**98.1**	**1,140,278**	**98.4**	**510,266**	**98.4**	**568,887**	**98.6**

The table below sets out the sales volume and average selling price of consumer electronics that we sold by sales channel for the periods indicated, respectively:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)	unit'000	Average selling price/unit (RMB)
Sale of pre-owned consumer electronics through sales platforms	1,247	569.9	1,254	688.8	1,545	679.3	691	684.0	562	979.7
– Sale through Shanhui Youpin (閃回有品)	1,035	619.8	1,163	688.8	1,371	676.7	605	692.0	520	987.9
– Sale through third-party e-commerce platforms	212	326.2	91	689.2	174	700.0	86	627.3	43	857.7
Sale of consumer electronics through offline sale	141	188.6	366	103.7	927	97.9	543	69.3	318	57.6
Total:	**1,388**	**N/A**	**1,620**	**N/A**	**2,472**	**N/A**	**1,234**	**N/A**	**881**	**N/A**

Cost of Sales

Cost of sales primarily consists of (i) our procurement costs of pre-owned consumer electronics sourced from consumers through our upstream sourcing partners, where individual consumers are our ultimate suppliers; (ii) costs of promotion service and commission fees, primarily including promotion service fees paid to offline stores of our certain upstream sourcing partners and commissions paid to certain stores' sales personnel, based on the arrangements with different stores tailored to their specific conditions and needs; and (iii) logistic costs which we pay to the third-party logistic service providers for the transportation and delivery of our procured pre-owned consumer electronics.

The following table sets out a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Cost of our procurement of pre-owned consumer electronics[1]	587,335	85.3	743,133	86.1	954,778	88.4	418,071	87.5	482,434	87.6
Cost of promotion service and commission fees	70,623	10.3	76,887	8.9	74,391	6.9	35,433	7.4	47,918	8.7
Cost of logistics	10,453	1.5	13,414	1.6	16,258	1.5	6,864	1.4	6,647	1.2
Others[2]	19,849	2.9	30,011	3.4	34,623	3.2	17,525	3.7	13,981	2.5
Total:	**688,260**	**100**	**863,445**	**100**	**1,080,050**	**100**	**477,893**	**100**	**550,980**	**100**

Notes:

1. Cost of our procurement of pre-owned consumer electronics also included our procurement cost of excess inventories, demonstration consumer electronics and/or other consumer electronics through corporate recycling.

2. Others primarily include our costs related to labor, repair and maintenance and procurement of phone accessories and services relating to screen damage replacement.

Our cost of sales was approximately RMB688.3 million, RMB863.4 million, RMB1,080.1 million and RMB551.0 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, representing approximately 91.8%, 93.9%, 93.2% and 95.5% of our total revenue for the same periods, respectively. Our cost of sales and cost of sales as a percentage of our revenue were high during the Track Record Period, primarily due to (i) the increase in our procurement volume as our business continued to grow and the expansion of our supply channels as a result of establishing new strategic corporation relationship with more mainstream consumer electronic brands; (ii) the continuous updating and upgrading of the new models of mobile phones which led to higher purchase costs than that of the older models; and (iii) the general increase in our procurement costs as the market of mobile phone recycling services got more competitive. Distinguished from most of our competitors in the industry, we maintain a keen focus on facilitating pre-owned consumer electronics after-market transactions and providing our services to our upstream sourcing partners by way of trade-in. We believe that our business focus has provided us with unmatched access to stable and desirable supply from reliable channels with controllable costs.

Cost of our procurement of pre-owned consumer electronics was the largest component of our cost of sales during the Track Record Period, representing approximately 85.3%, 86.1%, 88.4% and 87.6% of our total cost of sales and approximately 78.3%, 80.9%, 82.4% and 83.6% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. We primarily source pre-owned consumer electronics, which include mobile phones, laptops, PC tablets, phone accessories and other digital products, through our strategic collaboration with our upstream sourcing partners. Our upstream sourcing partners include mainstream consumer electronic brands and their designated distributors, sizable merchants for consumer electronic products and large mobile network operators. Cost of procurement of pre-owned mobile phones was the largest component of our cost of procurement of pre-owned consumer electronics, representing approximately 94%, 94.3%, 91.5% and 95.4% of our total cost of procurement of pre-owned consumer electronics for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively.

Cost of our promotion service and commission fees paid to certain of our upstream sourcing partners and their relevant front sales personnel was the second largest component of our cost of sales during the Track Record Period, representing approximately 10.3%, 8.9%, 6.9% and 8.7% of our total cost of sales and approximately 9.4%, 8.4%, 6.4% and 8.3% of our revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Based on the arrangements with our upstream sourcing partners tailored to their specific conditions and needs, we typically pay an agreed percentage of the total monthly procurement value of the pre-owned consumer electronics we procured as promotion service fees to them and/or commission fees to their relevant front sales personnel. Our cost of promotion service and commission fees increased for the year ended December 31, 2022, primarily due to our stable strategic cooperation with certain mainstream consumer electronic brands, which we were able to spread our services to their numerous offline stores within a relatively short period. Our cost of promotion service and commission fees decreased for the year ended December 31, 2023, primarily the reason that (i) our bargaining power in negotiating the promotion service fees with our upstream sourcing partners had gradually increased during the Track Record Period due to our service offering, that was, while we provided recycling services to our upstream sourcing partners by way of trade-in, we also facilitated the sale of their new models of mobile phones; and (ii) we had been continuously optimizing our commission fee structure by providing our recommended range of recycling prices in advance to the front sale personnel of our upstream sourcing partners' offline stores. As these front sales personnel are the ones who meet the consumers in store and to facilitate the trade-in service transactions and sale of new consumer electronics, we typically let them have the flexibility to determine the final recycling prices they would give to consumers within our recommended recycling price range under different circumstances and transactions. Our cost of promotion service and commission fees increased for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily the reason that we increased the commission fees for the front sales personnel of our upstream sourcing partners' stores, and also our recycling prices of pre-owned mobile phones of similar models and/or quality as compared to previous years under our trade-in solution so that we would be able to keep up our recycling volume and maintain our market share to cope with the increasing competitive market environment and the challenging macroeconomic condition, which also led to a consumption downgrade in the PRC during the first half of 2024.

During the Track Record Period, our cost of sales of consumer electronics by product as a percentage of our total cost of sales were largely in line with their respectively percentage contribution to our revenue. The following table sets out a breakdown of our cost of sales by product for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales
							(Unaudited)			
Cost of sales of pre-owned mobile phones	647,187	94.0	814,289	94.3	988,762	91.5	437,705	91.6	525,810	95.4
Cost of sales of other pre-owned consumer electronics	34,413	5.0	37,297	4.3	79,356	7.4	34,330	7.2	19,116	3.5
Total:	**681,600**	**99.0**	**851,586**	**98.6**	**1,068,118**	**98.9**	**472,035**	**98.8**	**544,926**	**98.9**

Gross profit and gross profit margin

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our gross profit was approximately RMB61.5 million, RMB55.7 million, RMB78.3 million and RMB25.9 million, respectively, and our gross profit margin was approximately 8.2%, 6.1%, 6.8% and 4.5%, respectively.

The following table sets out the breakdown of our gross profit and gross profit margin for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Sale of products	55,610	7.4	50,184	5.5	72,160	6.2	38,231	7.5	23,961	4.2
– Sale of pre-owned mobile phones	46,206	6.7	42,057	4.9	61,241	5.8	33,609	7.1	20,987	3.8

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
– Sale of other pre-owned consumer electronics..........	9,404	21.5	8,127	17.9	10,919	12.1	4,622	11.9	2,974	13.5
Other services[(1)]....	5,861	46.8	5,483	31.6	6,183	34.1	2,258	27.8	1,917	24.0
Total:....................	**61,471**	**8.2**	**55,667**	**6.1**	**78,343**	**6.8**	**40,489**	**7.8**	**25,878**	**4.5**

Note:

1. Other services primarily include (i) providing services related to matching the purchase and sale needs of consumer electronics in bulk of our upstream business partners and customers; (ii) conducting quality inspection of pre-owned mobile phones transacted on certain well-known third-party e-commerce platforms; and (iii) providing after-sales services, such as screen assurance services and value maintain and trade-in services.

Our gross profit and gross profit margin both decreased for the year ended December 31, 2022 as compared to the same for the year ended December 31, 2021, primarily due to the decreases in both of the gross profit and gross profit margin of our sale of pre-owned mobile phones from approximately RMB46.2 million and 6.7% for the year ended December 31, 2021, respectively, to approximately RMB42.1 million and 4.9% for the year ended December 31, 2022, respectively. Such decrease was primarily the reason that our procurement cost of pre-owned consumer electronics increased relatively faster as compared to the increase in our sale of the same, as both markets of the consumer electronics recycling services and the second-hand consumer electronics got more competitive and the PRC economy also slowed down since COVID-19 pandemic.

Our gross profit and gross profit margin improved from approximately RMB55.7 million and 6.1% for the year ended December 31, 2022, respectively, to approximately RMB78.3 million and 6.8% for the year ended December 31, 2023. Such improvements were primarily due to (i) the recovery of the PRC business environment and our organic growth after the COVID-19 pandemic; and (ii) the decrease in the cost of our promotion service and commission fees paid to certain of our upstream sourcing partners and/or their relevant front sales personnel.

Our gross profit and gross profit margin both decreased from approximately RMB40.5 million and 7.8% for the six months ended June 30, 2023, respectively, to approximately RMB25.9 million and 4.5% for the six months ended June 30, 2024. Such decreases were primarily due to the increases in our recycling prices of pre-owned mobile phones of similar models and/or quality as compared to previous years under our trade-in solution and also the commission fees paid to the front sales personnel of our upstream sourcing partners' stores, so that we would be able to keep up our recycling volume and maintain our market share to cope with the increasing competitive market environment and the challenging macroeconomic condition, which also led to a consumption downgrade in the PRC during the first half of 2024. While the selling prices of pre-owned mobile phones are relatively more market driven, the faster increase in our cost of sales of pre-owned mobile phones for the six months ended June 30, 2024 led to a decrease in our gross profit and gross profit margin for the same period.

Other income and gains/(losses)

Our other income primarily consisted of government grants, interest income on structured deposits and bank deposits, and others. Our other gains/(losses) primarily consisted of our provision for litigation loss in a lawsuit, our contract liquidated damages paid to one of our previous investors and fair value changes of financial assets measured at FVTPL and derivative financial liabilities.

The following table sets out a breakdown of our other income and gains/(losses) for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(Unaudited)	
Interest income on structured deposits and bank deposits	1,063	369	414	98	956
Government grants	2,692	3,672	1,164	1,124	1,431
Provision for litigation loss	–	(6,000)	–	–	–
Contract liquidated damages	(1,500)	–	–	–	–
Fair value changes of financial assets measured at FVTPL and derivative financial liabilities	(2,000)	(3,598)	6,905	989	29
Others	122	1,033	551	445	(576)
Total:	**377**	**(4,524)**	**9,034**	**2,656**	**1,840**

Government grants mainly represented unconditional cash awards granted by the government authorities in the PRC, which primarily included local governmental subsidies to support digital economy, brand building and business growth.

Our fair value changes of financial assets measured at FVTPL related to our equity investment into a company which is listed on the Stock Exchange. Our fair value changes of derivative financial liabilities represented the changes in fair value in relation to the options granted to certain financial institutions, all of which were either expired or terminated before or in January 2024. For more details of our options granted, please refer to "History, Reorganization and Corporate Structure – 3. Our Group Structure and Corporate History – 3.1.6 Share Option" in this document. Please also refer to note 22 to our financial statements included in the Accountants' Report in Appendix I to this document.

Others primarily included security deposit forfeit by us in relation to the buyers who participated in the bidding modules on our Shanhui Youpin (閃回有品) online platform but failed to make payment in prescribed time limit.

Selling and distribution expenses

Our selling and distribution expenses primarily consisted of salaries and benefits of our sales personnel, marketing and advertising expenses, depreciation expenses, office expenses and travelling expenses. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our selling and distribution expenses were approximately RMB11.6 million, RMB17.2 million, RMB18.5 million and RMB8.5 million, representing approximately 1.5%, 1.9%, 1.6% and 1.5% of our total revenue for the same periods, respectively.

The following table sets out a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Staff salaries and benefits	7,772	67.1	10,391	60.3	10,449	56.4	4,725	59.3	4,678	54.9
Marketing and advertising expenses	2,605	22.5	3,928	22.8	4,671	25.2	2,003	25.1	2,238	26.3
Depreciation expenses	36	0.3	719	4.2	1,493	8.1	530	6.6	522	6.1
Office expenses	253	2.2	531	3.1	263	1.4	87	1.1	176	2.1
Travelling expenses	260	2.2	504	2.9	694	3.7	92	1.2	101	1.2
Others[1]	655	5.7	1,170	6.7	958	5.2	537	6.7	799	9.4
Total:	**11,581**	**100**	**17,243**	**100**	**18,528**	**100**	**7,974**	**100**	**8,514**	**100**

Note:

1. Others primarily include other miscellaneous expenses.

Staff salaries and benefits were the largest component of our selling and distribution expenses, representing approximately 67.1%, 60.3%, 56.4% and 54.9% of our total selling and distribution expenses for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. During the Track Record Period, we had been steadily putting effort to expand our supply network and deepen our strategic cooperation with upstream sourcing partners, we had also been recruiting and adjusting personnel at our sales side to increase our effort and explore new sales opportunities from our existing and potential customers in the PRC.

Marketing and advertising expenses were the second largest component of our selling and distribution expenses, representing approximately 22.5%, 22.8%, 25.2% and 26.3% of our total selling and distribution expenses for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our marketing and advertising expenses were primarily related to our marketing and advertising activities, marketing materials used and our service fees paid to various third-party e-commerce platforms.

Administrative expenses

Our administrative expenses primarily consisted of salaries and benefits for our management and administrative staff, service fees for the third-party human resource service providers, consulting firm and other professional service providers, impairment loss on trade and other receivables, travelling and entertainment expenses, office expenses, depreciation expenses and [**REDACTED**] expenses. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our administrative expenses were approximately RMB42.2 million, RMB45.7 million, RMB57.5 million and RMB32.5 million, representing approximately 5.6%, 5%, 5% and 5.6% of our total revenue for the same period, respectively.

During the Track Record Period, we had made continuous efforts on optimizing our management and administrative department to improve our operating efficiencies. The following table sets out a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Staff salaries and benefits	20,091	[REDACTED]	28,802	[REDACTED]	25,688	[REDACTED]	11,979	[REDACTED]	14,798	[REDACTED]
Service fees	6,104	[REDACTED]	3,855	[REDACTED]	7,030	[REDACTED]	3,106	[REDACTED]	3,291	[REDACTED]
Impairment loss on trade and other receivables	967	[REDACTED]	1,232	[REDACTED]	4,380	[REDACTED]	1,129	[REDACTED]	1,411	[REDACTED]
Travel and entertainment expenses	1,890	[REDACTED]	2,325	[REDACTED]	2,904	[REDACTED]	1,460	[REDACTED]	1,407	[REDACTED]
Office expenses	1,930	[REDACTED]	2,597	[REDACTED]	2,764	[REDACTED]	1,539	[REDACTED]	1,272	[REDACTED]

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Depreciation	1,808	[REDACTED]	1,139	[REDACTED]	844	[REDACTED]	422	[REDACTED]	1,024	[REDACTED]
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others(1)	3,019	[REDACTED]	2,635	[REDACTED]	3,033	[REDACTED]	1,356	[REDACTED]	1,149	[REDACTED]
Total:	[REDACTED]	**100**	[REDACTED]	**100**	[REDACTED]	**100**	[REDACTED]	**100**	[REDACTED]	**100**

Note:

1. Others primarily include other miscellaneous expenses.

Research and development expenses

Our research and development expenses amounted to approximately RMB10.3 million, RMB17.4 million, RMB18.9 million and RMB9.2 million, representing approximately 1.4%, 1.9%, 1.6% and 1.6% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. Our research and development expenses primarily consisted of (i) salaries and benefits for our technology and development team members, which amounted to approximately RMB9 million, RMB11.9 million, RMB11.4 million and RMB5.5 million; and (ii) service fees paid to third-party technology service providers, which amounted to approximately RMB0.8 million, RMB4.6 million, RMB6.4 million and RMB3 million for the same periods, respectively.

Please also refer to "Business – Technology, Research and Development" in this document for more details of our technology, research and development efforts. Our research and development expenditures were recognized as expenses in the period in which they were incurred. For more details, please also refer to note 2(t) to our financial statements included in the Accountants' Report in Appendix I to this document.

Finance costs

Our finance costs represent our interest expenses on our bank and other borrowings and lease liabilities. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our finance costs were approximately RMB0.5 million, RMB0.5 million, RMB3.4 million and RMB3.7 million, respectively.

Changes in carrying amount of the redemption liabilities

Our changes in carrying amount of redemption liabilities represented the changes in our redemption obligations arising from the preferential rights granted to our **[REDACTED]** Investors. For the years ended December 31, 2021, 2022 and 2023 and the six months ended

June 30, 2024, our changes in carrying amount of redemption liabilities amounted to approximately RMB46.1 million, RMB69.4 million, RMB87.3 million and RMB13.9 million, respectively. For more details of our [**REDACTED**] Investments, please refer to "History, Reorganization and Corporate Structure – 3. Our Group Structure and Corporate History" in this document. Please also refer to note 21 to our financial statements included in the Accountants' Report in Appendix I to this document.

Income tax

Income tax consists of current tax and deferred income tax by our Group. Current tax primarily comprises PRC corporate income tax payable by our PRC subsidiaries. We did not incur income tax during the Track Record Period, primarily as a result of us realizing net losses for the same periods.

Under the current law of the Cayman Islands, we are not subject to any income tax in the Cayman Islands. Under the Hong Kong law, we are not subject to any income tax in Hong Kong as we had no assessable profits derived from or earned in Hong Kong during the Track Record Period. Under the EIT Law, our subsidiaries in the PRC are subject to PRC income tax at the statutory PRC corporate income tax rate of 25%.

Please also refer to note 7 to our financial statements included in the Accountants' Report in Appendix I to this document for a more detailed discussion on our income tax.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended June 30, 2024 compared to six months ended June 30, 2023

Revenue by product

Our revenue increased by approximately 11.3% from approximately RMB518.4 million for the six months ended June 30, 2023 to approximately RMB576.9 million for the six months ended June 30, 2024, primarily due to the increase in our revenue generated from the sale of our pre-owned mobile phones from approximately RMB471.3 million for the six months ended June 30, 2023 to approximately RMB546.8 million for the six months ended June 30, 2024. Such increase was attributable to the increase in its average selling price from approximately RMB707.7 per unit to approximately RMB990.6 per unit for the same period, primarily due to the continuous updating and upgrading of the new models of mobiles phones which led to higher selling prices than that of the older models. The increase in average selling price was also attributable to the reason that certain mainstream consumer electronic brands conducted trade-in promotional activities on specific models of pre-owned mobile phones recycled by us which were generally newer and had higher selling prices. Such increase was partially offset by the decrease in its sales volume from approximately 666,000 units to approximately 552,000 units for the same period, which was primarily attributable to the decrease in the volume of pre-owned mobile phones recycled by us.

The increase in our revenue for the six months ended June 30, 2024 was also partially offset by the decrease in our revenue of sale of other pre-owned consumer electronic products from approximately RMB39 million for the six months ended June 30, 2023 to approximately RMB22.1 million for the six months ended June 30, 2024. Such decrease was primarily due to the decrease in its sales volume from approximately 568,000 units to approximately 329,000 units for the same period.

Revenue by sales channel

Our revenue generated from our sale of pre-owned consumer electronics through sales platforms increased by approximately 16.5% from approximately RMB472 million for the six months ended June 30, 2023 to approximately RMB550.6 million for the six months ended June 30, 2024.

During the Track Record Period, we conducted the majority of our sales through our proprietary online platform under the brand of Shanhui Youpin (閃回有品). As such, the increase in our revenue for the six months ended June 30, 2024 was primarily attributable to the increase in our sale of pre-owned consumer electronics through our proprietary Shanhui Youpin (閃回有品) online platform from approximately RMB418.6 million for the six months ended June 30, 2023 to approximately RMB513.7 million for the six months ended June 30, 2024, which was in turn, due to the increase in its average selling price from approximately RMB692 per unit to approximately RMB987.9 per unit for the same period. Such increase in our sales through Shanhui Youpin (閃回有品) online platform was partially offset by the decrease in its sales volume from approximately 605,000 units to approximately 520,000 units for the same period. Our revenue generated from our sale of pre-owned consumer electronics through sales platforms for the six months ended June 30, 2024 was also partially offset by our sale through our own online stores on third-party e-commerce platforms from approximately RMB53.4 million to approximately RMB36.9 million for the same period. Such decrease was primarily due to the decrease in its sales volume from approximately 86,000 units to approximately 43,000 units for the same period.

The increase in our revenue for the six months ended June 30, 2024 was also partially offset by the decrease in our sale of consumer electronics through offline sale from approximately RMB37.6 million for the six months ended June 30, 2023 to approximately RMB18.3 million for the six months ended June 30, 2024.

Cost of sales

Our cost of sales increased by approximately 15.3% from approximately RMB477.9 million for the six months ended June 30, 2023 to approximately RMB551 million for the six months ended June 30, 2024. The increase in our cost of sales for the six months ended June 30, 2024 was primarily attributable to the increases in our procurement cost of pre-owned consumer electronics and cost of promotion service and commission fees paid from approximately RMB418.1 million and RMB35.4 million for the six months ended June 30, 2023, respectively, to approximately RMB482.4 million and approximately RMB47.9 million for the six months ended June 30, 2024, respectively. Such increases were primarily due to the increase in our recycling prices of pre-owned mobile phones of similar models in previous years under our offline trade-in solution and also the commission fees paid to the front sales personnel of our upstream sourcing partners' stores, so that we would be able to keep up our recycling volume and maintain our market share to actively cope with the increasing competitive market environment and the challenging macroeconomic condition, which also led to a consumption downgrade in the PRC during the first half of 2024.

Gross profit and gross profit margin

Our gross profit and gross profit margin both decreased from approximately RMB40.5 million and 7.8% for the six months ended June 30, 2023, respectively, to approximately RMB25.9 million and 4.5% for the year ended six months ended June 30, 2024, respectively, which were primarily attributable to the decreases in both of our gross profit and gross profit margin of our sale of pre-owned mobile phones from approximately RMB33.6 million and 7.1% to approximately RMB21 million and 3.8% for the same period, respectively. Such decreases were primarily the reason that the increase in our cost of sales of pre-owned mobile phones was relatively faster than the increase in our revenue for the same period. While the selling prices of pre-owned mobile phones are relatively more market driven, the faster increase in our cost of sales of pre-owned mobile phones for the six months ended June 30, 2024 led to a decrease in our gross profit and gross profit margin for the same period.

Other income and gains

Our other income and gains decreased by 30.7% from approximately RMB2.7 million for the six months ended June 30, 2023 to approximately RMB1.8 million for the six months ended June 30, 2024. Such decrease was primarily due to us recording gains on fair value changes of financial assets measured at FVTPL and derivative financial liabilities of approximately RMB1 million for the six months ended June 30, 2023 while we recorded gains on the same of approximately RMB29,000 for the six months ended June 30, 2024.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 6.8% from approximately RMB8 million for the six months ended June 30, 2023 to approximately RMB8.5 million for the six months ended June 30, 2024. Such increase was primarily due to the increase in our market and advertising expenses from approximately RMB2 million for the six months ended June 30, 2023 to approximately RMB2.2 million for the six months ended June 30, 2024.

Administrative expenses

Our administrative expenses increased by approximately 15.8% from approximately RMB28.1 million for the six months ended June 30, 2023 to approximately RMB32.5 million for the six months ended June 30, 2024. Such increase was primary attributable to the increases in salaries and benefits of our managerial and administrative staff and depreciation from approximately RMB12 million and RMB0.4 million for the six months ended June 30, 2023, respectively, to approximately RMB14.8 million and RMB1 million for the six months ended June 30, 2024, respectively. The increase in our administrative expenses was also partially attributable to our [**REDACTED**] expenses.

Research and development expenses

We recorded research and development expenses of approximately RMB9.1 million and RMB9.2 million for the six months ended June 30, 2023 and 2024. Our research and development expenses remained relatively stable for such periods.

Finance costs

Our finance costs increased by approximately 161.5% from approximately RMB1.4 million for the six months ended June 30, 2023 to approximately RMB3.7 million for the six months ended June 30, 2024. Such increase was primarily due to the increase in our interest on bank loans and other borrowings from approximately RMB1.2 million for the six months ended June 30, 2023 to approximately RMB3.5 million for the six months ended June 30, 2024.

Changes in carrying amount of the redemption liabilities

Our changes in carrying amount of redemption liabilities represented the changes in our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors. Our changes in carrying amount of redemption liabilities amounted to approximately RMB65.2 million for the six months ended June 30, 2023 as compared to approximately RMB13.9 million for the six months ended June 30, 2024. For more details of our carrying amount of the redemption liabilities, please refer to note 21 to our financial statements included in the Accountants' Report in Appendix I to this document.

Loss for the period

As a result of the foregoing, our loss for the period decreased from approximately RMB68.6 million for the six months ended June 30, 2023 to approximately RMB40.1 million for the six months ended June 30, 2024.

Year ended December 31, 2023 compared to year ended December 31, 2022

Revenue by product

Our revenue increased by approximately 26% from approximately RMB919.1 million for the year ended December 31, 2022 to approximately RMB1,158.4 million for the year ended December 31, 2023, primarily due to the increase in our revenue generated from the sale of our pre-owned mobile phones from approximately RMB856.3 million for the year ended December 31, 2022 to approximately RMB1,050 million for the year ended December 31, 2023, primarily due to (i) our general increase in sales coupled with our enhanced procurement capabilities as a result of maintaining and expanding our upstream supply network; and (ii) the growing downstream demands of our procured mobile phones as a result of our strategy to steadily enlarge our customer base and explore new sales channels. The increase in our sale of pre-owned mobile phones was attributable to the increase in the sales volume from approximately 1,214,000 units for the year ended December 31, 2022 to approximately 1,506,000 units for the year ended December 31, 2023 as our business continued to expand. Such increase was partially offset by a slight decrease in its average selling price from approximately RMB705.4 per unit to approximately RMB697.2 per unit for the same period.

The increase in our revenue for the year ended December 31, 2023 was also partially attributable to the sale of our other pre-owned consumer electronics from approximately RMB45.4 million for the year ended December 31, 2022 to approximately RMB90.3 million for the year ended December 31, 2023. Such increase was primarily due to the increase in its sales volume from approximately 406,000 units to approximately 967,000 units for the same period. Such increase was partially offset by the decrease in its average selling price from approximately RMB111.9 per unit to approximately RMB93.5 per unit for the same period, primarily as a result of us procuring more other consumer electronics, such as phone accessories, from our various upstream sourcing partners through corporate recycling and hence, sold more of the same to our customers.

Revenue by sales channel

Our revenue generated from our sale of pre-owned consumer electronics through sales platforms increased by approximately 26.2% from approximately RMB863.8 million for the year ended December 31, 2022 to approximately RMB1,049.5 million for the year ended December 31, 2023. Such increase was primarily attributable to the increase in our sale of pre-owned consumer electronics through our proprietary Shanhui Youpin (閃回有品) online platform from approximately RMB801.1 million for the year ended December 31, 2022 to approximately RMB927.7 million for the December 31, 2023, which was in turn, due to the increases in its sales volume from approximately 1,158,000 units to approximately 1,371,000 units for the same period, respectively, as our business continued to expand. Our sale through our own online stores on third-party e-commerce platforms also increased from approximately RMB62.7 million to approximately RMB121.8 million for the same period. Such increase was primarily due to the increases in both of its sales volume and average selling price from approximately 91,000 units and RMB689.2 per unit to approximately 174,000 units and RMB700 per unit for the same period, respectively, which primarily attributable to the increase in our sales on two third-party e-commerce platforms that targeted merchant customers.

The increase in our revenue for the year ended December 31, 2023 was also partially attributable to the increase in our sale of consumer electronics through offline sale from approximately RMB38 million for the year ended December 31, 2022 to approximately RMB90.7 million for the year ended December 31, 2023. Such increase was primarily due to the increase in its sales volume from approximately 366,000 units to approximately 927,000 units for the same period, which in turn, primarily due to the increase in our sales of consumer electronic accessories. Such increase was partially offset by a slight decrease in its average selling price from approximately RMB103.7 per unit to approximately RMB97.9 per unit for the same period, primarily due to the increase in our sales of consumer electronic accessories.

Cost of sales

Our cost of sales increased by approximately 25.1% from approximately RMB863.4 million for the year ended December 31, 2022 to approximately RMB1,080.1 million for the year ended December 31, 2023, which was generally in line with the increase in our revenue. The increase in our cost of sales for the year ended December 31, 2023 was primarily attributable to the increase in our cost of procurement of pre-owned consumer electronics, mainly mobile phones, from approximately RMB743.1 million to approximately RMB954.8 million for the same period. Such increase was primarily due to (i) our recovery of procurement of supply after the COVID-19 pandemic; (ii) the continuous updating and upgrading of the new models of mobile phones which led to higher purchase costs than that of the older models; and (iii) the general increase in our procurement costs as the market of mobile phone recycling services got more competitive.

Gross profit and gross profit margin

Our gross profit and gross profit margin both increased from approximately RMB55.7 million and 6.1% for the year ended December 31, 2022, respectively, to approximately RMB78.3 million and 6.8% for the year ended December 31, 2023, respectively. Such increases were primarily due to the increases in gross profit and gross profit margin of our sale of pre-owned mobile phones from approximately RMB42.1 million and 4.9% to approximately RMB61.2 million and 5.8% for the same period, respectively. The increases in our gross profit and gross profit margin of our sale of pre-owned mobile phones for the year ended December 31, 2023 were, to a certain extent, attributable to the recovery of our procurement and sales after the pandemic in 2022.

The increase in our gross profit margin for the year ended December 31, 2023 was also partially attributable to the decrease in our promotion service and commission fees paid to the stores of our certain upstream sourcing partners and/or their relevant front sales personnel in 2023 as compared to 2022. Such decrease was primarily the reason that (i) our bargaining power in negotiating the promotion service fees with our upstream sourcing partners had gradually increased during the Track Record Period due to our service offering, that was, while we provided recycling services to our upstream sourcing partners by way of trade-in, we also facilitated the sale of their new models of mobile phones; and (ii) we have been continuously optimizing our commission fee structure by providing our recommended range of recycling prices in advance to the relevant front sale personnel of our upstream sourcing partners' offline stores. As these sales front personnel are the ones who meet the consumers in store and to facilitate the trade-in service transactions and sale of new consumer electronics, we typically let them have the flexibility to determine the final recycling prices they would give to consumers within our recommended recycling price range under different circumstances and transactions.

Other income and gains/(losses)

We recorded other income and gains of approximately RMB9 million for the year ended December 31, 2023 as compared to our other income and losses of approximately RMB4.5 million for the year ended December 31, 2022.

Our other income and losses for the year ended December 31, 2022 were primarily due to our other losses for the same period, which were primarily attributable to (i) our provision for litigation loss in a lawsuit of RMB6 million; and (ii) our losses on fair value changes of financial assets measured at FVTPL and derivative financial liabilities of approximately RMB3.6 million. Our other income and gains for the year ended December 31, 2023 were primarily due to our gains on fair value changes of derivative financial liabilities of approximately RMB6.9 million, which was attributable to the expiration or terminated of our options granted to certain financial institutions before or in January 2024.

For more details of our lawsuit, please refer to "Business – Legal Proceedings and Compliance" in this document. For more details of our options granted, please refer to "History, Reorganization and Corporate Structure – 3. Our Group Structure and Corporate History – 3.1.6 Share Option" in this document. Please also refer to note 22 to our financial statements included in the Accountants' Report in Appendix I to this document.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 7.5% from approximately RMB17.2 million for the year ended December 31, 2022 to approximately RMB18.5 million for the year ended December 31, 2023. Such increase was primarily due to the increases in (i) our market and advertising expenses from approximately RMB3.9 million for the year ended December 31, 2022 to approximately RMB4.7 million for the year ended December 31, 2023; and (ii) our depreciation expenses from approximately RMB0.7 million for the year ended December 31, 2022 to approximately RMB1.5 million for the year ended December 31, 2023, primarily related to our new lease for the relocation of our office and inspection and operation center in Shenzhen in 2023.

Administrative expenses

Our administrative expenses increased by approximately 25.8% from approximately RMB45.7 million for the year ended December 31, 2022 to approximately RMB57.5 million for the year ended December 31, 2023. Such increase was primary attributable to our [**REDACTED**] expenses of approximately RMB[**REDACTED**] incurred for the year ended December 31, 2023. The increase in our administrative expenses for the year ended December 31, 2023 was also attributable to the increase in our service fees from approximately RMB3.9 million for the year ended December 31, 2022 to approximately RMB7 million for the year ended December 31, 2023, which primarily due to the increase in our consulting fee and miscellaneous expenses for other professional parties. The increase in our administrative expenses for the year ended December 31, 2023 was partially offset by the decrease in salaries and benefits of our managerial and administrative staff from approximately RMB28.8 million for the year ended December 31, 2022 to approximately RMB25.7 million for the year ended December 31, 2023, primarily due to us continuously optimizing the structure of our management and administrative department to improve of our operation efficiency.

Research and development expenses

Our research and development expenses increased by approximately 9% from approximately RMB17.4 million for the year ended December 31, 2022 to approximately RMB18.9 million for the year ended December 31, 2023. Such increase was primarily attributable to the increase in our service fees paid to third-party technology service providers for the development of AI solution and pre-owned mobile phone pricing equipment from approximately RMB4.6 million to approximately RMB6.4 million for the same period.

Finance costs

Our finance costs increased by approximately 537.4% from approximately RMB0.5 million for the year ended December 31, 2022 to approximately RMB3.4 million for the year ended December 31, 2023. Such increase was primarily due to the increase in our interest paid on our new bank loans and other borrowing from approximately RMB0.3 million for the year ended December 31, 2022 to approximately RMB2.9 million for the year ended December 31, 2023.

Changes in carrying amount of the redemption liabilities

Our changes in carrying amount of redemption liabilities represented the changes in our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors. Our changes in carrying amount of redemption liabilities amounted to approximately RMB87.3 million for the year ended December 31, 2023 as compared to approximately RMB69.4 million for the year ended December 31, 2022. For more details of our carrying amount of the redemption liabilities, please refer to note 21 to our financial statements included in the Accountants' Report in Appendix I to this document.

Loss for the period

As a result of the foregoing, our loss for the year decreased from approximately RMB99.1 million for the year ended December 31, 2022 to approximately RMB98.3 million for the year ended December 31, 2023.

Year ended December 31, 2022 compared to year ended December 31, 2021

Revenue by product

Our revenue increased by approximately 22.6% from approximately RMB749.7 million for the year ended December 31, 2021 to approximately RMB919.1 million for the year ended December 31, 2022, primarily due to increase in our revenue generated from the sale of our pre-owned mobile phones. Our sale of pre-owned mobile phones increased by approximately 23.5% from approximately RMB693.4 million for the year ended December 31, 2021 to approximately RMB856.3 million for the year ended December 31, 2022, primarily due to (i) our general increase in sales coupled with our enhanced procurement capabilities as a result of maintaining and expanding our upstream supply network; and (ii) the growing downstream demands of our procured mobile phones as a result of our strategy to steadily enlarge our customer base and explore new sales channels. The increase in our sale of pre-owned mobile phones was attributable to the increases in both of its sales volume and the average selling price from approximately 1,057,000 units and RMB656 per unit for the year ended December 31, 2021, respectively, to approximately 1,214,000 units and RMB705.4 per unit for the year ended December 31, 2022, respectively. In addition, the increase in average selling prices of our pre-owned mobile phone sold for the year ended December 31, 2022 was also attributable to the continuous updating and upgrading of the new models of mobile phones which generally had higher selling prices than that of the older models.

The increase in our revenue for the year ended December 31, 2022 was also partially attributable to the sale of our other pre-owned consumer electronics from approximately RMB43.8 million for the year ended December 31, 2021 to approximately RMB45.4 million for the year ended December 31, 2022. Such increase was primarily due to the increase in its sales volume from approximately 332,000 units to approximately 406,000 units for the same period, partially offset by the decrease in its average selling price from approximately RMB132 per unit to approximately RMB111.9 per unit for the same period, primarily as a result of us selling more consumer electronic accessories.

Revenue by sales channel

Our revenue generated from our sale of pre-owned consumer electronics through sales platforms increased by approximately 21.6% from approximately RMB710.6 million for the year ended December 31, 2021 to approximately RMB863.8 million for the year ended December 31, 2022. Such increase was primarily attributable to the increase in our sale of pre-owned consumer electronics through our proprietary Shanhui Youpin (閃回有品) online platforms from approximately RMB641.5 million for the year ended December 31, 2021 to approximately RMB801.1 million for the year ended December 31, 2022, which was in turn, primarily due to the increases in both of its sales volume and average selling price from approximately 1,035,000 units and RMB619.8 per unit to approximately 1,163,000 units and RMB688.8 per unit for the same period, respectively. The increase in our sale of pre-owned consumer electronics through sales platforms was partially offset by the decrease in our sale of pre-owned consumer electronics through third-party e-commerce platforms from approximately RMB69.1 million to approximately RMB62.7 million for the same period. Such decrease was primarily due to the decrease in its sales volume from approximately 212,000 units to approximately 91,000 units for the same period, which primarily attributable to the decrease in our sales on one third-party e-commerce platform that targeted merchant customers and one third-party e-commerce platform that targeted individual customers.

The increase in our revenue for the year ended December 31, 2022 was also partially attributable to the increase in our sale of consumer electronics through offline sale from approximately RMB26.6 million for the year ended December 31, 2021 to approximately RMB38 million for the year ended December 31, 2022. Such increase was primarily due to the increase in its sales volume from approximately 141,000 units to approximately 366,000 units for the same period, which in turn, primarily due to the increase in our sales of consumer electronic accessories.

Cost of sales

Our cost of sales increased by approximately 25.5% from approximately RMB688.3 million for the year ended December 31, 2021 to approximately RMB863.4 million for the year ended December 31, 2022, which was generally in line with the increase in our revenue. The increase in our cost of sales for the year ended December 31, 2022 was primarily attributable to the increase in our cost of procurement of pre-owned consumer electronics, mainly mobile phones, from approximately RMB587.3 million to approximately RMB743.1 million for the same period. Such increase was primarily due to (i) the increase in our procurement volume as our business continued to grow and the expansion of our supply channels as a result of establishing new strategic corporation relationship with more mainstream consumer electronic brands; (ii) the continuous updating and upgrading of the new models of mobile phones which led to higher purchase costs than that of the older models; and (iii) the general increase in our procurement costs as the market of mobile phone recycling services got more competitive.

The increase in our cost of sales for the year ended December 31, 2022 was also partially attributable to the increase in our promotion service and commission fees paid to certain of our upstream sourcing partners and/or their relevant front sales personnel from approximately RMB70.6 million to approximately RMB76.9 million for the same period, primarily due to our deepen strategic cooperation with certain mainstream consumer electronic brands and our ability to quickly spread our trade-in transaction services to their numerous offline stores.

Gross profit and gross profit margin

Our gross profit and gross profit margins both decreased from approximately RMB61.5 million and 8.2% for the year ended December 31, 2021, respectively, to approximately RMB55.7 million and 6.1% for the year ended December 31, 2022, respectively. Such decreases were primarily due to the decreases in gross profit and gross profit margin of our sale of pre-owned mobile phones from approximately RMB46.2 million and 6.7% to approximately RMB42.1 million and 4.9% for the same period, respectively, which were primarily attributable to the increase in our procurement cost of mobile phones was relatively faster as compared to the increase in our sale of pre-owned mobile phones as both of the markets of mobile phone recycling services and second-hand consumer electronics got more competitive since COVID-19 pandemic. The decreases in our gross profit and gross profit margin for the year ended December 31, 2022 were also partially attributable to the decreases in our gross profit and gross profit margin of our sale of other pre-owned consumer electronics from approximately RMB9.4 million and 21.5% for the year ended December 31, 2021, respectively, to approximately RMB8.1 million and 17.9% for the year ended December 31, 2022, respectively.

Other income and gains/(losses)

We recorded other income and losses of approximately RMB4.5 million for the year ended December 31, 2022 as compared to our other income and gains of approximately RMB0.4 million for the year ended December 31, 2021.

Our income and other losses for the year ended December 31, 2022 were primarily due to our other losses for the same period, which were primarily attributable to (i) our provision for litigation loss in a lawsuit of RMB6 million; and (ii) the increase in our losses on fair value changes of financial assets measured at FVTPL and derivative financial liabilities from approximately RMB2 million for the year ended December 31, 2021 to approximately RMB3.6 million for the year ended December 31, 2022.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 48.9% from approximately RMB11.6 million for the year ended December 31, 2021 to approximately RMB17.2 million for the year ended December 31, 2022. Such increase was primarily due to the increase in the salaries and benefits of our sales staff from approximately RMB7.8 million to approximately RMB10.4 million for the same period, which primarily attributable to (i) the general increase in the salaries and allowances for our sales personnel; and (ii) us recruiting more sales personnel to increase our sales effort and explore new sales opportunities from our existing and potential customers in the PRC due to the competitive market environment.

The increase in our selling and distribution expenses for the year ended December 31, 2022 was also partially attributable to the increase in our marketing and advertising expenses from approximately RMB2.6 million for the year ended December 31, 2021 to approximately RMB3.9 million for the year ended December 31, 2022. Such increase was primarily due to the increase in our marketing materials used in 2022.

Administrative expenses

Our administrative expenses increased by approximately 8.4% from approximately RMB42.2 million for the year ended December 31, 2021 to approximately RMB45.7 million for the year ended December 31, 2022. Such increase was primary due to the increase in the salaries and benefits of our managerial and administrative staff from approximately RMB20.1 million to approximately RMB28.8 million for the same period, primarily as a result of us recruiting more management and administrative personnel, and the general increase in their salaries and benefits.

The increase in our administrative expenses for the year ended December 31, 2022 was partially offset by (i) the decrease in our service fees for the third-party human resource service providers and other professional service providers from approximately RMB6.1 million to approximately RMB3.9 million and; (ii) the decrease in our [**REDACTED**] expenses from approximately [**REDACTED**] million to approximately [**REDACTED**] million, for the same period, respectively.

Research and development expenses

Our research and development expenses increased by approximately 69.4% from approximately RMB10.3 million for the year ended December 31, 2021 to approximately RMB17.4 million for the year ended December 31, 2022. Such increase was primary due to the increase in the salaries and benefits of our technology and development team members from approximately RMB9 million for the year ended December 31, 2021 to approximately RMB11.9 million for the year ended December 31, 2022, primarily as a result of us optimizing our technology and development team by adjusting personnel equipped with better technological knowledge and skills.

The increase in our research and development expenses for the year ended December 31, 2022 was also attributable to the increase in our service fees paid to third-party technology service providers for the development of AI solution from approximately RMB0.8 million to approximately RMB4.6 million for the same period.

Finance costs

We recorded finance costs of approximately RMB0.5 million and RMB0.5 million for the years ended December 31, 2021 and 2022. Our finance costs were relatively stable for such periods.

Changes in carrying amount of the redemption liabilities

Our changes in carrying amount of redemption liabilities represented the changes in our redemption liabilities in relation to the preferential rights granted to our [**REDACTED**] Investors for their [**REDACTED**] Investments into us. Our changes in carrying amount of redemption liabilities amounted to approximately RMB69.4 million for the year ended December 31, 2022 as compared to approximately RMB46.1 million for the year ended December 31, 2021. For more details of our carrying amount of the redemption liabilities, please refer to note 21 to our financial statements included in the Accountants' Report in Appendix I to this document.

Loss for the year

As a result of the foregoing, our loss increased from approximately RMB48.7 million for the year ended December 31, 2021 to approximately RMB99.1 million for the year ended December 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

We require a substantial amount of capital to fund our working capital requirements and business expansion. Our operation and growth have primarily been financed by cash generated from our business operations and financing activities including bank and other borrowings and [**REDACTED**] Investment.

Cash Flow

As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had cash and cash equivalents of approximately RMB55.1 million, RMB42.8 million, RMB79.1 million and RMB139.7 million, respectively. The following table sets out our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(Unaudited)	
Net cash (used in)/ generated from operating activities	(6,399)	(43,736)	(47,774)	(42,298)	13,104
Net cash generated from/(used in) investing activities	63	(1,809)	(4,124)	(1,498)	(908)
Net cash generated from financing activities	38,736	32,402	87,898	61,226	48,088
Net increase/(decrease) in cash and cash equivalents	32,400	(13,143)	36,000	17,430	60,284
Cash and cash equivalents at the beginning of the year/period	22,720	55,120	42,774	42,774	79,096
Effects of foreign exchange rate on cash and cash equivalents	–	797	322	661	323
Cash and cash equivalents at the end of the year/period	**55,120**	**42,774**	**79,096**	**60,865**	**139,703**

Net Cash (Used in)/Generated from Operating Activities

For the year ended December 31, 2021, our net cash used in operating activities amounted to approximately RMB6.4 million, which was primarily attributable by our loss before tax of approximately RMB48.7 million, as adjusted by (i) the non-cash or non-operating items of changes in carrying amount of the redemption liabilities of approximately RMB46.1 million, primarily as a result of the preferential rights granted to our [**REDACTED**] Investors; and (ii) changes in working capital, which primarily comprised of an increase in trade and other receivables of approximately RMB18.9 million and an increase in inventories of approximately RMB6.8 million, partially offset by an increase in trade and other payables of approximately RMB12.1 million.

For the year ended December 31, 2022, our net cash used in operating activities amounted to approximately RMB43.7 million, which was primarily attributable by our loss before tax of approximately RMB99.1 million, as adjusted by (i) the non-cash or non-operating items of changes in carrying amount of the redemption liabilities of approximately RMB69.4 million; and (ii) changes in working capital, which primarily comprised of an increase in trade and other receivables of approximately RMB50.2 million and an increase in inventories of approximately RMB3.5 million, partially offset by an increase in trade and other payables of approximately RMB24.4 million.

For the year ended December 31, 2023, our net cash used in operating activities amounted to approximately RMB47.8 million, which was primarily attributable to our loss before tax of approximately RMB98.3 million, as adjusted by (i) the non-cash or non-operating items of changes in carrying amount of the redemption liabilities of approximately RMB87.3 million; and (ii) changes in working capital, which primarily comprised of an increase in trade and other receivables of approximately RMB22.5 million and an increase of inventories of approximately RMB6.9 million.

Our net cash outflows from operating activities for the years ended December 31, 2021, 2022 and 2023 were primarily attributable to our losses for the same periods and our increases of receivables from certain major upstream sourcing partners, which are mainstream consumer electronic brands and their designated distributors. The increases in our receivables were primarily due to (i) the increase in promotion discounts that were offered to consumers by a mainstream consumer electronic brand but paid by us in advance, as a result of our strengthened strategic cooperation with such mainstream consumer electronic brand to expand our supply effort and trade-in transaction services; (ii) the extension of settlement period between us and Consumer Electronic Brand A due to the change of its internal trade payable policies. Our trade receivables from Consumer Electronic Brand A for the years ended December 31, 2021, 2022 and 2023 were approximately RMB13.6 million, RMB33.5 million and RMB48 million, respectively; and (iii) trade receivables from our related parties, which is also our upstream sourcing partners and a mainstream consumer electronic brand, as a result of our enhanced business cooperation and value-added services provided to them. For more details of our trade receivables and receivables from upstream sourcing partners, please refer to "Financial Information – Certain Items of Consolidated Statements of Financial Position – Trade and Other Receivables" in this document.

We had net cash generated from operating activities of approximately RMB13.1 million for the six months ended June 30, 2024, which was primarily attributable to our decrease in receivables from our upstream sourcing partners, especially Consumer Electronic Brand A. During the first half of 2024, our upstream sourcing partners typically reduced conducting their trade-in promotional activities in anticipation of their launch of new models of mobile phones in the second half of the year, which in turn, reduced our receivables from upstream sourcing partners that mainly represented the promotion discounts offered to individual consumers by them but paid by us in advance to facilitate the promotional sales of their new models of mobile phones transacted under our trade-in solution transaction services.

Our ability to improve our net operating cash flow is largely depending on our ability to improve profitability. In this regard, we plan to improve our net operating cash outflow positions by (i) effectively maintaining existing and attracting new customers on our sales platforms to drive our revenue growth and profitability; (ii) continuing to upgrade and enhance the functionalities of our bidding modules within our Shanhui Youpin (閃回有品) online platform and further expand our sales channels that help us scale up our customer base and to achieve better circulation and profitability; and (iii) effectively managing our cost and expenses by improving our operational efficiency. With the above, we expect our operating cash flow to improve concurrently. Moreover, we plan to enhance our working capital management efficiency to improve our net operating cash outflow positions. Currently, pursuant to our cash flow management policy, our finance department reviews the management accounts of our Group on a monthly and half-yearly basis and then prepares the monthly and half-yearly income and expenditure budget and implementation plans for our Group according to our business operations and plans of the relevant period. In future, we plan to enhance our management of receivables by closely monitoring the credit profiles and operating and financial conditions of our upstream business partners and customers and proactively following up on them to ensure their payments as scheduled. We will also continue to focus on strategically cooperating with our key upstream sourcing partners and enhancing their trust with us so that we are able to gain more bargaining power as our business develops and to negotiate for better payment or credit terms. We also expect to be able to enjoy economics of scale as we scale up, which will further improve our net operating cash outflow positions.

Net Cash Generated from/(Used in) Investing Activities

Our cash inflow for investing activities primarily consisted of redemption of structured deposits and interest received from structured deposits. Our cash outflow for investing activities primarily consisted of placement of structured deposits and payment for purchase of equipments.

For the year ended December 31, 2021, our net cash generated from investing activities amounted to approximately RMB63,000, which was primarily due to our redemption of structured deposits of approximately RMB60 million and interest received from structured deposits of approximately RMB0.3 million. This cash inflow was partially offset by our replacement of structured deposits of approximately RMB60 million and payment for purchase of equipment for business expansion of approximately RMB0.2 million.

For the year ended December 31, 2022, our net cash used in investing activities amounted to approximately RMB1.8 million, which was primarily due to the purchases of financial assets measured at FVTPL of approximately RMB1 million and our purchases of equipment for business expansion of approximately RMB0.8 million.

For the year ended December 31, 2023, our net cash used in investing activities amounted to approximately RMB4.1 million, which was primarily due to our purchases of equipment for business expansion of approximately RMB4.1 million.

For the six months ended June 30, 2024, our net cash used in investing activities amounted to approximately RMB0.9 million, which was primarily due to our purchases of equipment for business expansion of approximately RMB1.6 million, which was partially offset by the interest received from structured deposits of approximately RMB0.7 million.

Net Cash Generated from Financing Activities

Our cash inflow for financing activities primarily consisted of bank loans raised and proceeds from various rounds of [**REDACTED**] Investments completed during the Track Record Period and proceeds for bank loans and other borrowings. Our cash outflow for financing activities consists primarily of repayments and interest of bank loans and other borrowings and payment of [**REDACTED**] expenses.

For the year ended December 31, 2021, our net cash generated from financing activities amounted to approximately RMB38.7 million, which was primarily due to proceeds from our [**REDACTED**] Investors of approximately RMB50 million and proceeds for bank loans and other borrowings of approximately RMB15 million. This cash inflow was partially offset by our repayment of bank loans and other borrowings of approximately RMB23.1 million.

For the year ended December 31, 2022, our net cash generated from financing activities amounted to approximately RMB32.4 million, which was primarily due to proceeds from bank loans and other borrowings of approximately RMB31 million and proceeds from our [**REDACTED**] Investors of approximately RMB25.3 million. This cash inflow was partially offset by our repayment of bank loans and other borrowings of approximately RMB20 million.

For the year ended December 31, 2023, our net cash generated from financing activities amounted to approximately RMB87.9 million, which was primarily due to proceeds from our new bank loans and other borrowings of approximately RMB124 million. This cash inflow was partially offset by our repayment of bank loans and other borrowings of approximately RMB30 million.

For the six months ended June 30, 2024, our net cash generated from financing activities amounted to approximately RMB48.1 million, which was primarily due to proceeds from our bank loans and other borrowings of approximately RMB130 million and proceeds from investors of approximately RMB52.3 million. This cash inflow was partially offset by our repayment of bank loans and other borrowings of approximately RMB85 million and amount due from our Shareholders arising from Reorganization of approximately RMB41.6 million.

Current Assets and Liabilities

The following table sets out a breakdown of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of July 31,
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Current assets					
Inventories	18,418	22,112	30,684	26,329	29,936
Trade and other receivables	39,956	89,254	107,987	117,503	82,410
Financial assets measured at FVTPL	–	986	827	856	856
Restricted bank deposits	201	200	202	1,000	1,000
Cash and cash equivalents	55,120	42,774	79,096	139,703	168,548
	113,695	155,326	218,796	285,391	282,750
Current liabilities					
Trade and other payables	26,951	77,575	47,746	43,124	51,775
Contract liabilities	9,721	9,018	4,721	6,586	6,659
Bank loans	–	11,000	105,000	150,000	150,000
Lease liabilities	1,908	1,984	5,531	4,786	4,792
Provisions	899	6,990	1,019	1,009	1,009
Redemption liabilities	307,003	376,386	685,213	751,419	751,419
Derivatives financial liabilities	4,479	8,077	1,000	–	–
	350,961	491,030	850,230	956,924	965,654
Net current liabilities	(237,266)	(335,704)	(631,434)	(671,533)	(682,904)

As of December 31, 2021, 2022 and 2023 and June 30, 2024, we recorded net current liabilities of approximately RMB237.3 million, RMB335.7 million, RMB631.4 million and RMB671.5 million, respectively. Our net current liabilities during the Track Record Period were primarily due to the increase in our redemption liabilities, which amounted to approximately RMB307 million, RMB376.4 million, RMB685.2 million and RMB751.4 million as of the same dates, respectively, as a result of changes in our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors. We expect that we would be able to turn our net current liabilities position into a net current asset position when the preferential rights of these preferred shares are terminated as a result of their automatic conversion into ordinary Shares upon [**REDACTED**], at which time we expect to reclassify them from liabilities to equity. For more details of our [**REDACTED**] Investments, please refer to "History, Reorganization and Corporate Structure – 5. [**REDACTED**] Investments" in this document. Please also refer to note 21 to our financial statements included in the Accountants' Report in Appendix I to this document for more details of our redemption liabilities.

We would have recorded net current assets of approximately RMB69.7 million, RMB40.7 million, RMB53.8 million and RMB79.9 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively, if we took off the item of redemption liabilities from the key items of our consolidated statements of financial position. In future, we will continue to monitor and improve our net current liabilities position as we will continue to maintain optimal inventory levels, strengthen control over management of credit terms and enhanced collection of receivables. We will also utilize other financial resources available to us, including the [**REDACTED**] from the [**REDACTED**], to lower our current liabilities.

Our net current liabilities increased from approximately RMB237.3 million as of December 31, 2021 to approximately RMB335.7 million as of December 31, 2022. This was primarily due to (i) an increase in our trade and other payables of approximately RMB50.6 million, primarily as a result of (a) the increase in payments received in advance from our customers for purchase of pre-own consumer electronics on our Shanhui Youpin (閃回有品) online platform as our sale business continued to grow, and (b) the increase in other payables resulting from the subscription of Shares by one of our [**REDACTED**] Investors. For more details, please refer to "History, Reorganization and Corporate Structure – 4. Reorganization – 4.9 Subscription of Shares by Long Shining BVI" in this document; (ii) an increase in redemption liabilities of approximately RMB69.4 million resulting from subsequent measurement of redemption liabilities; (iii) a decrease of cash and cash equivalents of approximately RMB12.3 million; and (iv) an increase in our bank loans of approximately RMB11 million. The increase in our net current liabilities was partially offset by an increase in our trade and other receivables of approximately RMB49.3 million, primarily due to the increase in promotion discounts that were offered to consumers by certain mainstream consumer electronic brand but paid by us in advance as a result of our strengthened strategic cooperation with certain mainstream consumer electronic brands to expand our supply effort and trade-in transaction services.

Our net current liabilities increased from approximately RMB335.7 million as of December 31, 2022 to approximately RMB631.4 million as of December 31, 2023. This was primarily due to (i) an increase in our bank loans of approximately RMB94 million; and (ii) an increase in redemption liabilities of approximately RMB308.8 million resulting from subsequent measurement of redemption liabilities. The increase in our net current liabilities was partially offset by (i) an increase in our trade and other receivables of approximately RMB18.7 million, primarily due to (a) the increase in promotion discounts that were offered to consumers by certain consumer electronic brands but paid by us in advance as a result of our strengthened strategic cooperation with certain mainstream consumer electronic brand to extend our supply effort and trade-in transaction services, and (b) the increase in receivables from one of our upstream sourcing partners, which is a mainstream consumer electronic brand, as a result of the extension of its settlement period with us due to the change of its internal trade payable policies; (ii) an increase in cash and cash equivalents of approximately RMB36.3 million; and (iii) an increase in our inventories of approximately RMB8.6 million, primarily due to our increased inventories of pre-owned consumer electronics in delivery as a result of our increased sales.

Our net current liabilities increased from approximately RMB631.4 million as of December 31, 2023 to RMB671.5 million as of June 30, 2024. This was primarily due to (i) an increase in redemption liabilities of approximately RMB66.2 million resulting from subsequent measurement of redemption liabilities; and (ii) an increase in our bank loans of approximately RMB45 million. The increase in our net current liabilities was partially offset by (i) an increase in cash and cash equivalents of approximately RMB60.6 million; and (ii) an increase in our trade and other receivables of approximately RMB9.5 million, primarily due to amount due from Shareholders arising from Reorganization.

Our net current liabilities were approximately RMB682.9 million as of July 31, 2024, being the latest practicable date for the purpose of indebtedness statement in this document.

Working Capital

As of July 31, 2024, being the latest practicable date for the purpose of indebtedness statement in this document, our bank loans, which were guaranteed, amounted to approximately RMB150 million. Our bank loans are primarily used to support our general working capital as our supply channels continue to expand and our sales business continues to grow. As of July 31, 2024, we had unutilized banking facilities of approximately RMB80 million with no restriction on their drawdown.

Our Directors believe that, and the Sole Sponsor concurs, after taking into consideration that (i) our cash and cash equivalents balance of approximately RMB139.7 million as of June 30, 2024; (ii) our business strategies and plans to improve our liquidity and profitability by driving our operating cash flow through our expanding business; (iii) our ability to raise money from renowned investors to finance our business as evidenced by various rounds of [**REDACTED**] Investments completed during the Track Record Period, especially, we had just fully completed our Series D-1 [**REDACTED**] Investment on February 22, 2024; (iv) our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors would be terminated upon their automatic conversion into ordinary Shares upon [**REDACTED**]; (v) the financial resources available to us, including cash flows from our operations, banking facilities and our other borrowings as aforementioned; and (vi) estimated [**REDACTED**] from the [**REDACTED**], we have sufficient working capital for at least 12 months commencing from the date of this document.

In future, we will continue to closely monitor the level of our working capital, and diligently review our future cash flow requirements and adjust our operations and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories primarily consist of pre-owned consumer electronics at storage, in transit and in delivery. The following table sets out the breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Pre-owned consumer electronics	20,780	24,248	31,103	26,804
Less: provision	(2,362)	(2,136)	(419)	(475)
Total:	**18,418**	**22,112**	**30,684**	**26,329**

Our inventories increased from approximately RMB18.4 million as of December 31, 2021 to approximately RMB22.1 million as of December 31, 2022, and further increased to approximately RMB30.7 million as of December 31, 2023. Such increases were primarily due to the growth of our sale of pre-owned consumer electronics coupled with our enhanced procurement capabilities as a result of us maintaining and expanding our upstream supply network. Our inventories decreased from approximately RMB30.7 million as of December 31, 2023 to approximately RMB26.3 million as of June 30, 2024, primarily due to the decrease in volume of our mobile phone recycling service transactions under the trade-in solution for the first half of 2024.

Pre-owned mobile phones have always been in short supply in the Chinese market and is estimated to continue to be so in the future. In the recycling industry, there are generally no shortage of purchasers of pre-owned mobile phones as there will always be a right buyer for any pre-owned mobile phone across the entire quality spectrum. As such, with our ability to obtain steady supply through our strategic cooperation with our upstream sourcing partners, we have secured an advantageous position in the pre-owned mobile phone sales market. Our processing time from inspection, grading and pricing for each consumer electronic device that is physically collected from our upstream sourcing partners to putting these devices on resale is approximately 24 hours, while that of our major competitors would typically take several days, according to Frost & Sullivan.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our average inventory turnover days were approximately 8.4, 8.6, 8.9 and 9.4 days, respectively. According to Frost & Sullivan, the average inventory turnover days for the industry typically ranged from 10 to 15 days. According to Frost & Sullivan, we managed to maintain our average inventory turnover days at a relatively lower level during the Track Record Period, primarily the reasons that the sale circulation of our procured pre-own consumer electronics had been increasing as a result of operational efficiency. Nevertheless, we adjust our inventory management policy from time to time and closely monitor our inventory level to ensure sufficient stock to satisfy customer demand and avoid excessive stock at the same time.

The following table sets out our average inventory turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Average inventory turnover days[(1)]	8.4	8.6	8.9	9.4

Note:

1. Average inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant financial year/period divided by cost of sales of the relevant financial year/period and multiplied by the number of days in the relevant period, which is 365 days for a year and 182 days for a six-month period.

As of July 31, 2024, approximately RMB20.1 million or 76.4% of our inventories as of June 30, 2024 was subsequently utilized.

Trade and Other Receivables

Our trade and other receivables amounted to approximately RMB40 million, RMB89.3 million and RMB108 million and RMB117.5 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The following table sets out a breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– third parties	5,883	3,925	7,875	11,478
– related parties	270	1,557	3,913	8,195
Less: loss allowance	(197)	(2,113)	(4,982)	(6,261)
Net trade receivables	5,956	3,369	6,806	13,412
Receivables from upstream sourcing partners				
– third parties	13,640	35,707	48,241	13,708
– related parties	1,236	–	–	–
Less: loss allowance	(802)	(118)	(579)	(686)
Net receivables from upstream sourcing partners	14,074	35,589	47,662	13,022
Other receivables	2,133	3,053	15,766	11,461
Prepayments	11,852	26,625	13,913	17,034
Amount due from shareholders	–	–	–	41,627
Amount due from related parties	4,498	18,803	19,369	16,484
Other current assets	1,443	1,815	4,471	4,463
Total:	**39,956**	**89,254**	**107,987**	**117,503**

Trade Receivables

Our trade receivables primarily consisted of trade receivables from third parties and trade receivables from related parties. Our trade receivables from third parties were mainly related to receivables due from various third-party e-commerce platforms for our sale of pre-owned consumer electronics on such platforms and receivables due from customers for our offline sale. Our trade receivables from related parties were mainly related to the provision of our value-added and after-sales services to our related parties. All of our trade receivables from related parties were receivables in trade nature due from one of our upstream sourcing partners, which is a mainstream consumer electronic brand and became our related parties due to its [**REDACTED**] Investment into us. For more details, please refer to "History, Reorganization and Corporate Structure – 3. Our Group Structure and Corporate History – 3.1.4 Series A [**REDACTED**] Investments" in this document and "– Related Party Transactions" in this section.

Allowance was primarily related to our trade receivables due from a merchant customer, which is a sizable chain retailer that had a relatively longer credit period. We typically review the recovery status of our trade receivables from each customer on a case-by-case basis and maintain strict control over our outstanding receivables and overdue balances in order to minimize our credit risk. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our net trade receivables were approximately RMB6 million, RMB3.4 million, RMB6.8 million and RMB13.4 million, respectively.

Receivables from Upstream Sourcing Partners

Our receivables from upstream sourcing partners consisted of receivables from third parties or related parties, both of which are mainstream consumer electronic brands and their designated distributors. During the Track Record Period, for procurement of pre-owned consumer electronics under our trade-in solution transaction services, we typically paid promotion discounts that were offered to individual consumers by certain consumer electronic brands in advance to facilitate the promotional sales of their new models of mobile phones transacted under our trade-in solution transaction services depending on the specific arrangement with such consumer electronic brands. We typically reconcile the accounts with these consumer electronic brands on a monthly basis and then get reimbursed of such promotion discount payments from them within three months. For more details of our supply channels and business arrangement with our major upstream sourcing partners, please refer to "Business – Our Supply Channels – Our Business Arrangements with Our Upstream Sourcing Partners" in this document.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our net receivables from upstream sourcing partners were approximately RMB14.1 million, RMB35.6 million, RMB47.7 million and RMB13 million, respectively. The increases in our receivables from upstream sourcing partners for the years ended December 31, 2021, 2022 and 2023 were primarily due to the increases in promotion discounts that were offered to consumers by Consumer Electronic Brands A and B but paid by us in advance, as a result of our strengthened strategic cooperation with them to expand our supply effort and trade-in transaction services. The increase in our trade receivables for the year ended December 31, 2023 was also attributable to the increase in trade receivables from Consumer Electronic Brand A, as a result of the extension of its settlement period with us due to the change of its internal trade payable policies. The decrease in our receivables from upstream sourcing partners as of June 30, 2024 was primarily due to our decrease in receivables from Consumer Electronic Brand A. During the first half of 2024, our upstream sourcing partners reduced conducting trade-in promotional activities in anticipation of their launch of new models of mobile phones in the second half of the year, which in turn, reduced our receivables from these upstream sourcing partners, especially Consumer Electronic Brand A, that mainly represented the promotion discounts offered to individual consumers by them but paid by us in advance to facilitate the promotional sales of their new models of mobile phones transacted under our trade-in solution transaction services. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the total promotion discounts that we paid to individual consumers in advance for Consumer Electronic Brands A and B amounted to approximately RMB112.0 million, RMB145.7 million, RMB262.4 million and RMB91 million, respectively.

The following table sets out the ageing analysis of our trade receivables as of the dates indicated, based on the recognition date and net of loss allowance:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
1 – 60 days	4,009	2,823	3,003	9,205
61 – 120 days	881	329	3,789	4,083
121 to 180 days	1,066	217	14	124
	5,956	3,369	6,806	13,412

As of July 31, 2024, approximately RMB2 million or 10% of our trade receivables as of June 30, 2024 had been settled. The subsequent settlement of the remaining 90% of the trade receivables as of June 30, 2024 has been ongoing and we are in normal business cooperation with the corresponding customers.

The following table sets out the ageing analysis of our receivables from upstream sourcing partners as of the dates indicated, based on the recognition date and net of loss allowance:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
1 – 60 days	13,824	35,589	43,997	7,109
61 – 120 days	200	–	3,646	5,913
121 to 180 days	50	–	19	–
	14,074	35,589	47,662	13,022

As of July 31, 2024, approximately RMB5.6 million or 40.6% of our receivables from upstream sourcing partners as of June 30, 2024 had been settled. The subsequent settlement of the remaining 59.4% of the receivables from upstream sourcing partners as of June 30, 2024 has been ongoing and we are in normal business cooperation with the corresponding upstream sourcing partners.

The following table sets out the average turnover days of our receivables, which included our trade receivables and receivables from upstream sourcing partners for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Average turnover days of our receivables[(1)]	7.3	11.7	14.7	12.8

Note:

1. Average turnover days of our receivables, which included our trade receivables and receivables from upstream sourcing partners, equal to the average of the opening and closing balances of our receivables, which included our trade receivables and receivables from upstream sourcing partners for the relevant financial year/period, divided by revenue for the relevant financial year/period and multiplied by the number of days in the relevant period, which is 365 days for a year and 182 days for a six-month period.

The average turnover days of our receivables increased from approximately 7.3 days for the year ended December 31, 2021 to approximately 11.7 days for the year ended December 31, 2022, further increased to approximately 14.7 days for the year ended December 31, 2023. The average turnover days of our receivables decreased to approximately 12.8 days for the six months ended June 30, 2024, primarily attributable to the decrease in our receivables from Consumer Electronic Brand A for the same period, which was due to the reasons aforementioned.

Other Receivables

Our other receivables primarily consisted of (i) our security deposit paid on various third-party e-commerce platforms in order to conduct our sale of pre-owned consumer electronics on such platforms; (ii) our security deposit paid for our rented properties related to offices and inspection and operation centers. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our other receivables were approximately RMB2.1 million, RMB3.1 million, RMB15.8 million and RMB11.5 million, respectively.

Prepayments

Our prepayments were primarily related to (i) our prepayments to certain consumer electronic brands for the procurement of pre-owned consumer electronics before delivery under our offline trade-in solution transaction services; and (ii) our prepayments made for certain corporate recycling. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our prepayments for purchase of inventories were approximately RMB11.9 million, RMB26.6 million, RMB13.9 million and RMB17 million, respectively.

Amounts Due from Related Parties

Our amount due from related parties amounted to approximately RMB4.5 million, RMB18.8 million, RMB19.4 million and RMB16.5 million as of December 31, 2021, 2022 and 2023 and June 30, 2024.

Our amounts due from related parties, which were trade in nature, were primarily related to our security deposit made in advance for conducting our recycling service transactions in the offline stores and online mall of our related parties, which are also our upstream sourcing partners and a mainstream consumer electronic brand. We are typically required to top up to the agreed security deposit when the balance falls below a certain level. For more details of our business arrangements with our major upstream sourcing partners, please refer to "Business – Our Supply Channels – Our Business Arrangements with Our Upstream Sourcing Partners" in this document. Our amounts due from related parties, which were trade in nature, amounted to approximately RMB1.5 million, RMB15.1 million, RMB19.4 million and RMB11.2 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

Our amounts due from related parties, which were non-trade in nature, were related to personal loans provided to certain key management team members, some of whom are our Shareholders. Such personal loans amounted to approximately RMB3 million, RMB3.7 million, nil and RMB5.3 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively, which will be fully settled prior to our [**REDACTED**].

Trade and Other Payables

Our trade and other payables amounted to approximately RMB27 million, RMB77.6 million, RMB47.7 million and RMB43.1 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The following table sets out a breakdown of our trade and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
– third parties	7,019	9,419	7,531	8,240
– related parties	2,162	1,161	901	1,040
Other payables and accrued charges				
– third parties	17,770	63,395	39,314	33,844
– related parties	–	3,600	–	–
Total:	**26,951**	**77,575**	**47,746**	**43,124**

Trade Payables

Our trade payables primarily represent payables due to our upstream sourcing partners during our procurement of pre-owned consumer electronics. Such trade payables primarily included our trade payables to third parties and to related parties in relation to our promotion service and commission fee payables to our certain upstream sourcing partners and/or their relevant front sales personnel. During the Track Record Period, all of our trade payables to related parties were payables in trade nature due to one of our upstream sourcing partners, which is a mainstream consumer electronic brand and became our related party due to its [**REDACTED**] Investment into us. For more details, please refer to "History, Reorganization and Corporate Structure – 3. Our Group Structure and Corporate History – 3.1.4 Series A [**REDACTED**] Investments" in this document and "– Related Party Transactions" in this section. Our trade payables also included (i) our procurement payables to certain mainstream consumer electronic brand for their advanced payments on behalf of us to procure the pre-owned consumer electronics from individual consumers for our online trade-in solution transaction services conducted in its online mall; and (ii) logistics payables due to third-party logistic service providers for the transportation and delivery of our procured pre-owned consumer electronics.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our trade payables were approximately RMB9.2 million, RMB10.6 million, RMB8.4 million and RMB9.3 million, respectively. The increase in our trade payables from approximately RMB9.2 million as of December 31, 2021 to approximately RMB10.6 million as of December 31, 2022 was primarily due to us strengthening strategic cooperation with our upstream sourcing partners, especially certain mainstream consumer electronic brands, to expand our supply effort. The decrease in our trade payables from approximately RMB10.6 million as of December 31, 2022 to approximately RMB8.4 million as of December 31, 2023 was primarily due to the reason that (i) our bargaining power in negotiating the promotion service fees with our upstream sourcing partners had gradually increased during the Track Record Period; and (ii) we have been continuously optimizing our commission fee structure to the front sale personnel of our upstream sourcing partners' offline stores. The increase in our trade payables from approximately RMB8.4 million as of December 31, 2023 to approximately RMB9.3 million as of June 30, 2024 was primarily due to the increase in our commission fees payable to the front sales personnel of our upstream sourcing partners' stores to actively cope with the increasing competitive business environment and the challenging macroeconomic condition, which also led to a consumption downgrade in the PRC during the first half of 2024.

The following table sets out the ageing analysis of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
1 – 60 days	8,863	5,196	5,794	5,412
61 – 120 days	210	4,550	1,630	2,696
121 to 180 days	39	147	420	633
Over 181 days	69	687	588	539
Total:	**9,181**	**10,580**	**8,432**	**9,280**

The following table sets out the average turnover days of our trade payables for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Average turnover days of our trade payables[(1)]	4.2	4.2	3.2	2.9

Note:

1. Trade payables turnover days for a year equals the average of opening and closing trade payables balance divided by cost of sales for the relevant year/period and multiplied by the number of days in the relevant period, which is 365 days for a year and 182 days for a six-month period.

The average turnover days of our trade payables was relevant stable for the year ended December 31, 2022 as compared to the same for the year ended December 31, 2021. The average turnover days of our trade payables decreased from approximately 4.2 days for the year ended December 31, 2022 to approximately 3.2 days for the year ended December 31, 2023, primarily the reason that our trade payables of promotion services fees to certain of our upstream sourcing partners decreased for the same period as our bargaining power in negotiating the promotion service fees with such upstream sourcing partners had gradually increased. The average turnover days of our trade payables was approximately 2.9 days for the six months ended June 30, 2024.

As of July 31, 2024, approximately RMB5 million or 57.7% of our trade payables as of June 30, 2024 had been settled.

Other Payables and Accrued Charges

The following table sets out a breakdown of our other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Other payables	2,297	34,535	14,621	19,919
Advance received	5,346	21,345	14,670	7,282
Tax payables	3,906	2,395	4,507	2,056
Payroll and welfare payables	4,520	6,056	5,277	4,311
Other current liabilities	1,701	2,664	239	276
Total:	**17,770**	**66,995**	**39,314**	**33,844**

Our other payables and accrued charges primarily consist of (i) other payables, which primarily consisted of (a) security deposit paid by our customers that were required by us in order to join different bidding modules on our Shanhui Youpin (閃回有品) online platform, (b) subscription of our Shares by a [**REDACTED**] Investor, and (c) the advance payables to Menggongyuan; (ii) advance received, which primarily represented payments received in advance from our customers for the purchase of our pre-own consumer electronics; (iii) tax payables; (iv) payroll and welfare payables; and (v) other current liabilities. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our other payables and accrued charges were approximately RMB17.8 million, RMB67 million, RMB39.3 million and RMB33.8 million, respectively.

The increase in our other payables and accrued charges from approximately RMB17.8 million as of December 31, 2021 to approximately RMB67 million as of December 31, 2022 was attributable to the increase in our other payables from approximately RMB2.3 million as of December 31, 2021 to approximately RMB34.5 million as of December 31, 2022, partially due to the reason that our sale business on our Shanhui Youpin (閃回有品) online platform continued to grow during the year. The increase in our other payables as of December 31, 2022 was also due to the subscription of Shares by one of our [**REDACTED**] Investors. For more details, please refer to "History, Reorganization and Corporate Structure – 4. Reorganization – 4.9 Subscription of Shares by Long Shining BVI" in this document. The increase in our other payables and accrued charges as of December 31, 2022 was also partially attributable to the increase in our advance received from approximately RMB5.3 million as of December 31, 2021 to approximately RMB21.3 million as of December 31, 2022.

The decrease in our other payables and accrued charges from approximately RMB67 million as of December 31, 2022 to approximately RMB39.3 million as of December 31, 2023 was primarily due to the decrease in our other payables and advance received from approximately RMB34.5 million and RMB21.3 million as of December 31, 2022, respectively to approximately RMB14.6 million and RMB14.7 million as of December 31, 2023, respectively.

The decrease in our other payables and accrued charges from approximately RMB39.3 million as of December 31, 2023 to approximately RMB33.8 million as of June 30, 2024 was primarily due to the decrease in our advance received from approximately RMB14.7 million as of December 31, 2023 to approximately RMB7.3 million as of June 30, 2024. Such decrease was partially offset by the increase in our other payables from approximately RMB14.6 million as of December 31, 2023 to approximately RMB19.9 million as of June 30, 2024.

As of July 31, 2024, approximately RMB26.8 million or 68.1% of our other payables and accrued charges as of June 30, 2024 was subsequently settled.

Contract Liabilities

Our contract liabilities primarily represented advance payments made by our customers for the purchases of our pre-owned consumer electronics before we deliver the same to them. We typically require the majority of our customers to pay in full for their purchases in advance, and our contract liabilities decrease when our revenue is recognized upon delivery of the goods.

Our contract liabilities amounted to approximately RMB9.7 million, RMB9 million, RMB4.7 million and RMB6.6 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

As of July 31, 2024, approximately RMB3 million or 39.4% of our contract liabilities as of June 30, 2024 was subsequently recognized as revenue.

Provision

Our provision was primarily related to our quality warranty and estimated costs related to litigation. Our provision amounted to approximately RMB0.9 million, RMB7 million, RMB1 million and RMB1 million as of December 31, 2021, 2022 and 2023 and June 30, 2024. Our provision as of December 31, 2022 was primarily related to the provision of approximately RMB6 million we made for a lawsuit. For more details of this lawsuit, please refer to "Business – Legal Proceedings and Compliance" in this document.

Redemption Liabilities

Historically, we granted preferential rights to certain [**REDACTED**] Investors in relation to our [**REDACTED**] Investments. As a result of such preferential rights, our Group's obligation to redeem its shares for cash upon the occurrence of events that are beyond the control of both our Group and the holders give rise to a financial liability. Our redemption liabilities were initially measured at the present value of the redemption amount and subsequently any changes in the carrying amount of the redemption liabilities are recorded in "changes in carry amount of the redemption liabilities" in the consolidated statements of profit or loss. For more details of our redemption liabilities, please refer to note 21 to our financial statements included in the Accountant's Report in Appendix I to this document.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, we recorded redeemable liabilities of approximately RMB307 million, RMB376.4 million, RMB685.2 million and RMB751.4 million, respectively.

Derivative Financial Liabilities

As of December 31, 2021, 2022 and 2023 and June 30, 2024, we recorded the options held by certain financial institutions as derivative financial liabilities at approximately RMB4.5 million, RMB8.1 million, RMB1 million and nil, respectively. We recorded fair value loss in connection with derivative financial liabilities in our consolidated statements of profit or loss, amounting to approximately RMB2 million and RMB3.6 million for the years ended December 31, 2021 and 2022, respectively. We recorded fair value gain of approximately RMB7.1 million and nil for the year ended December 31, 2023 and for the six months ended June 30, 2024, respectively. These amounts were also credited to our consolidated statements of financial position and thus resulted in increased balance of such liability.

Our derivative financial liabilities are measured at fair value for financial reporting purposes. For more details of our fair value measurement, please refer to note 25(e) to our financial statements included in the Accountants' Report in Appendix I to this document.

Our Directors are satisfied with the valuation exercise for financial liabilities categorized as Level 3 financial instruments in the historical financial information for the Track Record Period as contained in the Accountants' Report set out in Appendix I to this document, after having (i) considered necessary financial and non-financial information so as to perform valuation procedures; (ii) reviewed the relevant agreements of derivative financial liabilities at FVTPL; (iii) reviewed the independent professional valuer's qualification and experience and the scope of work of the valuer's mandate before its engagement; (iv) discussed with the independent professional valuer, provided the valuer with all relevant information that might affect the valuation and reviewed the valuation methodologies and valuation report on which the valuation was based; (v) reviewed the valuation report prepared by the valuer regarding the fair value of the Level 3 financial liabilities; and (vi) discussed with the reporting accountants of our Company in respect of the key assumptions used in the valuation models.

Investment and Treasury Management Policies

During the Track Record Period, we have implemented the following investment and treasury management policies:

- the purpose of our investment in wealth management products is to preserve the time value of our cash reserves and to fund our business of providing equity investment services;

- we only invest in low-risk wealth management products with reasonable guaranteed returns and diversify our investment portfolio to minimize risk exposure;

- we evaluate the risks related to the financial assets according to the risk assessment guidelines promulgated by the issuing licensed commercial banks;

- our finance department is responsible for the purchase and management of our wealth management products and evaluates their respective terms including, among others, liquidity, risk and expected return before submitting them to our chief financial officer for final decision; and

- we only invest when there is no short-term need of cash by our operating activities and when our cash reserves are abundant.

Going forward, we plan to strictly implement our investment and treasury management policies and, as part of our investment and treasury management, may purchase wealth management products that meet our criteria where we believe prudent after the [**REDACTED**]. After [**REDACTED**], our investments in these financial assets will be subject to compliance with Chapter 14 of the Listing Rules.

INDEBTEDNESS

Statement of Indebtedness

Our indebtedness during the Track Record Period consisted primarily of bank loans and lease liabilities. The following table sets out a breakdown of our indebtedness as of December 31, 2021, 2022 and 2023 and June 30, 2024, and July 31, 2024, being the latest practicable date for the purpose of this statement of indebtedness in this document:

	As of December 31,			As of June 30,	As of July 31,
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Non-current					
Lease liabilities	654	1,689	5,491	2,761	2,379
	654	1,689	5,491	2,761	2,379
Current					
Bank loans	–	11,000	105,000	150,000	150,000
Lease liabilities	1,908	1,984	5,531	4,786	4,792
Total:	**2,562**	**14,673**	**116,022**	**157,547**	**157,171**

Bank Loans

During the Track Record Period, our bank loans were on normal commercial terms with fixed and variable interest rates and are repayable within one year. The following table sets out the principal amounts of our bank loans as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year on demand	–	11,000	105,000	150,000

Our bank loans were nil, approximately RMB11 million, RMB105 million and RMB150 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. During the Track Record Period, the nominal interest rates of our fixed rate bank loans generally ranged from approximately 3.70% to 4.45% per annum. Our bank loans were guaranteed or jointly guaranteed by related parties, including our chairman and executive Director, Mr. Liu, and his wife, Ms. Ao Huili. All guarantees provided by the related parties for our bank loans will be released upon our [**REDACTED**]. For more details, please also refer to note 18 to our financial statements included in the Accountants' Report in Appendix I to this document.

As of July 31, 2024, also being the latest practicable date for the purpose of indebtedness statement in this document, our bank loans amounted to approximately RMB150 million, and we had approximately RMB80 million of unutilized banking facilities. Our Directors confirm that we had not have any material default with regard to any bank loans, and had not breached any financial covenants in our bank loans during the Track Record Period and up to the Latest Practicable Date. We also did not experience any difficulty in obtaining credit facilities, withdrawal of facilities, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements, which were unsecured and unguaranteed. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			**As of June 30,**
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 1 year	1,908	1,984	5,531	4,786
After 1 year but within 2 years	354	1,689	5,152	2,761
After 2 years but within 5 years	300	–	339	–
Total:	**2,562**	**3,673**	**11,022**	**7,547**

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our lease liabilities were approximately RMB2.6 million, RMB3.7 million, RMB11 million and RMB7.5 million, respectively. These lease liabilities were mainly related to lease contracts of our offices and inspection and operation centers. The increase in our lease liabilities as of December 31, 2023 was primarily due to that we entered into a new lease, and relocated our office and warehouse in Shenzhen in May 2023.

CAPITAL EXPENDITURES AND COMMITMENTS

During the Track Record Period, we did not incur any material capital expenditures due to our assets-light business model.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into various transactions with entities controlled by one of our equity Shareholders, Shanghai Jiaozeng, which became our [**REDACTED**] Investor through Jinmi Investment in 2018. For more details, please refer to "History, Reorganization and Corporate Structure – 3. Our Group Structure and Corporate History – 3.1.4 Series A [**REDACTED**] Investments" in this document. These entities controlled by Shanghai Jiaozeng have been and will continue to be our upstream sourcing partners, which were a mainstream consumer electronic brand.

Receiving of Services and Procurement of Goods from Our Related Parties

During the Track Record Period, based on the arrangements with our upstream sourcing partners tailored to their specific conditions and needs, we typically paid an agreed percentage of the total monthly procurement value of the pre-owned consumer electronic device we procured as promotion service fees to them and/or commission fees to their relevant front sales personnel. Further, leveraging our established position in the PRC mobile phone recycling service market and our deep and synergistic relationship with our various upstream sourcing partners, we have also become a regular processor of certain consumer electronic brands to handle their excess inventories, demonstration consumer electronics and/or other recycling requests of consumer electronics in bulk to satisfy the business needs of our upstream business partners.

Rendering of Services and Sale of Goods to Our Related Parties

During the Track Record Period, we collaborated with our related parties to provide after-sales services to individual consumers, such as screen assurance services and value maintain and trade-in services, and other value-added services. We also handle some ad-hoc offline purchase requests of consumer electronics in bulk from our related parties, and procure and sell the same which meet the requirements to satisfy their business needs.

For more details of our business arrangement with our related parties, please refer to "Business – Our Supply Channels – Our Business Arrangements with Our Upstream Sourcing Partners" in this document.

All of our transactions entered into with our related parties during the Track Record Period were trade in nature and were conducted on an arm's length basis. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our receiving of services and purchases from these related parties amounted to a total of approximately RMB23.1 million, RMB18 million, RMB40.6 million and RMB14.3 million, respectively, and our revenue generated from these related parties amounted to a total of approximately RMB1.8 million, RMB2 million, RMB1.6 million and RMB0.2 million, respectively. For more details of our related party transactions, please refer to note 26(b) to the Accountants' Report in Appendix I to this document.

CONTINGENT LIABILITIES

As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had no material contingent liabilities. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings that involve our Group. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Our Directors confirm that there had been no contingent liabilities of our Group since June 30, 2024 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Revenue growth rate[1]	48.8%	22.6%	26.0%	11.3%
Gross profit margin[2]	8.2%	6.1%	6.8%	4.5%
Loss margin[3]	(6.5%)	(10.8%)	(8.5%)	(7.0%)
Adjusted profit/(loss) margin (non-IFRS measure)[4]	[REDACTED]%	([REDACTED]%)	[REDACTED]%	([REDACTED]%)
Operating expenses to revenue ratio[5]	7.7%	8.4%	7.3%	7.3%

Notes:

1. Revenue growth rate represents the revenue for the current financial year/period less the revenue for the previous financial year/period divided by revenue for the previous financial year/period and multiplied by 100%;

2. Gross profit margin represents the gross profit for the financial year/period divided by the revenue for the financial year/period and multiplied by 100%;

3. Loss margin represents the loss for the financial year/period divided by the revenue for the financial year/period and multiplied by 100%;

4. Adjusted profit/(loss) margin (non-IFRS measure) represents the adjusted profit/loss (non-IFRS measure) for the financial year/period divided by the revenue for the financial year/period and multiplied by 100%; and

5. Operating expenses to revenue ratio represents the sum of the selling and distribution expenses, administrative expenses (excluding our [**REDACTED**] expenses) and research and development expenses, divided by the revenue for the financial year/period and multiplied by 100%.

Revenue Growth Rate

Our revenue growth rate decreased from approximately 48.8% for the year ended December 31, 2021 to approximately 22.6% for the year ended December 31, 2022. Such decrease was primarily attributable to the COVID-19 pandemic in 2022 where our supply and sale of pre-owned mobile phones were both, to a certain extent, affected. Our revenue growth rate increased to approximately 26% for the year ended December 31, 2023. Such increase was due to our business improvement in 2023 as a result of the recovery of the PRC business environment and our organic growth. Our revenue growth rate decreased to approximately 11.3% for the six months ended June 30, 2024. Such decrease was primarily attributable to an increasing competitive market environment and the challenging macroeconomic condition in the PRC during the first half of 2024, where the volume of pre-owned mobile phones recycled and subsequently sold by us were both decreased.

Gross Profit Margin

Our gross profit margin decreased from approximately 8.2% for the year ended December 31, 2021 to approximately 6.1% for the year ended December 31, 2022, primarily attributable to the decreases in gross profit margins of both of our sale of pre-owned mobile phones and sale of other pre-owned consumer electronics from approximately 6.7% and 21.5%, respectively, to approximately 4.9% and 17.9%, respectively, for the same period. Such decreases were primarily due to the reason that the increase in our procurement cost of pre-owned consumer electronics for the year ended December 31, 2022 was relatively faster as compared to the increase in our sale of the same as both markets of the consumer electronic recycling services and the second-hand consumer electronics got more competitive since COVID-19 pandemic. Our gross profit margin increased to approximately 6.8% for the year ended December 31, 2023. Such increase was due to the increase in gross profit margin of our sale of pre-owned mobile phones from approximately 4.9% to 5.8% for the same period, which was, attributable to the recovery of our procurement and sale and our organic growth after the pandemic. Our gross profit margin decreased from approximately 6.8% for the year ended December 31, 2023 to approximately 4.5% for the six months ended June 30, 2024, primarily attributable to the decrease in gross profit margin of our sale of pre-owned mobile phones from approximately 7.1% to approximately 3.8% for the same period. Such decrease was primarily due to the (i) increase in our procurement cost of pre-owned mobile phones, which in turn, attributable to the increase in our recycling prices of pre-owned mobile phones of similar models and/or quality as compared to previous years under our trade-in solution, and (ii) the commission fees paid to the front sales personnel of our upstream sourcing partners' stores, so that we would be able to keep up our recycling volume and maintain our market share to cope with the increasing competitive market environment and the challenging macroeconomic condition, which also led to a consumption downgrade in the PRC during the first half of 2024. While the selling prices of pre-owned mobile phones are relatively more market driven, the faster increase in our cost of sales of pre-owned mobile phones for the six months ended June 30, 2024 led to a decrease in our gross profit and gross profit margin for the same period.

Loss Margin

Our loss margin increased from approximately 6.5% for the year ended December 31, 2021 to approximately 10.8% for the year ended December 31, 2022, primarily due to the decrease in our gross profit margin from approximately 8.2% to approximately 6.1% for the same period. Our loss margin decreased to approximately 8.5% for the year ended December 31, 2023, primarily due to the increase in our gross profit margin to approximately 6.8% for the same period. Our loss margin further decreased to approximately 7% for the six months ended June 30, 2024. Our loss margins during the Track Record Period were due to our losses during the Track Record Period. In addition, our losses for the years ended December 31, 2021, 2022 and 2023 were partially attributable to the increases in our changes in carrying amount of the redemption liabilities from approximately RMB46.1 million from the year ended December 31, 2021 to approximately RMB87.3 million for the year ended December 31, 2023, which represented the amount of changes in our redemption obligations arising from the preferential rights granted to our [**REDACTED**] Investors.

Adjusted Profit/(Loss) Margin (Non-IFRS Measure)

We recorded adjusted profit margin (non-IFRS measure) of approximately [**REDACTED**]% for the year ended December 31, 2021, while we recorded adjusted loss margin (non-IFRS measure) of approximately [**REDACTED**]% for the year ended December 31, 2022, primarily due to our increase of loss for the year ended December 31, 2022. We recorded adjusted profit margin (non-IFRS measure) again for the year ended December 31, 2023 as our business recovered and continued to grow after the pandemic. We recorded adjusted loss margin (non-IFRS measure) of approximately [**REDACTED**]% for the six months ended June 30, 2024, primarily due to the decrease in our gross profit for the period.

Operating Expenses to Revenue Ratio

Our operating expenses to revenue ratio increased from approximately 7.7% for the year ended December 31, 2021 to approximately 8.4% for the year ended December 31, 2022, primarily due to the reason that the increases in our selling and distribution expenses and our research and development expenses were relatively faster as compared to the increase in our revenue, which to a certain extent, was affected by the COVID-19 pandemic in 2022. Our operating expenses to revenue ratio decreased to approximately 7.3% for the year ended December 31, 2023, primarily due to the recovery of our sale and our organic growth after the pandemic. Our operating expenses to revenue ratio remained stable.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risks in the ordinary course of our business, including credit risks, liquidity risks, interest rate risks and currency risks. We manage our exposure to these and other market risks through regular operating and financial activities. For more details, please refer to note 25 of Appendix I to this document.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, receivables from upstream sourcing partners, other receivables and cash and cash equivalents.

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are mainly banks and financial institutions with high credit rating.

The Group is not exposed to significant credit risk from sales of pre-owned electronic products as the Group usually requires payments in advance before delivery.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. The Group's exposure to credit risk is mainly attributable to trade receivables related merchant customers. As of December 31, 2021, 2022 and 2023 and June 30, 2024, approximately 81.5%, 92.5%, 80.4% and 75.6% of the trade receivables, respectively, was due from the Group's top five customers.

Receivables from upstream sourcing partners

The upstream sourcing partners offers promotion discounts to individual consumers which were paid by us in advance under our trade-in solution transaction services. We usually get reimbursed of such promotion discounts from our upstream sourcing partners within three months after we reconcile the accounts with them. We considered the credit risk exposure arising from the receivables from our upstream sourcing partners to be insignificant since the counterparties have strong financial capacity to meet their contractual cash flow obligations in the near term. The expected credit losses on these receivables are insignificant.

Liquidity Risk

Our Group's policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that our Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. Historically, our Group has relied principally on both operational sources of cash and non-operational sources of equity and debt financing to fund our operations and business development. For more details, please refer to note 25(b) of Appendix I to this document.

Considered historical cash requirements, working capital and capital expenditures plans, estimated cash flows provided by operations, existing cash on hand, as well as other key factors, including utilization of credit facilities granted by financial institutions. Our management believes the assumptions used in the cash forecast are reasonable.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

Currency Risk

Our Group is not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of our Company and our subsidiaries are not significant.

DISTRIBUTABLE RESERVES

As of June 30, 2024, we did not have distributable reserves for distribution to our equity holders.

[REDACTED] EXPENSES

[**REDACTED**] expenses represent professional fees, [**REDACTED**], and other fees incurred in connection with the [**REDACTED**]. Assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range stated in this document), [**REDACTED**] expenses and [**REDACTED**] costs to be borne by us are estimated to be approximately [**REDACTED**] (including (i) [**REDACTED**] of approximately [**REDACTED**], and (ii) [**REDACTED**] related expenses of approximately [**REDACTED**], which consist of fees and expenses of the legal advisors and reporting accountants of our Company of approximately [**REDACTED**] and other fees and expenses of approximately [**REDACTED**]), assuming the [**REDACTED**] is not exercised and no shares are issued pursuant to the Share Option Scheme. During the Track Record Period, we incurred [**REDACTED**] expenses of approximately [**REDACTED**], [**REDACTED**], [**REDACTED**] and [**REDACTED**], which were recognized in our consolidated statements of profit and loss for the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, and approximately [**REDACTED**] were recognized as prepayments in our consolidated statements of financial position as of June 30, 2024, which will be accounted for as a deduction from equity upon [**REDACTED**]. Subsequent to the Track Record Period, approximately [**REDACTED**] (equivalent to approximately [**REDACTED**]) is expected to be charged to our consolidated statements of profit or loss, approximately [**REDACTED**] (equivalent to approximately [**REDACTED**]) is expected to be accounted for as a deduction from equity upon [**REDACTED**]. The [**REDACTED**] expenses are expected to account for [**REDACTED**]% of [**REDACTED**] generated from the [**REDACTED**]. The [**REDACTED**] expenses and [**REDACTED**] costs above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

DIVIDEND

During the Track Record Period and up to the Latest Practicable Date, we had not distributed any dividends to the then equity holders of our Group. In future, our Board may declare dividends after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment, as well as the amount of dividends, will be subject to our constitutional documents and the Cayman Companies Act. Under the Cayman Islands law, our Company may pay a dividend out of either profit or, with the sanction of an ordinary resolution, share premium account, provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. In addition, our Directors may from time to time pay such interim dividends on shares outstanding of our Company and authorize payment of the same out of the funds of our Company that are lawfully available. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board.

As advised by our Cayman Legal counsel, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of profits and/or share premium account, provided that in no circumstances may a dividend be paid out of share premium if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Accordingly, notwithstanding that our Company had accumulated losses, our Company should be able to declare a dividend out of our share premium if the payment of such dividend would not result in our Company being unable to pay our debts as they fall due in the ordinary course of business.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, there had been no material adverse change in our financial or trading position since December 31, 2023, being the end date of the periods reported in the Accountants' Report in Appendix I to this document, and there has been no event since June 30, 2024 which would materially affect the information shown in the Accountants' Report in Appendix I to this document.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the [**REDACTED**] on the consolidated net tangible liabilities attributable to owners of the Company as if the [**REDACTED**] had been completed on June 30, 2024.

[**REDACTED**]

FUTURE PLANS

Please refer to "Business – Our Strategies" in this document for a detailed discussion of our future plans.

[REDACTED]

We estimate that the aggregate [**REDACTED**] of the [**REDACTED**] to be received by us (after deducting [**REDACTED**] fees and estimated expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range of [**REDACTED**] to [**REDACTED**] per [**REDACTED**]) will be approximately [**REDACTED**], assuming that the [**REDACTED**] is not exercised. We currently intend to apply such [**REDACTED**] in the following manner:

- approximately [**REDACTED**], or [**REDACTED**], is expected to be used to further enhance our strategic cooperation with our upstream sourcing partners to continuously strengthen our current position in the PRC offline trade-in mobile phone recycling service market and to expand our transaction service into Hong Kong and other Southeast Asian countries, with detailed breakdown of the [**REDACTED**] to be allocated as below:

  (i) approximately [**REDACTED**], or [**REDACTED**], is expected to be used as our advance payments and/or security deposits to Consumer Electronic Brand A and/or Consumer Electronic Brand B for our trade-in solutions. Pursuant to our business arrangements with Consumer Electronic Brand A and/or Consumer Electronic Brand B, we are required (i) to pay promotion discounts that were offered to individual consumers by them in advance to facilitate the promotional sales of their new models of mobile phones transacted under our trade-in solution; or (ii) to make security deposit in advance for conducting our recycling service transactions, in their offline stores and online mall. For more details, please refer to "Business – Our Supply Channels – Our Business Arrangements with Upstream Sourcing Partners" and "Financial Information – Certain Items of Consolidated Statements of Financial Position – Trade and Other Receivables" in this document. Because of our such business arrangements with Consumer Electronic Brand A and Consumer Electronic Brand B, we plan to reserve some liquidity to fund our cash flow needs, which is key to our further business expansion and collaboration with our existing and future upstream sourcing partners;

  (ii) approximately [**REDACTED**], or [**REDACTED**], is expected to be used to continue to steadily expand and deepen our strategic and all-around cooperation with our existing upstream sourcing partners by further extending our offline trade-in recycling services to more of their offline stores in the PRC, and at the same time, aiming to obtain a more stable and desirable supply of quality pre-owned consumer electronics. During the Track Record Period, the aggregate number of offline stores operated by our upstream sourcing partners which we had entered into business cooperation with were over 49,000 stores. According to Frost & Sullivan, as of the Latest Practicable Date, the aggregate number of branded offline stores of these six mainstream consumer electronic brands exceeded 250,000 stores in the PRC. As such, we believe that there remains a tremendous market for us to develop. Even though the market competition of the consumer electronics recycling industry will be intensified, we will continue to put effort and investment in nurturing our offline trade-in transaction services by actively promoting our trade-in solutions in the offline stores of our upstream sourcing partners. We particularly intend to actively visit, regularly discuss and enter into new strategic initiatives and collaboration arrangement with our existing upstream sourcing partners to activate and commence recycling business with those offline stores of our upstream sourcing partners which had initially agreed to enter into collaboration with us but had not conducted any trade-in recycling transaction services during the Track Record Period.

In addition, we also intend to step up our efforts to collaborate with the large mobile network operators in the PRC to promote our pre-owned mobile phone recycling services. In February 2024, the General Office of the State Council issued the Opinions on Accelerating the Construction of a Waste Recycling System (《關於加快構建廢棄物循環利用體系的意見》) which, among others, calls for the standardization of trading activities in connection with second-hand goods and encourages the development of the "internet & second-hand" business model. We believe that we possess the first-mover advantage as we have already established cooperation with the largest four mobile network operators in the PRC in providing recycling services of their pre-owned mobile phones since 2017. Moreover, in May and June 2024, we were further successfully shortlisted by two of the major mobile network operators to provide trade-in transaction services and respectively entered into a two-year and a one-year cooperation agreement with them.

To support our above future plans, apart from the regular cost to be incurred for business operation, we intend to particularly spend approximately [**REDACTED**] in total to set up and operate branch office in each of Liaoning province, Hebei province and Guangdong province, and spend approximately HK$40.2 million to recruit 49, 43 and 43 sales personnel for the coming three years ending December 31, 2025, 2026 and 2027, to assist in visiting offline stores of our existing and/or potential upstream sourcing partners, facilitating in the establishment and maintenance of our cooperative relationship with their offline stores, and introducing and promoting our trade-in service solution offerings. These newly recruited personnel will also be responsible for providing continuous training to the front sales staff enabling them to process trade-in transactions with our Shanhuishou (閃回收) recycling system; and

(iii) approximately [**REDACTED**], or [**REDACTED**], is expected to be used to develop and solidify our offline trade-in mobile phone recycling service capability in Hong Kong. Driven by the strong demands of certain mainstream consumer electronic brands we partner with, we plan to further deepen our partnership with them by supporting them and extending our offline trade-in recycling services to Hong Kong to facilitate their local business development. In October 2023, we successfully obtained Radio Dealers Licence (Unrestricted) (無線電商牌照) in Hong Kong. We also commenced to provide offline trade-in recycling transaction service in Hong Kong since November 2023 for Consumer Electronic Brand B, and sell the same through our local sales channel. For the year ended December 31, 2023 and the six months ended June 30, 2024, our procurement value of pre-owned consumer electronics in Hong Kong amounted to approximately HK$5.6 million and HK$28.8 million, respectively, and sale of the same in Hong Kong amounted to approximately HK$42,000 and HK$29.3 million, respectively. Furthermore, we intend to put effort to further solidify our mobile phone recycling services capabilities in Hong Kong and spend approximately [**REDACTED**] to expand our current Hong Kong office to make it our overseas headquarters for our future expansion of trade-in transaction services in other Southeast Asian countries. In July 2024, we joined Consumer Electronic Brand B as one of its strategic business partners to visit Singapore, Malaysia, Thailand and Indonesia, and conducted market research in these local markets. In near future, we plan to spend approximately HK$[**REDACTED**] during the coming three years ending December 31, 2027 to recruit 15 personnel in total to expand both of our recycling and sales team in Hong Kong;

- approximately [**REDACTED**], or [**REDACTED**], is expected to be used to further increase our technology, research and development capabilities to continue to empower our business offerings and operational efficiency. Since pre-owned mobile phones are non-standard items with no uniformed market price, and grading and pricing them manually is incapable of achieving a high level of accuracy, we will continue to upgrade and iterate our existing inspection, testing and grading technologies. In doing so, we plan to spend approximately HK$[**REDACTED**] to upgrade the inspection hardware and testing and grading functionalities of our Shanhuishou (閃回收) recycling system with more AI capabilities so that we can better analyze the data insight we collect from thousands of pre-owned consumer electronics and millions of transactions, which includes historical recycling and sales data, competitors' performance, our various transaction costs for procurement and sale, future demand of the second-hand consumer electronic market and our expected profit margin. We believe this can further strengthen our competitive advantage in inspecting and pricing pre-owned consumer electronics accurately and speedily, which has been and will continue to differentiate us from our competitors and serves as an important growth engine. On the other hand, we intend to invest more into the infrastructure of our Shanhui Youpin (閃回有品) online platform and the associated mobile application by continuously upgrading and iterating our existing software and hardware equipment, and to design, develop and launch new business modules with comprehensive functionalities to support the increasing needs of our business services and, at the same time, enhance users' experiences. In particular, we will upgrade the functionalities of our Shanhui Youpin (閃回有品) online platform by adding more AI capabilities to better match the needs of our customers with our inventories, send recommendations automatically to our customers based on their historical preferences and increase the accuracy of its search engine. Internally, we will continue to upgrade our management and information system, BOSS System, to support our Group's digital management and improve our overall operational efficiency. In particular, we plan to spend approximately [**REDACTED**] to upgrade and increase the number of servers that we currently rent to increase the data storage, improve the efficiency in processing data and enhance the data security of our BOSS System. For the coming three years ending December 31, 2027, in order to support the upgrades of our Shanhuishou (閃回收) recycling system, Shanhui Youpin (閃回有品) online platform and BOSS System, we plan to spend approximately HK$[**REDACTED**] to recruit a total of 41 technology and development personnel to support our above future technology, research and development efforts. Such personnel primarily include programming development engineers, web front-end development engineers and AI algorithmic engineers. We believe that with our proprietary recycling and sale platforms supported by our BOSS System, we will be able to provide a more digitalized and industrial solutions for all the participants in the consumer electronics after-market transaction services;

- approximately [**REDACTED**], or [**REDACTED**], is expected to be used to increase our marketing and promotion efforts to raise our brand profile, explore sales channels that have more market potential to steadily increase our sales, and further enhance our profit margin and transaction efficiency, with detailed breakdown of the [**REDACTED**] to be allocated as below:

  (i) approximately [**REDACTED**], or [**REDACTED**], is expected to be used to further promote our Shanhui Youpin (閃回有品) online platform, with an aim to grow it to a recognized brand and a trusted pre-owned consumer electronics integrated platform, with the capabilities of providing online consumer electronics recycling and trading services that enables consumers to sell and purchase pre-owned consumer electronics with ease and convenience. In order to achieve that, apart from the effort we are going to put on our technology, research and development capabilities to improve the infrastructure and the hardware and software of our Shanhui Youpin (閃回有品) online platform and the associated mobile application as aforementioned, we intend to further invest on our promotional and marketing efforts to grow our brand awareness and improve our publicity and market position. As such, we intend to increase our budget and spend approximately [**REDACTED**] in total during the coming three years ending December 31, 2027 on placement of both online and offline marketing and advertisement, such as billboards, advertising light boxes and web banners, to enchance our profile and promote our pre-owned consumer electronics recycling and trading services on various second-hand markets. We also intend to strengthen and maintain long-term business relationships with our existing major customers and explore new cooperative relationships with potential buyers of various types of pre-owned consumer electronics in the downstream second-hand market. In doing so, we plan to hold more seminars and events in Shenzhen and invite both of our existing and potential customers to attend and exchange ideas, and at the same time, raise our profile. We also plan to spend approximately HK$[**REDACTED**] to recruit a total of 40 experienced sale personnel during the coming three years ending December 31, 2027, to assist on our marketing and promotion efforts to grow our brand awareness and strengthen our influence and to provide more comprehensive and timely after-sales services to our major customers. Such sales personnel shall also be responsible for collecting market information and analyzing the marketing activities of our competitors, making and implementing plans to promote sales on our Shanhui Youpin (閃回有品) online platform, and exploring and developing our customer base and eventually increasing our sales on Shanhui Youpin (閃回有品) online platform.

(ii) approximately [**REDACTED**], or [**REDACTED**], is expected to be used to further tap into the great market potential in the PRC live-streaming platforms and other third-party e-commerce platforms. We intend to spend approximately HK$[**REDACTED**] on marketing and promoting our brand and increasing web traffic in order to accurately target potential individual customers and boost the number of active buyers on these live-streaming platforms. We will also continue to explore conducting sale of pre-owned mobile phones through publishing promotional contents and video clips on live-streaming platforms targeted at different end users. Further, we also plan to deepen our cooperation with various third-party e-commerce platforms and set up more of our own online stores on these platforms to be focused on selling mid-to-high-end pre-owned mobile phones.

In order to improve the quality and attractiveness of our contents and videos and to boost of our sales on various live-streaming and other e-commerce platforms, we intend to spend approximately HK$[**REDACTED**] to recruit a total of 39 experienced personnel in the field of e-commerce operation, including two livestream operators, nine popular live-streamers, five short video scripting, filming and editing personnel, nine live broadcast controllers, two e-commerce trading and pricing managers, and twelve customer service staff members during the coming three years ending December 31, 2027. Some of these personnel will also be assisting on setting up our online stores on various third-party e-commerce platforms to conduct sale by publishing promotional contents and video clips on livestreaming platforms, designing and implementing sales strategies of our online stores on third-party e-commerce platforms, and providing after-sales services to our customers on these platforms. Live broadcast controller is also responsible for coordinating the live-streamers and preparing the live broadcast and managing the orders placed during the live broadcast;

(iii) approximately [**REDACTED**], or approximately [**REDACTED**], will be used to upgrade and/or enlarge our existing inspection and operation centers to eventually form our own regional supply chain network equipped with functionalities of collection, inspection and grading, repair and maintenance, and sales and distribution. Pre-owned mobile phones recycled and resold with better repair and maintenance services rendered, such as replacement of external display screen or change of battery, generally see better demand from customers and typically have higher prices and profit margins. Therefore, we intend to spend approximately [**REDACTED**] to purchase and/or upgrade the hardware equipment of our maintenance and repairment division, for instance, screen removal machines, polishing machines and multi-meters, and also spend approximately [**REDACTED**] to recruit a total of 15 maintenance and repairment staff members during the coming three years ending December 31, 2027. We believe this will enrich our supply of mid-to-high-end pre-owned consumer electronics with better selling prices, which will in turn, contribute to a higher profit margin. In addition, we also plan to upgrade all of our existing inspection and operation centers in Shenzhen, Chengdu, Sichuan province, Zhengzhou, Henan province and Nanjing, Jiangsu province. During the Track Record Period, an increasing percentage of our revenue was derived from the sale of pre-owned mobile phones through our real-time open bidding module on Shanhui Youpin (閃回有品) online platform, where under most circumstances, no additional inspection would be conducted before delivering such devices to the successful bidder. However, these devices were still delivered to our inspection and operation center first before shipped out to the successful bidder, and as such, must go through the organizing, sorting, packing process which would benefit from the upgrading of our hardware and equipment in our existing inspection and operation centers. We plan to spend approximately [**REDACTED**] in each of these four inspection and operation centers to purchase and/or upgrade certain equipment, for instance, smart shelves and automatic packing machines. For the coming three years ending December 31, 2027, we also intend to spend approximately [**REDACTED**] to recruit four receiving and packing staff and six quality inspectors for each of our Chengdu, Zhengzhou, Nanjing and Shenzhen inspection and operation centers to support the expansion of the aforementioned inspection and operation centers. We expect these centers would better facilitate the efficient collection, inspection and grading, repairment and maintenance, and further sales and distribution of our pre-owned consumer electronics procured, which in turn, help us to strengthen our service coverage, increase our inventory turnover and improve our operational efficiency.

- approximately [**REDACTED**], or [**REDACTED**], is expected to be used for strategic investments and/or acquisitions in businesses which offer products and/or services that are supplemental to those which we currently offer and match our growth strategies. As of the Latest Practicable Date, we had no commitments or agreements to enter into any acquisitions or investments.

We have identified the following preliminary criteria of potential acquisition targets: (i) the target should possess established business operations and network in the PRC consumer electronics after-market transaction service market; (ii) the target's business should generate strong synergies with our business operations. In particular, companies engaged in the sale of complimentary products, including other consumer electronic products, such as laptops, PC tablets, phone accessories and other digital products, or provision of consumer electronic related value-added services will be our main potential acquisition targets in order to expand our business offerings; and (iii) the investment or acquisition should help us improve our overall competitiveness and profitability in the pre-owned consumer electronics transaction market.

According to Frost & Sullivan, the industry of our potential acquisition targets is fragmented, and the number of possible targets that meet our preliminary selection criteria could be over 100. We believe there are sufficient number of potential targets that meet the above criteria in the market. As of the Latest Practicable Date, we had not identified any target to invest or acquire. In the case that we identify any potential target and our expected [**REDACTED**] are insufficient to cover the investment or acquisition costs, we would actively seek for other means of financing, such as banking facilities. In addition, whether we would obtain a majority interest or minority interest in the targets is determined on a case-by-case basis, subject to our negotiation with those potential targets; and

- the remaining approximately [**REDACTED**], or [**REDACTED**], is expected to be used for working capital and general corporate purposes.

BASIS AND ASSUMPTIONS

If the [**REDACTED**] is fixed at the high-end or low-end of the [**REDACTED**] range (assuming the [**REDACTED**] is not exercised), the [**REDACTED**] will increase or decrease by approximately [**REDACTED**] (after deducting [**REDACTED**] fees and expenses related to the [**REDACTED**]). We intend to apply the additional or reduced [**REDACTED**] to the above uses on a pro rata basis.

If the [**REDACTED**] is exercised in full, we will receive additional [**REDACTED**] of approximately [**REDACTED**], [**REDACTED**] and [**REDACTED**] if the [**REDACTED**] is fixed at the high-end, midpoint and low-end of the [**REDACTED**] range, respectively. We intend to apply the additional [**REDACTED**] to the above uses on a pro rata basis.

If the [**REDACTED**] of the [**REDACTED**] are not immediately used for the purposes described above, to the extent permitted by the relevant laws and regulations, we will deposit the [**REDACTED**] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions as defined under the SFO, as long as it is deemed to be in the best interests of our Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[**REDACTED**]

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The following is the text of a report set out on pages I-1 to I-[68], received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANH TECHNOLOGY LIMITED AND ZERO2IPO CAPITAL LIMITED

Introduction

We report on the historical financial information of ShanH Technology Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-[68], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2021, 2022 and 2023 and June 30, 2024, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-[68] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' 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 accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2021, 2022 and 2023 and June 30, 2024, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2023, and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 24(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

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

[●]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Shenzhen Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi)

		Year ended December 31,			Six months ended June 30,	
	Note	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
					(unaudited)	
Revenue	4	749,731	919,112	1,158,393	518,382	576,858
Cost of sales		(688,260)	(863,445)	(1,080,050)	(477,893)	(550,980)
Gross profit		61,471	55,667	78,343	40,489	25,878
Other income and gains/(losses)	5	377	(4,524)	9,034	2,656	1,840
Selling and distribution expenses		(11,581)	(17,243)	(18,528)	(7,974)	(8,514)
Administrative expenses		(42,161)	(45,683)	(57,456)	(28,050)	(32,487)
Research and development expenses		(10,261)	(17,381)	(18,936)	(9,123)	(9,198)
Finance costs	*6(a)*	(465)	(537)	(3,423)	(1,420)	(3,713)
Changes in carrying amount of the redemption liabilities	*21*	(46,088)	(69,383)	(87,302)	(65,172)	(13,932)
Loss before taxation	*6*	(48,708)	(99,084)	(98,268)	(68,594)	(40,126)
Income tax	*7(a)*	–	–	–	–	–
Loss for the year/period		(48,708)	(99,084)	(98,268)	(68,594)	(40,126)
Attributable to:						
Owners of the Company/Shenzhen Shanhui*		(48,708)	(99,084)	(98,268)	(68,594)	(39,764)
Non-controlling interests		–	–	–	–	(362)
Loss for the year/period		(48,708)	(99,084)	(98,268)	(68,594)	(40,126)
Loss per share	*10*					
Basic and diluted		N/A	N/A	N/A	N/A	N/A

* Defined in Note 1(a)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Loss for the year/period	(48,708)	(99,084)	(98,268)	(68,594)	(40,126)
Other comprehensive income for the year/period (after tax and reclassification adjustments)					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of:					
– financial statements of operations outside the Chinese Mainland	–	(76)	(56)	(311)	670
Total comprehensive income for the year/period	(48,708)	(99,160)	(98,324)	(68,905)	(39,456)
Attributable to:					
Owners of the Company/Shenzhen Shanhui	(48,708)	(99,160)	(98,324)	(68,905)	(39,094)
Non-controlling interests	–	–	–	–	(362)
Total comprehensive income for the year/period	(48,708)	(99,160)	(98,324)	(68,905)	(39,456)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

		As at December 31,			As at June 30,
	Note	**2021**	**2022**	**2023**	**2024**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Non-current assets					
Property and equipment	*11(a)*	395	860	3,992	3,930
Right-of-use assets	*11(a)*	2,465	3,325	8,835	6,700
Other non-current asset		–	–	1,713	1,823
		2,860	4,185	14,540	12,453
Current assets					
Inventories	*12(a)*	18,418	22,112	30,684	26,329
Trade and other receivables	*13*	39,956	89,254	107,987	117,503
Financial assets measured at fair value through profit or loss ("FVTPL")	*14*	–	986	827	856
Restricted bank deposits	*15*	201	200	202	1,000
Cash and cash equivalents	*15*	55,120	42,774	79,096	139,703
		113,695	155,326	218,796	285,391
Current liabilities					
Trade and other payables	*16*	26,951	77,575	47,746	43,124
Contract liabilities	*17*	9,721	9,018	4,721	6,586
Bank Loans	*18*	–	11,000	105,000	150,000
Lease liabilities	*19*	1,908	1,984	5,531	4,786
Provisions	*20*	899	6,990	1,019	1,009
Redemption liabilities	*21*	307,003	376,386	685,213	751,419
Derivative financial liabilities	*22*	4,479	8,077	1,000	–
		350,961	491,030	850,230	956,924

The accompanying notes form part of the Historical Financial Information.

	Note	As at December 31, 2021 RMB'000	As at December 31, 2022 RMB'000	As at December 31, 2023 RMB'000	As at June 30, 2024 RMB'000
Net current liabilities		(237,266)	(335,704)	(631,434)	(671,533)
Total assets less current liabilities		(234,406)	(331,519)	(616,894)	(659,080)
Non-current liabilities					
Lease liabilities	*19*	654	1,689	5,491	2,761
NET LIABILITIES		(235,060)	(333,208)	(622,385)	(661,841)
CAPITAL AND RESERVES					
Combined capital/Share capital	*24(a)*	21,088	21,088	122	122
Reserves	*24(c)*	(256,148)	(354,296)	(622,459)	(661,553)
Total deficit attributable to owners of the Company/ Shenzhen Shanhui		(235,060)	(333,208)	(622,337)	(661,431)
Non-controlling interests		–	–	(48)	(410)
TOTAL DEFICIT		(235,060)	(333,208)	(622,385)	(661,841)

The accompanying notes form part of the Historical Financial Information.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	Note	As at December 31, 2021 RMB'000	As at December 31, 2022 RMB'000	As at December 31, 2023 RMB'000	As at June 30, 2024 RMB'000
Non-current asset					
Investment in a subsidiary		–	–	–	121,856
Current assets					
Trade and other receivables	*13*	–	–	111,551	41,627
Financial assets measured at FVTPL	*14*	–	986	827	856
Cash and cash equivalents	*15*	–	20,759	8,977	6,688
		–	21,745	121,355	49,171
Current liabilities					
Trade and other payables	*16*	–	27,559	–	727
Amount due to a related party		3,831	–	–	–
Redemption liabilities	*21*	–	–	685,213	751,419
		3,831	27,559	685,213	752,146
Net current liabilities		(3,831)	(5,814)	(563,858)	(702,975)
Total assets less current liabilities		(3,831)	(5,814)	(563,858)	(581,119)
NET LIABILITIES		(3,831)	(5,814)	(563,858)	(581,119)
CAPITAL AND RESERVES					
Share capital	*24(b)*	–	–	122	122
Reserves	*24(b)*	(3,831)	(5,814)	(563,980)	(581,241)
TOTAL DEFICIT		(3,831)	(5,814)	(563,858)	(581,119)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

	Note	Combined capital/ Share capital	Capital reserve/ Share Premium	Share-based payment reserve	Other reserve	Exchange reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 24(a)	*Note 24(c)(i)*	*Note 24(c) (ii)*	*Note 24(c)(iii)*	*Note 24(c)(iv)*				
Balance at January 1, 2021		21,088	37,112	13,675	(57,200)	–	(99,435)	(84,760)	–	(84,760)
Changes in equity for the year ended December 31, 2021										
– Loss for the year		–	–	–	–	–	(48,708)	(48,708)	–	(48,708)
Total comprehensive income		–	–	–	–	–	(48,708)	(48,708)	–	(48,708)
Recognition of redemption liabilities due to capital transfer between investors	*21*	–	–	–	(103,572)	–	–	(103,572)	–	(103,572)
Equity-settled share-based transactions	*23*	–	–	1,980	–	–	–	1,980	–	1,980
Balance at December 31, 2021 and January 1, 2022		21,088	37,112	15,655	(160,772)	–	(148,143)	(235,060)	–	(235,060)
Changes in equity for the year ended December 31, 2022										
– Loss for the year		–	–	–	–	–	(99,084)	(99,084)	–	(99,084)
– Other comprehensive income		–	–	–	–	(76)	–	(76)	–	(76)
Total comprehensive income		–	–	–	–	(76)	(99,084)	(99,160)	–	(99,160)
Equity-settled share-based transactions	*23*	–	–	1,012	–	–	–	1,012	–	1,012
Balance at December 31, 2022 and January 1, 2023		21,088	37,112	16,667	(160,772)	(76)	(247,227)	(333,208)	–	(333,208)

The accompanying notes form part of the Historical Financial Information.

	Note	Combined capital/ Share capital	Capital reserve/ Share Premium	Share-based payment reserve	Other reserve	Exchange reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 24(a)	*Note 24(c) (i)*	*Note 24(c) (ii)*	*Note 24(c) (iii)*	*Note 24(c) (iv)*				
Changes in equity for the year ended December 31, 2023.										
– Loss for the year		–	–	–	–	–	(98,268)	(98,268)	–	(98,268)
– Other comprehensive income		–	–	–	–	(56)	–	(56)	–	(56)
Total comprehensive income		–	–	–	–	(56)	(98,268)	(98,324)	–	(98,324)
Capital contribution by investors	*24(a)(ii)*	717	1,151	–	–	–	–	1,868	–	1,868
Issurance of shares by the Company	*24(a)(iii)*	122	38,119	–	–	–	–	38,241	–	38,241
Effect arising from recognition of redemption liabilities arising from new issuance of shares		–	–	–	(11,709)	–	–	(11,709)	–	(11,709)
Recognition of redemption liabilities arising from modification	*21*	–	–	–	(181,469)	–	–	(181,469)	–	(181,469)
Equity-settled share-based transactions	*23*	–	–	457	–	–	–	457	–	457
Effect arising from Reorganisation		(21,805)	(117)	–	(16,832)	–	561	(38,193)	(48)	(38,241)
Balance at December 31, 2023.		122	76,265	17,124	(370,782)	(132)	(344,934)	(622,337)	(48)	(622,385)

The accompanying notes form part of the Historical Financial Information.

	Note	Combined capital/ Share capital	Capital reserve/ Share Premium	Share-based payment reserve	Other reserve	Exchange reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note 24(a)	*Note 24(c) (i)*	*Note 24(c) (ii)*	*Note 24(c) (iii)*	*Note 24(c) (iv)*				
(unaudited)										
Balance at January 1, 2023		21,088	37,112	16,667	(160,772)	(76)	(247,227)	(333,208)	–	(333,208)
Changes in equity for the period ended June 30, 2023										
– Loss for the period		–	–	–	–	–	(68,594)	(68,594)	–	(68,594)
– Other comprehensive income		–	–	–	–	(311)	–	(311)	–	(311)
Total comprehensive income		–	–	–	–	(311)	(68,594)	(68,905)	–	(68,905)
Equity-settled share-based transactions	*23*	–	–	–	457	–	–	457	–	457
Balance at June 30, 2023		21,088	37,112	16,667	(160,315)	(387)	(315,821)	(401,656)	–	(401,656)
Balance at January 1, 2024		122	76,265	17,124	(370,782)	(132)	(344,934)	(622,337)	(48)	(622,385)
Changes in equity for the period ended June 30, 2024										
– Loss for the period		–	–	–	–	–	(39,764)	(39,764)	(362)	(40,126)
– Other comprehensive income		–	–	–	–	670	–	670	–	670
Total comprehensive income		–	–	–	–	670	(39,764)	(39,094)	(362)	(39,456)
Balance at June 30, 2024		122	76,265	17,124	(370,782)	538	(384,698)	(661,431)	(410)	(661,841)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Renminbi)

	Note	Year ended December 31,			Six months ended June 30,	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Operating activities						
Cash (used in)/generate from operations	*15(b)*	(6,399)	(43,736)	(47,774)	(42,298)	13,104
Net cash (used in)/generate from operating activities		(6,399)	(43,736)	(47,774)	(42,298)	13,104
Investing activities						
Payment for purchase of equipments	*11(a)*	(237)	(823)	(4,124)	(1,498)	(1,575)
Purchase of financial assets measured at FVTPL		–	(986)	–	–	–
Placement of structured deposits		(60,000)	–	–	–	(110,839)
Redemption of structured deposits		60,000	–	–	–	110,839
Interest received from structured deposits		300	–	–	–	667
Net cash generated from/(used in) investing activities		63	(1,809)	(4,124)	(1,498)	(908)
Financing activities						
Proceeds from bank loans and other borrowings	*15(c)*	15,000	31,000	124,000	64,000	130,000
Repayments of bank loans and other borrowings	*15(c)*	(23,050)	(20,000)	(30,000)	–	(85,000)
Proceeds from investors	*16(ii)& 21(c)(i)& 21(d)& 24(a)(ii)*	50,000	25,332	1,868	–	52,274
Amount due from shareholders arising from Reorganisation	*13(i)*	–	–	–	–	(41,627)
Disposal of derivative financial liabilities	*22(ii)*	–	–	–	–	(1,000)
Interest on bank loans and other borrowings	*15(c)*	(297)	(276)	(2,915)	(1,169)	(3,517)
Capital element of lease rentals paid	*15(c)*	(2,043)	(3,049)	(3,344)	(647)	(2,063)
Interest element of lease rentals paid	*15(c)*	(168)	(261)	(508)	(252)	(196)
Payment of [**REDACTED**] expenses		[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Net cash generated from financing activities		38,736	32,402	87,898	61,226	48,088

The accompanying notes form part of the Historical Financial Information.

		Year ended December 31,			Six months ended June 30,	
	Note	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
					(unaudited)	
Net increase/(decrease) in cash and cash equivalents		32,400	(13,143)	36,000	17,430	60,284
Cash and cash equivalents at the beginning of the year/period	*15(a)*	22,720	55,120	42,774	42,774	79,096
Effects of foreign exchange rate on cash and cash equivalents		–	797	322	661	323
Cash and cash equivalents at the end of the year/period	*15(a)*	55,120	42,774	79,096	60,865	139,703

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

(a) General information

ShanH Technology Limited ("the Company") was incorporated in the Cayman Islands on August 11, 2021 as an exempted company with limited liability under the Company Laws of the Cayman Islands.

The Company is an investment holding company and has not carried on any business operations since the date of its incorporation save for the Group reorganisation below. The Company and its subsidiaries (together as "the Group") are principally engaged in the sales of pre-owned consumer electronics and other services ("[**REDACTED**] Business") in the People's Republic of China (the "PRC").

(b) Reorganisation and basis of presentation

Prior to completion of the reorganisation (the "Reorganisation") as described below, the [**REDACTED**] Business was carried out through Shenzhen Shanhui Technology Co., Ltd. ("Shenzhen Shanhui") and its subsidiaries mainly established in the PRC (together referred to as "Shenzhen Shanhs Group"). To rationalise the corporate structure in preparation for the [**REDACTED**] of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a Reorganisation, as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Document. Upon completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group. The Reorganisation only involved inserting newly formed entities with no substantive business operations as the new holding companies of Shenzhen Shanhui and its subsidiaries. There were no changes in the economic substances of the ownership and [**REDACTED**] Business carried out by Shenzhen Shanhs Group before and after the Reorganisation Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Shenzhen Shanhs Group with the assets and liabilities of Shenzhen Shanhs Group recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-Group balances, transactions and unrealised gains/losses on intra-Group transactions are eliminated in full in preparing the Historical Financial Information.

The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, whichever is a shorter period.

The consolidated statements of financial position of the Group as at December 31, 2021, 2022 and 2023 and June 30, 2024, as set out in this report have been prepared to present the financial position of the companies now comprising the Group as at those dates, taking into account the respective dates of incorporation, establishment or acquisition, where applicable.

(c) Subsidiaries

As at the date of this report, no audited financial statements have been prepared for the Company, as it has not carried on any business operation since the date of incorporation and is investment holding company and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Name of company	Date and place of incorporation/ establishment/ operation	Particulars of issued/ registered capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
ShanH Holding Limited (閃回控股有限公司) (a) . .	British Virgin Islands 17/09/2021	USD1	100%	–	Investment Holding
Shanhui Technology Holding Limited (閃回科技控股有限公司) (b)	Hong Kong 19/10/2021	HKD1	–	100%	provision of consumer electronics after-market transaction services
Shenzhen Shanhui Technology Co., Ltd. (深圳闪回科技有限公司) (c)(g)*	The PRC 18/05/2016	RMB 21,804,966	–	98.18%	provision of consumer electronics after-market transaction services
Shenzhen Tianhai Youpin Technology Co., Ltd. (深圳天海优品科技有限公司) (d)(g)*	The PRC 13/01/2020	RMB 10,000,000	–	98.18%	research and development, sales and maintenance of network products, communication products, electronic products, digital products and accessories
Shenzhen Shanxin Software Technology Service Co., Limited. (深圳闪新软件技术服务有限公司) (e)(g)* . .	The PRC 20/07/2022	RMB 10,000,000	–	98.18%	provision of technical services
Shenzhen Shanji Technology Co., Limited. (深圳闪吉科技有限公司) (f)(g)*	The PRC 16/01/2023	RMB 10,000,000	–	98.18%	provision of consumer electronics after-market transaction services
Zhejiang Shanhui Technology Co., Ltd. ("Zhejiang Shanhui") (浙江闪回科技有限公司) (f)(h)*.	The PRC 07/11/2023	USD 8,000,000	–	100%	provision of consumer electronics after-market transaction services
Shenzhen Xinghe Zongheng Technology Co., Ltd. (深圳星河纵横科技有限公司)(h)(i)*	The PRC 24/05/2024	USD 8,000,000	–	100%	provision of consumer electronics after-market transaction services

* The official name of these entities is in Chinese. The English translation of the companies' name is for reference only.

All companies now comprising the Group have adopted December 31 as their financial year end date.

Notes:

(a) The entity was not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation.

(b) The audited financial statements of this entity for the period from October 19, 2021 (date of incorporation) to December 31, 2022 were prepared in accordance with the Hong Kong Small and Medium-Sized Entity Financial Reporting Standard ("SME-FRS") and audited by Smart Team CPA Limited (駿匯永豐會計師事務所有限公司). The audited financial statements of this entity for the year ended December 31, 2023 were prepared in accordance with the SME-FRS and audited by DAVE KWOK & Co. Certified Public Accountants (郭嘯南會計師事務所).

(c) The audited financial statements of this entity for the years ended December 31, 2021 and 2022 were prepared in accordance with the Accounting Standards for Business Enterprises (the "PRC GAAP") and audited by Shenzhen Juyuanlide Certified Public Accountants (General Partnership) (深圳市巨源立德會計師事務所(普通合夥)). The audited financial statements of this entity for the year ended December 31, 2023 were prepared in accordance with the PRC GAAP and audited by Shenzhen SunnySky Certified Public Accountants (深圳華陽天成會計師事務所(普通合夥)).

(d) No audited financial statements have been prepared for this entity for the year ended December 31, 2021 as it had not actually carried out business activities during the year ended December 31, 2021. The audited financial statements of this entity for the year ended December 31, 2022 were prepared in accordance with the PRC GAAP and audited by Shenzhen Juyuanlide Certified Public Accountants (General Partnership) (深圳市巨源立德會計師事務所(普通合夥)). The audited financial statements of this entity for the year ended December 31, 2023 were prepared in accordance with the PRC GAAP and audited by Shenzhen SunnySky Certified Public Accountants (深圳華陽天成會計師事務所(普通合夥)).

(e) The audited financial statements of this entity for the year ended December 31, 2022 were prepared in accordance with the PRC GAAP and audited by Shenzhen Juyuanlide Certified Public Accountants (General Partnership) (深圳市巨源立德會計師事務所(普通合夥)). The audited financial statements of this entity for the year ended December 31, 2023 were prepared in accordance with the PRC GAAP and audited by Shenzhen SunnySky Certified Public Accountants (深 圳華陽天成會計師事務所(普通合夥)).

(f) The audited financial statements of these entities for the year ended December 31, 2023 were prepared in accordance with the PRC GAAP and audited by Shenzhen SunnySky Certified Public Accountants (深圳華陽天成會計師事務所(普通合夥)).

(g) These entities are limited liability companies established in the PRC.

(h) This entity is a wholly foreign-owned enterprise established in the PRC.

(i) No audited financial statements have been prepared for the entity as this was newly incorporated in 2024.

(d) Basis of preparation

As at June 30, 2024, the Group had net current liabilities of RMB[671,533,000], including redemption liabilities amounting to RMB[751,419,000]. Based on projection of the Group's profit and cash inflows from operations and financing activities and considering that the preferential rights would be terminated and the redemption liabilities would be converted into equity upon [**REDACTED**], the directors of the Company are of the opinion that the Group has sufficient financial resources to continue as a going concern for at least the next twelve months. Therefore, the directors of the Company are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policy information are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards that are effective for the Track Record Period. The Group has not applied any new standard or interpretation that is not yet effective during the Track Record Period. The new and revised accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in Note 28.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

Item included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). The Historical Financial Information and the Stub Period Corresponding Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except when otherwise indicated.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that financial assets measured at FVTPL and derivative financial liabilities are stated at fair value as explained in Note 2(e) respectively.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealised profits arising from intra-Group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-Group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(g)(ii)).

(d) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(g)(ii)).

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Over the shorter of the lease term or the estimated useful life of the asset
Furniture and electronic equipment	3-5 years
Leasehold improvement	3 years

Both the useful life of an asset and its residual value, if any, are reviewed at each reporting period.

(e) Derivative financial instruments

Derivative financial instruments are initially measured recognised at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss.

(f) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are storages. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(d) and 2(g)(ii)). The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property and equipment.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost, including cash and cash equivalents, trade receivables and other receivables.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are Grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becomes probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written-off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property and equipment, and right-of-use assets; and

– investments in subsidiaries in the Company's statement of financial position.

(h) Inventories

Inventories are assets which are held for sale in the ordinary course of business.

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Cost of inventories are calculated using the specific identification basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(j)).

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(g)(i)).

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(g)(i).

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amount.

(m) Redemption liabilities

The Group's contractual obligations to purchase its own shares/redeem its preferred shares for cash upon the occurrence of events that are beyond the control of both the Group and the holders give rise to financial liabilities.

The redemption liabilities are initially measured at the present value of the redemption amount. Subsequently, any changes in the carrying amount of the redemption liabilities are recorded in "changes in carry amount of the redemption liabilities" in the consolidated statements of profit or loss.

The Group derecognises the redemption liabilities when, and only when, the Group's redemption obligations are discharged, cancelled, or have expired. When the redemption liabilities expire without exercise, the carrying amount of the redemption liabilities are reclassified to equity.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs.

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Contribution to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(ii) Share-based payments

The Group operates share incentive plan, under which it receives services from directors and employees as consideration for equity instruments (including share option) of the Group. The fair value of the services received in exchange for the grant of the equity instruments (share options) is recognised as an expense in the consolidated statements of profit or loss.

Share options

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using option-pricing models:

– including any market performance conditions;

– excluding the impact of any service and non-market performance vesting conditions; and

– including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

A grant of share incentive awards, that is cancelled or settled during the vesting period, is treated as an acceleration of vesting. The Group immediately recognises the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal, constructive obligation or quality assurance provided arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sales of goods and the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group principally generates its revenue from the sales of products, and provision of services.

– *Sales of products*

The Group mainly recycles pre-owned mobile phones and other pre-owned consumer electronics from individuals by cooperating with offline stores or through online recycling channels, or recycles prototype or demo phones from the manufacturers or distributors. Revenue from the sales of pre-owned mobile phones or other pre-owned consumer electronics are recognised at the point in time when the customer takes possession of and accepts the products.

– *Provision of services*

The Group mainly provides procurement services, after-sales services, and testing services, etc. Revenue from the after-sales services is recognised over the service period on a straight-line basis because the customer simultaneously receives and consumes the benefits when the control of the services transfers to the customers provided by the Group.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method.

(iii) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(t) Research and development expenses

Research and development expenses comprise all expenses that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 25 contains information about the assumptions and their risk factors relating to fair value of financial liabilities. Other significant sources of estimation uncertainty in the process of applying the Group's accounting policies are as follows:

(a) Recognition of deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(b) Loss allowance for trade and other receivables

The Group estimates impairment losses for trade and other receivables by using expected credit loss models. Expected credit loss on these trade and other receivables are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Where the expectation is different from the original estimate, such difference will impact the loss allowance of trade and other receivables in the periods in which such estimate has been changed.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group principally generates its revenue from the sale of pre-owned mobile phones, pre-owned electronic products, and other services.

(i) Disaggregation of revenue

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(unaudited)	
Sales of pre-owned mobile phones	693,393	856,346	1,050,003	471,315	546,797
Sales of other pre-owned consumer electronics	43,817	45,424	90,275	38,951	22,090
Other services	12,521	17,342	18,115	8,116	7,971
	749,731	919,112	1,158,393	518,382	576,858
Disaggregated by timing of revenue recognition					
– Point in time	740,661	905,707	1,147,615	512,544	573,735
– Over time	9,070	13,405	10,778	5,838	3,123
	749,731	919,112	1,158,393	518,382	576,858

For each year during the Track Record Period, the Group did not have any customer with which transactions have exceeded 10% of the Group's total revenue for the respective year.

(ii) The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for sales of products and provision of services, hence no information required by paragraph 120 of IFRS 15 was disclosed.

(b) Segment reporting

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. Accordingly, no reportable segment information is presented.

As substantially all of the Group's operations and assets are in the PRC, no geographic information is presented.

5 OTHER INCOME AND GAINS/(LOSSES)

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest income on structured deposits and bank deposits	1,063	369	414	98	956
Government grants *(Note (i))*	2,692	3,672	1,164	1,124	1,431
Provision for litigation loss *(Note 20)*	–	(6,000)	–	–	–
Contract liquidated damages	(1,500)	–	–	–	–
Fair value changes of financial assets measured at FVTPL and derivative financial liabilities *(Note 22)*	(2,000)	(3,598)	6,905	989	29
Others (net)	122	1,033	551	445	(576)
	377	(4,524)	9,034	2,656	1,840

Note:

(i) Government grants mainly represented unconditional cash awards granted by the government authorities in the PRC.

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(a) Finance costs					
Interest on bank loans and other borrowing	297	276	2,915	1,168	3,517
Interest on lease liabilities	168	261	508	252	196
	465	537	3,423	1,420	3,713

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(b) Staff costs (including directors' emoluments)					
Salaries, allowances and other benefits	37,891	53,407	53,678	26,257	26,247
Discretionary bonuses	4,296	1,821	1,856	432	1,220
Share-based payment expenses	1,980	1,012	457	457	–
Retirement scheme contributions *(Note)*	1,434	2,432	2,328	1,266	1,399
	45,601	58,672	58,319	28,412	28,866

Note: Employees of the Group's PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(c) Other items					
Depreciation					
– property and equipment *(Note 11)*	324	358	992	248	791
– right-of-use assets *(Note 11)*	1,964	3,341	4,162	2,023	2,034
Impairment loss on trade and other receivables *(Note 25(a))*	967	1,232	4,380	1,129	1,411
Auditors' remuneration	12	15	44	15	31
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF LOSS

(a) Reconciliation between tax credit and accounting loss at applicable tax rates:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(unaudited)	
Loss before taxation	(48,708)	(99,084)	(98,268)	(68,594)	(40,126)
Tax calculated at PRC statutory income tax rate of 25%	(12,177)	(24,771)	(24,567)	(17,149)	(10,032)
Tax effect of additional deduction for qualified research and development costs	(1,776)	(2,348)	(4,049)	(1,684)	(1,385)
Effect of different tax rates of companies operating in other jurisdictions	958	477	1,722	995	4,465
Tax effect of non-deductible expenses	12,157	18,757	20,275	16,113	3,535
Tax effect of temporary differences and unused tax losses not recognised	838	7,885	6,619	1,725	3,417
Income tax	–	–	–	–	–

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits. The Group's subsidiaries in Hong Kong did not have any assessable profits for all the periods presented.

(iii) Taxable income for the Group's subsidiaries in the PRC is subject to PRC income tax rate of 25% for the Track Record Period.

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(p), the Group has not recognised deferred tax assets at the reporting dates. The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB42,195,000, RMB72,481,000, RMB96,464,000 and RMB108,625,000 at December 31, 2021, 2022 and 2023 and June 30, 2024, respectively due to the unpredictability of future taxable profits. The unused tax losses of the Group will normally expire within 5 years.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments as recorded in the Historical Financial Information are set out below:

	Year ended December 31, 2021					
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Share-based payment	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and Executive Director						
Mr. Liu Jianyi	–	503	66	15	16	600
Executive Directors						
Ms. Yu Hairong . . .	–	481	91	15	16	603
Mr. He Xiaomin. . .	–	376	34	7	14	431
Mr. Lin Lexin	–	348	30	7	13	398
Non-executive Director						
Mr. Jiang Wen	–	–	–	–	–	–
	–	1,708	221	44	59	2,032

	Year ended December 31, 2022					
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Share-based payment	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and Executive Director						
Mr. Liu Jianyi	–	610	165	–	45	820
Executive Directors						
Ms. Yu Hairong . . .	–	646	171	–	41	858
Mr. He Xiaomin. . .	–	548	129	–	32	709
Mr. Lin Lexin	–	551	128	–	30	709
Non-executive Director						
Mr. Jiang Wen	–	–	–	–	–	–
	–	2,355	593	–	148	3,096

	Year ended December 31, 2023					
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Share-based payment	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and Executive Director						
Mr. Liu Jianyi	–	733	224	–	46	1,003
Executive Directors						
Ms. Yu Hairong	–	666	232	–	40	938
Mr. He Xiaomin	–	535	201	–	31	767
Mr. Lin Lexin	–	535	196	–	29	760
Non-executive Director						
Mr. Jiang Wen	–	–	–	–	–	–
	–	2,469	853	–	146	3,468

	Six months ended June 30, 2023 (unaudited)					
	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Share-based payment	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and Executive Director						
Mr. Liu Jianyi	–	366	–	–	22	388
Executive Directors						
Ms. Yu Hairong	–	332	–	–	20	352
Mr. He Xiaomin	–	281	8	–	15	304
Mr. Lin Lexin	–	280	8	–	14	302
Non-executive Director						
Mr. Jiang Wen	–	–	–	–	–	–
	–	1,259	16	–	71	1,346

	Six months ended June 30, 2024					
	Directors' fees	**Salaries, allowances and other benefits**	**Discretionary bonuses**	**Share-based payment**	**Retirement scheme contributions**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Chairman and Executive Director						
Mr. Liu Jianyi	–	368	77	–	25	470
Executive Directors						
Ms. Yu Hairong . . .	–	340	78	–	20	438
Mr. He Xiaomin . . .	–	299	42	–	16	357
Mr. Lin Lexin	–	311	55	–	15	381
Non-executive Director						
Mr. Jiang Wen	–	–	–	–	–	–
	–	1,318	252	–	76	1,646

Notes:

(a) Mr. Liu Jianyi joined the Group on May 18, 2016 and was appointed as the chairman of the Board of Directors the Company on August 11, 2021. He is the founder and key management personnel of the Group during the Track Record Period and his remuneration disclosed above include those for services rendered by him as key management personnel.

(b) Ms. Yu Hairong, Mr. He Xiaomin and Mr. Lin Lexin joined the Group in May 2016 and were appointed as executive directors of the Company on January 17, 2024. They are the key management personnel of the Group during the Track Record Period and their remuneration disclosed above include those for their services as key management personnel.

(c) Mr. Jiang Wen joined the Group in July 2018 and was appointed as a non-executive director of the Company on January 17, 2024.

(d) During the Track Record Period, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the years ended December 31, 2021, 2022 and 2023 and the six months ended Jun 30, 2023 and 2024, of the five individuals with the highest emoluments, two, four, three, three (unaudited) and two are directors whose emoluments are disclosed in Note 8.

The aggregate of the emoluments in respect of the other three, one, two, two (unaudited) and three individuals are as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(unaudited)	
Salaries, allowances and other benefits	1,226	551	1,241	647	1,471
Discretionary bonuses	537	128	268	–	150
Share-based payment	430	–	–	–	–
Retirement scheme contributions	35	30	72	39	51
	2,228	709	1,581	686	1,672

The emoluments of the three, one, two, two (unaudited) and three individuals with the highest emoluments are within the following bands.

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	Number of individuals	**Number of individuals**	**Number of individuals**	**Number of individuals**	**Number of individuals**
				(unaudited)	
HKDNil – HKD1,000,000	2	1	2	2	3
HKD1,000,001 – HKD1,500,000	1	–	–	–	–

10 LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of preparation and presentation as disclosed in Note 1.

11 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Reconciliation of carrying amount

	Furniture and electronic equipment	Leasehold improvement	Subtotal	Rights-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At January 1, 2021	1,521	225	1,746	7,684	9,430
Additions	237	–	237	1,153	1,390
At December 31, 2021	1,758	225	1,983	8,837	10,820
At January 1, 2022	1,758	225	1,983	8,837	10,820
Additions	418	405	823	4,670	5,493
Disposals	–	(225)	(225)	(590)	(815)
At December 31, 2022	2,176	405	2,581	12,917	15,498
At January 1, 2023	2,176	405	2,581	12,917	15,498
Additions	1,541	2,583	4,124	12,231	16,355
Disposals	–	–	–	(4,539)	(4,539)
At December 31, 2023	3,717	2,988	6,705	20,609	27,314
At January 1, 2024	3,717	2,988	6,705	20,609	27,314
Additions	54	1,521	1,575	822	2,397
Disposals	–	(923)	(923)	(1,166)	(2,089)
At June 30, 2024	3,771	3,586	7,357	20,265	27,622
Accumulated depreciation:					
At January 1, 2021	1,179	85	1,264	4,408	5,672
Change for the year	249	75	324	1,964	2,288
At December 31, 2021	1,428	160	1,588	6,372	7,960
At January 1, 2022	1,428	160	1,588	6,372	7,960
Change for the year	217	141	358	3,341	3,699
Written back on disposals	–	(225)	(225)	(121)	(346)
At December 31, 2022	1,645	76	1,721	9,592	11,313
At January 1, 2023	1,645	76	1,721	9,592	11,313
Change for the year	294	698	992	4,162	5,154
Written back on disposals	–	–	–	(1,980)	(1,980)
At December 31, 2023	1,939	774	2,713	11,774	14,487

	Furniture and electronic equipment	Leasehold improvement	Subtotal	Rights-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024	1,939	774	2,713	11,774	14,487
Change for the period	271	520	791	2,034	2,825
Written back on disposals	–	(77)	(77)	(243)	(320)
At June 30, 2024	2,210	1,217	3,427	13,565	16,992
Net book value:					
At December 31, 2021	330	65	395	2,465	2,860
At December 31, 2022	531	329	860	3,325	4,185
At December 31, 2023	1,778	2,214	3,992	8,835	12,827
At June 30, 2024	1,561	2,369	3,930	6,700	10,630

(b) Right-of-use assets

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Depreciation charge of right-of-use assets by class of underlying asset:					
Right-of-use assets	1,964	3,341	4,162	2,023	2,034
Interest on lease liabilities *(Note 15(c))*	168	261	508	252	196
Expense relating to short-term leases	34	699	1,002	668	348

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 15 and 19, respectively.

The Group has obtained the right-of-use properties as its offices and warehouses through tenancy agreements. The leases period last from 1 to 5 years.

12 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Pre-owned consumer electronics	20,780	24,248	31,103	26,804
Less: provision	(2,362)	(2,136)	(419)	(475)
	18,418	22,112	30,684	26,329

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Carrying amount of inventories sold	587,335	743,133	979,790	418,071	482,434
Write-down/(reversal) of inventories	1,707	(226)	(1,717)	608	56
	589,042	742,907	978,073	418,679	482,490

13 TRADE AND OTHER RECEIVABLES

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
– third parties	5,883	3,925	7,875	11,478
– related parties *(Note 26(b))*	270	1,557	3,913	8,195
Less: Loss allowance	(197)	(2,113)	(4,982)	(6,261)
Net trade receivables	5,956	3,369	6,806	13,412
Receivables from upstream sourcing partners				
– third parties	13,640	35,707	48,241	13,708
– related parties *(Note 26(b))*	1,236	–	–	–
Less: Loss Allowance	(802)	(118)	(579)	(686)
Net receivables from upstream sourcing partners	14,074	35,589	47,662	13,022

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables	2,133	3,053	15,766	11,461
Prepayments	11,852	26,625	13,913	17,034
Amount due from shareholders *(Note (i))*	–	–	–	41,627
Amount due from related parties *(Note 26(b))*	4,498	18,803	19,369	16,484
Other current assets	1,443	1,815	4,471	4,463
	39,956	89,254	107,987	117,503

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due from related parties	–	–	5,784	–
Share subscription receivables	–	–	105,767	41,627
	–	–	111,551	41,627

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

Receivables from upstream sourcing partners represent the promotion discounts offered to individual consumers by certain consumer electronic brands which were paid by the Group in advance and will be reimbursed by the consumer electronic brands.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables and receivables from upstream sourcing partners based on the recognition date and net of loss allowance, is as follows:

Trade receivables

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
1-60 days	4,009	2,823	3,003	9,205
61-120 days	881	329	3,789	4,083
121-180 days	1,066	217	14	124
	5,956	3,369	6,806	13,412

Trade receivables are due within 30 to 60 days from the date of billing.

Receivables from upstream sourcing partners

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
1-60 days	13,824	35,589	43,997	7,109
61-120 days	200	–	3,646	5,913
121-180 days	50	–	19	–
	14,074	35,589	47,662	13,022

Note(i):

As part of the Reorganisation, the shareholders should settle investment amount to the Company after receiving the consideration from Zhejiang Shanhui. As at June 30, 2024, Zhejiang Shanhui paid the consideration but the settlement of investment amount has not been completed yet. As at August 31, 2024, the shareholders settled investment amount to the Company.

14 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Listed equity securities	–	986	827	856

Note: The fair value of the listed equity securities is determined with reference to its trading price.

15 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	55,321	42,974	79,298	140,703
Less: restricted bank deposits	(201)	(200)	(202)	(1,000)
	55,120	42,774	79,096	139,703

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	–	20,759	8,977	6,688

(b) Reconciliation of loss before taxation to cash used in operations:

		Year ended December 31,			Six months ended June 30,	
	Note	2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Loss before taxation		(48,708)	(99,084)	(98,268)	(68,594)	(40,126)
Adjustments for:						
Depreciation of property and equipment	*11(a)*	324	358	992	248	791
Depreciation of right-of-use assets	*11(a)*	1,964	3,341	4,162	2,023	2,034
(Gain)/loss on disposal of right-of-use assets and property and equipment.		–	(41)	(193)	(145)	716
Impairment loss on trade and other receivables	*6(c)*	967	1,232	4,380	1,129	1,411
Write down/(reversal of write-down) of inventories		1,707	(226)	(1,717)	608	56
Increase/(decrease) in provisions		585	6,091	(5,971)	803	(11)
Interest income from structured deposits		(300)	–	–	–	(667)
Finance costs	*6(a)*	465	537	3,423	1,420	3,713
Changes in carrying amount of the redemption liabilities		46,088	69,383	87,302	65,172	13,932
Fair value changes of financial assets measured at FVTPL and derivative financial liabilities	*5*	2,000	3,598	(6,905)	(989)	29
Share-based payment expenses	*6(b)*	1,980	1,012	457	457	–
Changes in working capital:						
(Increase)/decrease in inventories		(6,844)	(3,469)	(6,855)	(4,316)	4,299
(Increase)/decrease in trade and other receivables		(18,879)	(50,185)	(22,531)	(42,921)	30,192
Increase/(decrese) in trade and other payables		12,136	24,419	(1,751)	(2,788)	(4,333)
(Decrease)/increase in contract liabilities		(184)	(703)	(4,297)	5,595	1,866
Change in restricted bank deposits		300	1	(2)	–	(798)
Cash used in operations		(6,399)	(43,736)	(47,774)	(42,298)	13,104

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank loans	Lease liabilities	Redemption liabilities	Derivative financial liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 18)	*(Note 19)*	*(Note 21)*	*(Note 22)*	
At January 1, 2021	8,050	3,452	107,343	2,479	121,324
Changes from financing cash flows:					
Proceeds from bank loans and other borrowings	15,000	–	–	–	15,000
Repayment of bank loans and other borrowings	(23,050)	–	–	–	(23,050)
Interest of bank loans and other borrowings	(297)	–	–	–	(297)
Capital element of lease rentals paid	–	(2,043)	–	–	(2,043)
Interest element of lease rentals paid	–	(168)	–	–	(168)
Proceeds from capital contribution by investors with preferential rights	–	–	50,000	–	50,000
Total changes from financing cash flows	(8,347)	(2,211)	50,000	–	39,442
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	1,153	–	–	1,153
Interest expenses *(Note 6(a))*	297	168	–	–	465
Changes in carrying amount of the redemption liabilities	–	–	46,088	–	46,088
Fair value changes of derivative financial liabilities	–	–	–	2,000	2,000
Recognition of redemption liabilities due to capital transfer between investors	–	–	103,572	–	103,572
Total other changes	297	1,321	149,660	2,000	153,278
At December 31, 2021	–	2,562	307,003	4,479	314,044

	Bank loans	Lease liabilities	Redemption liabilities	Derivative financial liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 18)	*(Note 19)*	*(Note 21)*	*(Note 22)*	
At January 1, 2022	–	2,562	307,003	4,479	314,044
Changes from financing cash flows:					
Proceeds from bank loans and other borrowings	31,000	–	–	–	31,000
Repayment of bank loans and other borrowings	(20,000)	–	–	–	(20,000)
Interest of bank loans and other borrowings	(276)	–	–	–	(276)
Capital element of lease rentals paid	–	(3,049)	–	–	(3,049)
Interest element of lease rentals paid	–	(261)	–	–	(261)
Total changes from financing cash flows	10,724	(3,310)	–	–	7,414
Other changes:					
Addition	–	4,670	–	–	4,670
Disposal	–	(510)	–	–	(510)
Interest expenses *(Note 6(a))*	276	261	–	–	537
Changes in carrying amount of the redemption liabilities	–	–	69,383	–	69,383
Fair value changes of derivative financial liabilities	–	–	–	3,598	3,598
Total other changes	276	4,421	69,383	3,598	77,678
At December 31, 2022	11,000	3,673	376,386	8,077	399,136

	Bank loans	Lease liabilities	Redemption liabilities	Derivative financial liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 18)	*(Note 19)*	*(Note 21)*	*(Note 22)*	
At January 1, 2023	11,000	3,673	376,386	8,077	399,136
Changes from financing cash flows:					
Proceeds from bank loans and other borrowings	124,000	–	–	–	124,000
Repayment of bank loans and other borrowings	(30,000)	–	–	–	(30,000)
Interest of loans and other borrowings	(2,915)	–	–	–	(2,915)
Capital element of lease rentals paid	–	(3,344)	–	–	(3,344)
Interest element of lease rentals paid	–	(508)	–	–	(508)
Total changes from financing cash flows	91,085	(3,852)	–	–	87,233
Other changes:					
Addition	–	13,397	–	–	13,397
Disposal	–	(2,704)	–	–	(2,704)
Interest expenses *(Note 6(a))*	2,915	508	–	–	3,423
Changes in carrying amount of the redemption liabilities	–	–	87,302	–	87,302
Recognition of redemption liabilities arising from new issuance of shares	–	–	40,056	–	40,056
Recognition of redemption liabilities arising from modification	–	–	181,469	–	181,469
Fair value changes of derivative financial liabilities	–	–	–	(7,077)	(7,077)
Total other changes	2,915	11,201	308,827	(7,077)	315,866
At December 31, 2023	105,000	11,022	685,213	1,000	802,235

	Bank loans	Lease liabilities	Redemption liabilities	Derivative financial liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(unaudited)					
At January 1, 2023	11,000	3,673	376,386	8,077	399,136
Changes from financing cash flows:					
Proceeds from bank loans and other borrowings	64,000	–	–	–	64,000
Repayment of bank loans and other borrowings	–	–	–	–	–
Interest of bank loans and other borrowings	(1,169)	–	–	–	(1,169)
Capital element of lease rentals paid	–	(647)	–	–	(647)
Interest element of lease rentals paid	–	(252)	–	–	(252)
Total changes from financing cash flows	62,831	(899)	–	–	61,932
Other changes:					
Addition	–	9,912	–	–	9,912
Disposal	–	(2,704)	–	–	(2,704)
Interest expenses *(Note 6(a))*	1,169	252	–	–	1,421
Changes in carrying amount of the redemption liabilities	–	–	65,172	–	65,172
Fair value changes of derivative financial liabilities	–	–	–	(993)	(993)
Total other changes	1,169	7,460	65,172	(993)	72,808
At June 30, 2023	75,000	10,234	441,558	7,084	533,876

	Bank loans	Lease liabilities	Redemption liabilities	Derivative financial liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 18)	*(Note 19)*	*(Note 21)*	*(Note 22)*	
At January 1, 2024	105,000	11,022	685,213	1,000	802,235
Changes from financing cash flows:					
Proceeds from bank loans and other borrowings	130,000	–	–	–	130,000
Repayment of bank loans and other borrowings	(85,000)	–	–	–	(85,000)
Interest of bank loans and other borrowings	(3,517)	–	–	–	(3,517)
Capital element of lease rentals paid	–	(2,063)	–	–	(2,063)
Interest element of lease rentals paid	–	(196)	–	–	(196)
Disposal of derivative financial liabilities	–	–	–	(1,000)	(1,000)
Total changes from financing cash flows	41,483	(2,259)	–	(1,000)	38,224
Other changes:					
Addition	–	822	–	–	822
Disposal	–	(2,234)	–	–	(2,234)
Interest expenses *(Note 6(a))*	3,517	196	–	–	3,713
Recognition of redemption liabilities arising from new issuance of shares	–	–	52,274	–	52,274
Changes in carrying amount of the redemption liabilities	–	–	13,932	–	13,932
Total other changes	3,517	(1,216)	66,206	–	68,507
At June 30, 2024	150,000	7,547	751,419	–	908,966

(d) Total cash outflow for leases

Amounts included in the consolidated statements of cash flows for leases comprise the following:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Within operating cash flows	34	699	1,002	668	348
Within financing cash flows	2,211	3,310	3,852	899	2,259
	2,245	4,009	4,854	1,567	2,607

16 TRADE AND OTHER PAYABLES

The Group

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables *(Note (i))*				
– third parties	7,019	9,419	7,531	8,240
– related parties	2,162	1,161	901	1,040
	9,181	10,580	8,432	9,280
Other payables and accrued charges				
– third parties	17,770	63,395	39,314	33,844
– related parties	–	3,600	–	–
	26,951	77,575	47,746	43,124

The Company

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables *(Note (ii))*	–	27,559	–	727
	–	27,559	–	727

Notes:

(i) All trade payables (including amounts due to related parties) are expected to be settled or recognised as income within one year or are repayable on demand.

(ii) The Company received [**REDACTED**] investment amounting to USD4,005,000 from one of its [**REDACTED**] investors in January 2022, and in December 2023, the Company allotted and issued 406,950 preferred shares to the investor. The details is disclosed in Note 21 c(vi).

As of the end of the reporting period, the ageing analysis of trade payables based on the invoice date, is as follows:

The Group

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
1-60 days	8,863	5,196	5,794	5,412
61-120 days	210	4,550	1,630	2,696
121-180 days	39	147	420	633
Over 181 days	69	687	588	539
	9,181	10,580	8,432	9,280

17 CONTRACT LIABILITIES

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Contract liabilities related to sales of products and provision of services	9,721	9,018	4,721	6,586

Note:

(i) The Group receives an advance payment on acceptance of orders on a case-by-case basis. When the Group receives an advance payment before products or services are provided, this will give rise to contract liabilities. All of the contract liabilities are expected to be recognised as income within one year.

18 BANK LOANS

The analysis of the repayment schedule of bank loans is as follows:

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 1 year or on demand	–	11,000	105,000	150,000

(a) The bank loans as at December 31, 2022 and 2023 and June 30, 2024 were guaranteed or jointly guaranteed by related parties, including the Controlling Shareholder of the Company, Mr. Liu Jianyi, and his spouse, Ms. Ao Huili.

(b) Bank loans amounting to RMB11,000,000, RMB105,000,000 and RMB150,000,000 as at December 31, 2022 and 2023 and June 30, 2024 are subject to the satisfaction of certain covenants relating to the operating conditions of Shenzhen Shanhui.

If Shenzhen Shanhui were to breach the covenants, the drawn down facilities would become payable on demand. Shenzhen Shanhui regularly monitors its compliance with these covenants. As at December 31, 2022 and 2023 and June 30, 2024, none of the covenants relating to drawn down facilities had been breached.

19 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each reporting period:

	As at December 31,						As at June 30,	
	2021		2022		2023		2024	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,908	1,948	1,984	2,026	5,531	5,647	4,786	4,886
After 1 year but within 2 years	354	387	1,689	1,804	5,152	5,499	2,761	2,923
After 2 years but within 5 years	300	371	–	–	339	371	–	–
	654	758	1,689	1,804	5,491	5,870	2,761	2,923
	2,562		3,673		11,022		7,547	
Less: total future interest expenses		(144)		(157)		(495)		(262)
Present value of lease liabilities		2,562		3,673		11,022		7,547

20 PROVISIONS

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Warranty provision	899	990	1,019	1,009
Provisions for litigation	–	6,000	–	–
	899	6,990	1,019	1,009

Note:

(i) During the year ended December 31, 2022, one of the Group's subsidiaries was involved in a civil lawsuit to fulfil its contractual obligation specified in a sales contract. The Group made a provision of RMB6,000,000 during the year ended December 31, 2022 based on its assessment of the possible outcome of this lawsuit. During the year ended 2023, a final judgement was ruled by a court against the subsidiary and the Group had fully settled the amount.

The movements of provisions during the Track Record Period were as follows:

	As at December 31,			As at June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year/period	313	899	6,990	1,019
Provisions for warranty	586	91	29	(10)
Provisions for litigation	–	6,000	–	–
Settlement for litigation	–	–	(6,000)	–
Balance at the end of the year/period	899	6,990	1,019	1,009

21 REDEMPTION LIABILITIES

The movement of the carrying amount of redemption liabilities is as follows:

	Series A	Series A-1	Series C	Series D	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	76,326	31,017	–	–	107,343
Recognition of redemption liabilities arising from transfer of shares from ordinary shareholders *(Notes c(ii) and (iii))*	–	–	55,277	–	55,277
Recognition/(derecognition) of redemption liabilities arising from transfer of shares between investors *(Notes c(ii),(iv) and (v))*	(29,921)	(32,054)	110,270	–	48,295
Recognition of redemption liabilities arising from new issuance of shares *(Note c(i))*	–	–	50,000	–	50,000
Changes in carrying amount of the redemption liabilities	23,496	1,037	21,555	–	46,088
At December 31, 2021	69,901	–	237,102	–	307,003
Changes in carrying amount of the redemption liabilities	56,498	–	12,885	–	69,383
At December 31, 2022	126,399	–	249,987	–	376,386
Recognition of redemption liabilities arising from new issuance of shares *(Note c(vi))*	–	–	40,056	–	40,056
Recognition of redemption liabilities arising from modification *(Note c)*	–	–	181,469	–	181,469
Changes in carrying amount of the redemption liabilities	65,984	–	21,318	–	87,302
At December 31, 2023	192,383	–	492,830	–	685,213
Recognition of redemption liabilities arising from new issuance of shares *(Note d)*	–	–	–	52,274	52,274
Changes in carrying amount of the redemption liabilities	4,041	–	3,836	6,055	13,932
At June 30, 2024	196,424	–	496,666	58,329	751,419

During 2018 to 2021, Shenzhen Shanhui entered into capital contribution agreements and shareholders agreements with various [**REDACTED**] investors. These Investors had been granted certain preferential rights along with their subscription of shares of Shenzhen Shanhui.

As part of the Reorganisation, these investors exchanged the shares and preferential rights held in Shenzhen Shanhui with the preferred shares issued by the Company. Unless otherwise stated, the key terms of the preferred shares give rise to substantially the same economic position as that of the shares and preferential rights held in Shenzhen Shanhui.

Details of the investments are set out below.

(a) Series A investments

(i) In February 2018, pursuant to an equity transfer agreement entered into among Shenzhen Shanhui, three investors (the "Series A Investors"), and certain ordinary shareholders of Shenzhen Shanhui, the ordinary shareholders transferred 4.76% of the equity interest in Shenzhen Shanhui to the Series A Investors at a total consideration of RMB6,000,000.

(ii) In February 2018, Shenzhen Shanhui entered into a capital contribution agreement with the Series A Investors, pursuant to which, the Series A Investors subscribed for 16.0% of the enlarged equity interest in Shenzhen Shanhui at a total consideration of RMB24,000,000.

The key terms of the preferential rights granted to the Series A Investors are summarised as follows:

Redemption rights

The Series A Investors shall have the right to request Shenzhen Shanhui to redeem its shares upon the occurrence of certain contingent events including but not limited to the failure of the Group to complete a qualified [**REDACTED**] within 48 months after the issue date. The redemption price is the higher of (i) the investment amount paid by the Series A Investors plus a compound interest of 15% per annum and any declared but unpaid dividends; and (ii) the then fair value of the shares held by the Series A Investors.

Liquidation preferences

Upon the occurrence of a Liquidation Event, the Series A Investors shall be entitled to receive the liquidation preference amount calculated as the higher of (i) the sum of (a) 150% of the investment amount paid by the Series A Investors; (b) any declared but unpaid dividends and (c) a pro-rata share of Shenzhen Shanhui's remaining distributable net assets; and (ii) a pro-rata share of the sales proceeds resulting from the sales of assets or shares of Shenzhen Shanhui.

A Liquidation Event includes (i) a liquidation, dissolution or winding up of Shenzhen Shanhui; (ii) a sale or transfer of all or a significant portion of assets or business of the Group; (iii) a sale or exclusive licensing of all or a significant portion of intellectual properties of the Group to a third party; or (iv) a change in control of Shenzhen Shanhui upon a merger, acquisition, reorganisation or consolidation of Shenzhen Shanhui.

(b) Series A-1 investments

In February 2019, Shenzhen Shanhui entered into a capital contribution agreement with two investors (the "Series A-1 Investors"), pursuant to which, each of the investor subscribed for approximately 1.89% and 3.26% of the enlarged equity interest in Shenzhen Shanhui at a consideration of RMB10,000,000 and RMB17,200,000 respectively.

The key terms of the preferential rights granted to the Series A-1 Investors are summarised as follows:

Redemption rights

The Series A-1 Investors shall have the right to request Shenzhen Shanhui to redeem its shares upon the occurrence of certain contingent events including but not limited to the failure of the Group to complete a qualified [**REDACTED**] within 60 months after the issue date. The redemption price is the higher of (i) the investment amount paid by the Series B Investors plus a simple interest rate of 8% per annum and any declared but unpaid dividends; and (ii) the then fair value of the shares held by the Series A-1 Investors.

Liquidation preferences

Upon the occurrence of a Liquidation Event, the Series A-1 Investors shall be entitled to receive the liquidation preference amount calculated as the higher of (i) the sum of (a) 100% of the original investment amount paid by Series A-1 Investors; (b) any declared but unpaid dividends and (c) a pro-rata share of Shenzhen Shanhui's remaining distributable net assets; and (ii) a pro-data share of the sales proceeds resulting from the sales of assets or shares of Shenzhen Shanhui.

A Liquidation Event includes (i) a liquidation, dissolution or winding up of Shenzhen Shanhui; (ii) a sale or transfer of all or a significant portion of assets or business of the Group; (iii) a sale or exclusive licensing of all or a significant portion of intellectual properties of the Group to a third party; or (iv) a change in control of Shenzhen Shanhui upon a merger, acquisition, reorganisation or consolidation of Shenzhen Shanhui.

As part of the Reorganisation, the Series A and A-1 Investors exchanged the shares and preferential rights held in Shenzhen Shanhui with the Series A preferred shares issued by the Company. The key terms of the Series A preferred shares give rise to substantially the same economic position as that of the shares and preferential rights held in Shenzhen Shanhui.

(c) Series C investments

(i) In March 2021, Shenzhen Shanhui entered into a capital contribution agreement with investor C-1, pursuant to which, investor C-1 agreed to subscribe for approximately 5% of the enlarged equity interest in Shenzhen Shanhui at a consideration of RMB50,000,000.

(ii) In July 2021 and August 2021, pursuant to the equity transfer agreements entered into among Shenzhen Shanhui, one of the Series A-1 Investors, investor C-3 and an ordinary shareholder, investor C-3 acquired approximately 1.37% and 1.89% equity interest in Shenzhen Shanhui from the ordinary shareholder and the Series A-1 investor at a consideration of RMB10,276,500, and RMB14,226,000 respectively.

(iii) In August 2021, pursuant to the equity transfer agreements entered into among Shenzhen Shanhui, investor C-1, investor C-4, investor C-5 and certain ordinary shareholders, investor C-1, investor C-4 and investor C-5 acquired approximately 4.21%, 1.83% and 0.37% equity interest in Shenzhen Shanhui from the ordinary shareholders at a consideration of RMB30,000,000, RMB12,500,003 and RMB2,500,000 respectively.

(iv) In August 2021, pursuant to the equity transfer agreements entered into among Shenzhen Shanhui, investor C-2 (together with investor C-1, investor C-3, investor C-4 and investor C-5 referred to as the "Series C Investors"), and the Series A and Series A-1 investors, investor C-2, acquired approximately 10.27% equity interest in Shenzhen Shanhui from the Series A investors at a total consideration of RMB96,045,000.

(v) In August 2021, pursuant to the equity transfer agreement entered into among Shenzhen Shanhui, investor C-2, and investor C-5, investor C-5 acquired approximately 5.35% equity interest in Shenzhen Shanhui from investor C-2 at a consideration of RMB50,000,000.

The key terms of the preferential rights granted to the Series C Investors are summarised as follows:

Redemption rights

The Series C Investors shall have the right to request Shenzhen Shanhui to redeem its shares upon the occurrence of certain contingent events including but not limited to the failure of the Group to complete a qualified [**REDACTED**] before December 31, 2023. The redemption price is the higher of (i) the investment amount paid by the Series C Investors plus a simple interest of 10% per annum minus any dividends paid; and (ii) the pro-rata share of Shenzhen Shanhui's net assets.

Liquidation preferences

Upon the occurrence of a Liquidation Event, the Series C Investors shall be entitled to receive the liquidation preference amount calculated as the sum of (i) the higher of (a) 110% of the investment amount paid by the Series C Investors; and (b) the investment amount paid by Series C Investors and the consideration paid by the Series C Investors plus a simple interest of 10% per annum; and (ii) a pro-rata share of Shenzhen Shanhui's remaining distributable net assets.

A Liquidation Event includes (i) a liquidation, dissolution or winding up of Shenzhen Shanhui; (ii) a sale or transfer of all or a significant portion of assets or business of the Group; (iii) a sale or exclusive licensing of all or a significant portion of intellectual properties of the Group to a third party; (iv) a change in control of Shenzhen Shanhui upon a merger, acquisition, reorganisation or consolidation of Shenzhen Shanhui; (v) resignation of the controlling shareholder; or (vi) breach of law and material misconduct by the controlling shareholder resulting in significant loss to Shenzhen Shanhui.

As part of the Reorganisation, the Series C Investors exchanged the shares and preferential rights they held in Shenzhen Shanhui with the Series C preferred shares issued by the Company. Key terms modified are summarised as follows:

Redemption rights

The Series C Investors shall have the right to request the Company to redeem its shares upon the occurrence of certain contingent events including but not limited to the failure of the Group to complete a qualified [**REDACTED**] before December 31, 2024. The redemption price is the higher of (i) the investment amount paid by the Series C Investors plus a simple interest of 10% per annum minus any dividends paid; and (ii) the then fair value of the shares held by the Series C Investors.

As a result of the modification, increase in the redemption liabilities amounting to RMB193,178,000 was debited to "other reserves".

(vi) In December 2023, the Company allotted and issued 406,950 preferred shares to investor C-6 and the consideration previously received by the Company amounting to USD4,005,000 (equivalent to RMB28,347,000) was reclassfied from other payable (Note 16(ii)).

(d) Series D investments

Pursuant to the subscription agreement dated December 29, 2023, the Company allotted and issued 503,790 Series D-1 preferred shares to Anji Guorong Holdings Limited, representing 2.33% of the issued share capital of the Company at a consideration of USD8 million. The consideration was fully settled on February 22, 2024.

The key terms of the Series D Preferred Shares are summarised as follows:

Redemption rights

The Series D Investors shall have the right to request the Company to redeem its shares upon the occurrence of certain contingent events including but not limited to the failure of the Group to complete a qualified [**REDACTED**] before December 31, 2024. The redemption price is the higher of (i) the investment amount paid by the Series D Investors plus a simple interest of 8% per annum minus any dividends paid; and (ii) the then fair value of the shares held by the Series D Investors.

Liquidation preferences

Upon the occurrence of a Liquidation Event, the Series D Investors shall be entitled to receive the liquidation preference amount calculated as the sum of (i) the higher of (a) 108% of the investment amount paid by the Series D Investors; and (b) the investment amount paid by Series D Investors and the consideration paid by the Series D Investors plus a simple interest of 8% per annum; and (ii) a pro-rata share of the Company's remaining distributable net assets.

A Liquidation Event includes (i) a liquidation, dissolution or winding up of the Company; (ii) a sale or transfer of all or a significant portion of assets or business of the Group; (iii) a sale or exclusive licensing of all or a significant portion of intellectual properties of the the Company to a third party; (iv) a change in control of the Company upon a merger, acquisition, reorganisation or consolidation of the Company; (v) resignation of the controlling shareholder; or (vi) breach of law and material misconduct by the controlling shareholder resulting in significant loss to the Company.

The preferential rights granted to the Investors shall be suspended upon first submission of an [**REDACTED**] application and will be automatically restored if such application is withdrawn or rejected.

22 DERIVATIVE FINANCIAL LIABILITIES

The following table shows the movement of the derivative financial liabilities:

	Options held by a related party *(i)*	Options held by a third party *(ii)*	Options held by a third party *(iii)*	
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	1,809	616	54	2,479
Changes in fair value	835	986	179	2,000
At December 31, 2021	2,644	1,602	233	4,479
Changes in fair value	1,836	1,995	(233)	3,598
At December 31, 2022	4,480	3,597	–	8,077
Changes in fair value	(4,480)	(2,597)	–	(7,077)
At December 31, 2023	–	1,000	–	1,000
Settlement	–	(1,000)	–	(1,000)
At June 30, 2024	–	–	–	–

The Group granted options to some financial institutions which give them the right to subscribe for Shenzhen Shanhui's shares. The details and key terms of the options are summarized as follows:

(i) In 2020, the Group entered into an option agreement with a related party pursuant to which the related party was granted the right to make a capital contribution to the Company at the agreed exercise price during the exercise period from April 30, 2020 to April 30, 2023. The option is carried at fair value recognised in the profit or loss.

In April 2023, the option agreement expired.

	As at December 31,	
	2021	2022
Risk-free interest rates	2.29%	0.50%
Expected term – years	1.33	0.33
Expected volatility	44.00%	35.00%
Exercise price	80% of the then fair value of per ordinary share of Shenzhen Shanhui	80% of the then fair value of per ordinary share of Shenzhen Shanhui
Number of exercisable options	408,163	408,163
Equity value (RMB'000)	637,000	1,120,000

(ii) In 2019, the Group entered into an option agreement with a third party pursuant to which the third party was granted the right to purchase a certain number of equity from the Shenzhen Shanhui during the exercise period from February 1, 2019 to January 30, 2026. The option is carried at fair value recognised in the profit or loss.

In December 2023, the Group entered into an supplementary agreement with this third party, and paid the consideration in January 2024 and the option agreement terminated simultaneously.

	As at December 31,	
	2021	2022
Risk-free interest rates	2.54%	2.41%
Expected term – years	4.09	3.09
Expected volatility	48.00%	45.00%
Exercise price (RMB)	26.19	26.19
Number of exercisable options	114,567	114,567
Equity value (RMB'000)	637,000	1,120,000

(iii) In 2020, the Group entered into an option agreement with a third party, pursuant to which the third party was granted the right to purchase a certain number of equity from the Shenzhen Shanhui during the exercise period from March 2, 2020 to February 27, 2022. The option is carried at fair value recognised in the profit or loss.

In February 2022, the option agreement expired.

	As at December 31,
	2021
Risk-free interest rates	1.90%
Expected term – years	0.16
Expected volatility	50.00%
Exercise price (RMB)	26.30
Number of exercisable options	38,022
Equity value (RMB'000)	637,000

23 EQUITY-SETTLED SHARE-BASED PAYMENT

The table below sets forth share-based payments expenses for share options during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Share Option Plan	1,980	1,012	457	457	–

Shenzhen Shanhui granted share-based awards to qualified directors and employees pursuant to the Share Option Plan, which was adopted in December 2018 and governed by the contractual terms of the awards. The vesting period last from 0 to 3 years. The qualified participants of the Share Option Plan are required to satisfy certain vesting service and non-market performance conditions for the entitlements. In accordance with the Share Option Plan agreements, the holders of vested options are entitled to purchase Shenzhen Shanhui's shares at fixed prices predetermined as at each vesting date.

The Group recognises share-based payment expenses in its consolidated statements of profit or loss based on awards ultimately expected to vest.

A summary of the share options is presented as follows:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
							(unaudited)			
Outstanding at the beginning of the year	0.40	23,983,000	0.39	24,938,000	0.39	25,423,000	0.39	25,423,000	–	–
Granted during the year	0.28	955,000	0.40	485,000	–	–	–	–	–	–
Cancelled during the year	–	–	–	–	0.39	(25,423,000)	0.39	(25,423,000)	–	–
Outstanding at the end of the year	0.39	24,938,000	0.39	25,423,000	–	–	–	–	–	–
Exercisable	0.39	24,643,000	0.39	25,238,000	–	–	–	–	–	–

Fair value of share options

The fair value of share options was estimated using the Binomial Option Pricing Model. The determination of estimated fair value of share-based payment awards on the grant date is affected by the fair value of Shenzhen Shanhui's ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include the expected volatility of the shares of Shenzhen Shanhui over the expected term of the awards, actual and projected employee share option exercise behaviors, a risk-free interest rate and expected dividends, if any. The grant date fair value of the share options was determined with the assistance of an independent third-party valuation firm. The fair value of the ordinary shares was principally developed through the application of the Binomial Option Pricing Model.

Based on fair value of the underlying ordinary shares, the Group has used Binomial Option Pricing Model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

	As at grant date
Risk-free interest rates	2.10%-2.46%
Expected term - years	0-3
Expected volatility	49%-50%
Exercise multiple	2.2
Fair value of ordinary shares (RMB)*	17.31-39.80
Exercise price (RMB)	0.00-0.50
Dividend yield	0.00%

* Calculated based on Shenzhen Shanhui's ordinary shares

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Combined capital/Share Capital

(i) Combined capital/Share Capital of the Group

For the purpose of the Historical Financial Information, Shenzhen Shanhui was an onshore holding company before the Reorganisation, the combined capital as at December 31, 2021 and 2022 represented the aggregate amount of share capital of the companies now comprising the Group after elimination of the inter-company investment.

The Company was incorporated as an exempted company in the Cayman Islands on 11 August, 2021 with authorised capital of HKD380,000 divided into 38,000,000 shares with a par value of HK$0.01 each.

(ii) Capital contribution by investors

An investor injected RMB1,868,000 in Shenzhen Shanhui in July 2023. According to the agreement, RMB717,000 was recognised as paid in capital, and RMB1,151,000 was recognised as capital reserve.

(iii) Issuance of shares by the Company

Pursuant to a share subscription agreement dated April 18, 2023, the Company allotted and issued 13,464,920 ordinary shares with a par value of HK$0.01 each to shareholders, equivalent to RMB122,000, and RMB38,119,000 was recognised as share premium.

(b) Movements in components of equity

Details of movements of issued share capital of the Company are as follows:

	Number of shares	Share capital	Share capital
		HKD	RMB'000
Ordinary shares of HKD0.01 each			
At January 1, 2021, December 31, 2021 and December 31, 2022	–	–	–
Issued during the year:	13,464,920	134,649	122
At December 31, 2023 and June 30, 2024	13,464,920	134,649	122

Details of the changes in the Company's individual components of equity are set out below:

	Share capital	Share Premium	Other reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2021	–	–	–	–	–	–
Changes in equity for 2021:						
Loss for the year	–	–	–	–	(3,831)	(3,831)
Total comprehensive income	–	–	–	–	(3,831)	(3,831)
Balance at December 31, 2021	–	–	–	–	(3,831)	(3,831)
Changes in equity for 2022:						
Loss for the year	–	–	–	–	(1,907)	(1,907)
Other comprehensive income	–	–	–	(76)	–	(76)
Total comprehensive income	–	–	–	(76)	(1,907)	(1,983)
Balance at December 31, 2022	–	–	–	(76)	(5,738)	(5,814)
Changes in equity for 2023:						
Loss for the year	–	–	–	–	(6,889)	(6,889)
Other comprehensive income	–	–	–	(56)	–	(56)
Total comprehensive income	–	–	–	(56)	(6,889)	(6,945)
Issurance of shares by the Company	122	38,119	–	–	–	38,241
Recognition of redemption liabilities arising from new issuance of shares	–	–	(589,340)	–	–	(589,340)
Balance at December 31, 2023	122	38,119	(589,340)	(132)	(12,627)	(563,858)

	Share capital	Share Premium	Other reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(unaudited)						
Balance at January 1, 2023	–	–	–	(76)	(5,738)	(5,814)
Changes in equity for the period ended June 30, 2023						
Loss for the period	–	–	–	–	(3,979)	(3,979)
Other comprehensive income	–	–	–	(311)	–	(311)
Total comprehensive income	–	–	–	(311)	(3,979)	(4,290)
Balance at June 30, 2023	–	–	–	(387)	(9,717)	(10,104)
Balance at January 1, 2024	122	38,119	(589,340)	(132)	(12,627)	(563,858)
Changes in equity for the period ended June 30, 2024						
Loss for the period	–	–	–	–	(13,486)	(13,486)
Other comprehensive income	–	–	–	(3,775)	–	(3,775)
Total comprehensive income	–	–	–	(3,775)	(13,486)	(17,261)
Balance at June 30, 2024	122	38,119	(589,340)	(3,907)	(26,113)	(581,119)

(c) Nature and purposes of reserves

(i) Capital reserve/Share premium

For the purpose of this report, the capital reserve represented the capital injection received in excess of the total amount of paid-in capital of Shenzhen Shanhui before the completion of the Reorganisation.

Share premium account represents the difference between the consideration and the par value of the issued shares of the Company.

(ii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of share options granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments reserve in Note 2(o)(ii).

(iii) Other reserve

The other reserve represents (i) reserve arising from the Reorganisation; and (ii) the initial recognition and modification of redemption liabilities. The details of redemption liabilities is disclosed in Note 21.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements for operations outside of PRC.

(d) Dividends

No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in the Track Record Period or any period subsequent to June 30, 2024.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

25 FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, receivables from upstream sourcing partners, other receivables, and cash and cash equivalents.

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are mainly banks and financial institutions with high credit rating.

The Group is not exposed to significant credit risk from sales of pre-owned electronic products as the Group usually requires payments in advance before delivery.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. The Group's exposure to credit risk is mainly attributable to trade receivables related to merchant customers. At December 31, 2021, 2022 and 2023 and June 30, 2024, approximately 81.5%, 92.5%, 80.4% and 75.6% of the trade receivables was due from the Group's top five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2021, 2022 and 2023 and June 30, 2024:

	As at December 31, 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	**RMB'000**	**RMB'000**
1-60 days	0.10%	4,013	4
61-120 days	2.11%	900	19
121-180 days	14.03%	1,240	174
More than 181 days	100.00%	–	–
		6,153	197

	As at December 31, 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
1-60 days	0.39%	2,834	11
61-120 days	6.27%	351	22
121-180 days	40.55%	365	148
More than 181 days	100.00%	1,932	1,932
		5,482	2,113

	As at December 31, 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
1-60 days	0.50%	3,018	15
61-120 days	8.46%	4,139	350
121-180 days	58.82%	34	20
More than 181 days	100.00%	4,597	4,597
		11,788	4,982

	As at June 30, 2024		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
1 – 60 days	0.59%	9,260	55
61 – 120 days	9.85%	4,529	446
121 – 180 days	65.07%	355	231
More than 181 days	100.00%	5,529	5,529
		19,673	6,261

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	Year ended December 31			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Balance at January 1	33	197	2,113	2,113	4,982
Impairment losses recognised during the year/period	164	1,916	2,869	333	1,279
Balance at December 31/June 30	197	2,113	4,982	2,446	6,261

Expected loss rates are based on actual loss experience over the past year. These rates are adjusted to reflect differences between collection of trade receivables during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Receivables from upstream sourcing partners

The upstream sourcing partners offers promotion discounts to individual consumers which were paid by the Group in advance under our trade-in solution transaction services. The Group usually get reimbursed of such promotion discounts from the upstream sourcing partners within three months after the Group reconciles the accounts with the upstream sourcing partners. The Group considered the credit risk exposure arising from the receivables from upstream sourcing partners to be insignificant since the counterparties have strong financial capacity to meet their contractual cash flow obligations in the near term. The expected credit losses on these receivables are insignificant.

Other receivables

The Group's other receivables mainly include rental and other deposit, the Group considers the probability of default upon initial recognition and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition.

Movement in the loss allowance account in respect of other receivables during the year is as follows:

	Year ended December 31			**Six months ended June 30,**	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(unaudited)	
Balance at January 1	1,000	1,000	1,000	1,000	2,050
Impairment losses recognised during the year/period	–	–	1,050	–	25
Balance at December 31/June 30 . .	1,000	1,000	2,050	1,000	2,075

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Historically, the Group has relied principally on both operational sources of cash and non-operational sources of equity and debt financing to fund its operations and business development.

The Group considered historical cash requirements, working capital and capital expenditures plans, estimated cash flows provided by operations, existing cash on hand, as well as other key factors, including utilisation of credit facilities granted by financial institutions. Management believes the assumptions used in the cash forecast are reasonable.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	As at December 31, 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	26,951	–	–	–	26,951	26,951
Lease liabilities	1,948	387	371	–	2,706	2,562
Redemption liabilities	307,003	–	–	–	307,003	307,003
	335,902	387	371	–	336,660	336,516

	As at December 31, 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	11,377	–	–	–	11,377	11,000
Trade and other payables	77,575	–	–	–	77,575	77,575
Lease liabilities	2,026	1,804	–	–	3,830	3,673
Redemption liabilities	376,386	–	–	–	376,386	376,386
	467,364	1,804	–	–	469,168	468,634

	As at December 31, 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	106,754	–	–	–	106,754	105,000
Trade and other payables	47,746	–	–	–	47,746	47,746
Lease liabilities	5,647	5,499	371	–	11,517	11,022
Redemption liabilities	685,213	–	–	–	685,213	685,213
	845,360	5,499	371	–	851,230	848,981

	As at June 30, 2024					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	151,985	–	–	–	151,985	150,000
Trade and other payables	43,124	–	–	–	43,124	43,124
Lease liabilities . . .	4,886	2,923	–	–	7,809	7,547
Redemption liabilities	751,419	–	–	–	751,419	751,419
	951,414	2,923	–	–	954,337	952,090

(c) Interest rate risk

(i) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

(ii) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	As at December 31,						As at June 30,	
	2021		2022		2023		2024	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Fixed rate borrowings:								
Lease liabilities	6.385%	2,562	4.55%-6.385%	3,673	4.55%-6.385%	11,022	4.55%-6.385%	7,547
Bank loans	/	–	/	–	3.85%-4.45%	75,000	3.70%-4.20%	130,000
		2,562		3,673		86,022		137,547
Variable rate borrowings:								
Bank loans	/	–	LPR-0.1%	11,000	LPR-0.1%	30,000	LPR-0.1%	20,000
Total borrowings		2,562		14,673		116,022		157,547
Fixed rate borrowings as a percentage of total borrowings		100.00%		25.03%		74.14%		87.31%

At December 31, 2022 and 2023 and June 30, 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and accumulated loss by approximately RMB82,000, RMB157,000 and RMB54,000 respectively.

The sensitivity analysis above indicates the cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated loss) is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in currencies other than the respective functional currencies of the Group's entities.

(e) Fair value measurement

(i) Financial liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

The following table presents the Group's financial assets and liabilities that are measured at fair value at the end of each reporting dates:

	Fair value at December 31, 2021	Fair value measurements as at December 31, 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Derivative financial liabilities				
– Options *(Note(i))*	(4,479)	–	–	(4,479)

	Fair value at December 31, 2022	Fair value measurements as at December 31, 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets measured at FVTPL				
– Listed equity securities	986	986	–	–
Derivative financial liabilities				
– Options *(Note(i))*	(8,077)	–	–	(8,077)

	Fair value at December 31, 2023	Fair value measurements as at December 31, 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets measured at FVTPL				
– Listed equity securities	827	827	–	–
Derivative financial liabilities				
– Options *(Note(i))*	(1,000)	–	(1,000)	–

	Fair value at June 30, 2024	Fair value measurements as at June 30, 2024 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets measured at FVTPL				
– Listed equity securities	856	856	–	–

Note (i):

As the options are not traded in an active market, the Group applied the market approach method and income approach method to determine the underlying equity value of the Group and adopted Binomial Option Pricing Model to determine the fair value of the options of 2021 and 2022, major assumptions used in the valuation for the options are presented in Note 22.

Fair value of the options is affected by changes in the Group's equity value. If the Group's equity value had increased/decreased by 10% with all other variables held constant, the loss before income tax for the year ended 31 December 2021 and 2022 would have been approximately RMB614,000/RMB582,000 higher/lower and RMB1,009,000/RMB997,000 higher/lower.

26 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following transactions with its related parties during the Track Record Period:

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(unaudited)	
Salaries, allowances and other benefits	2,073	2,906	2,872	1,536	2,077
Discretionary bonuses	252	721	853	22	309
Share-based payment	51	–	–	–	–
Retirement scheme contributions	72	178	157	87	100
	2,448	3,805	3,882	1,645	2,486

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Other related parties transactions and balances

(1) Transactions and balances with entities that are under common control of a shareholder which has significant influence over the Company

(i)

	Transaction value for year ended December 31,			Transaction value for Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(unaudited)	
Rendering of services	1,826	2,003	1,629	1,017	246
Sales of goods	–	626	37,580	17,424	23,095
Purchases of goods	20,004	13,425	38,229	34,316	12,895
Receiving of services	3,130	4,596	2,359	449	1,433

	As at December 31,			As at June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Outstanding receivables	1,506	1,557	3,913	8,195
Outstanding prepayments	183	2,315	7,331	518
Outstanding trade payables	2,162	1,161	901	1,040

(ii) During the year ended December 31, 2021, the Group borrowed and repaid RMB15,000,000 from a related party. The interest expenses incurred by the Group was RMB83,000 during the year ended December 31, 2021.

(iii) The Group purchases pre-owned consumer electronics under a trade in solution set up with related parties. The Group pays these related parties ahead of these purchases. As at December 31, 2021, 2022 and 2023 and June 30, 2024, the outstanding receivable balances were RMB1,305,000, RMB12,771,000, RMB12,038,000 and RMB10,635,000 respectively.

(2) Transactions with Directors of the Company

As at December 31, 2021 and 2022 and June 30, 2024 amount due from directors of the Company were RMB3,010,000, RMB3,717,000, and RMB5,331,000 respectively. These amounts were unsecured, repayable on demand and expected to be settled before [**REDACTED**].

(3) Transactions with an entity controlled by the controlling shareholder of the Company

As at December 31, 2022, there was other payables due to a related party amounted to RMB3,600,000. These amounts were fully settled in the year ended December 31, 2023.

27 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at the date of this report, the Directors consider the immediate parent of the Company to be ShanH Holding Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Mr. Liu Jianyi.

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the date of issue of this report, the IASB has issued a number of amendments and new standards, which are not yet effective for the Track Record Period and which have not been adopted in the Historical Financial Information. These include the following.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	January 1, 2025
Amendments to IFRS 9 and IFRS 7, *Amendments to the Classification and Measurement of Financial Instruments*	January 1, 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
IFRS 18, *Presentation and Disclosure in Financial Statements*	January 1, 2027
IFRS 19, *Subsidiaries without Public Accountability: Disclosures*	January 1, 2027
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far, the Group has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

29 SUBSEQUENT EVENTS

[On [●], the Company increased its authorised share capital from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to [**REDACTED**] divided into [**REDACTED**] shares of HK$0.01 each through the creation of [**REDACTED**] additional shares. Conditional upon the crediting of the Company's share premium account as a result of the [**REDACTED**] of the [**REDACTED**] pursuant to the [**REDACTED**], the directors are authorised to capitalise an amount of [**REDACTED**] standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of [**REDACTED**] shares for allotment and issuance to the shareholders immediately prior to the [**REDACTED**], on a pro rata basis.]

Subsequent financial statements

No audited financial statements have been prepared by the Company or its subsidiaries comprising the Group in respect of any period subsequent to June 30, 2024.

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 August 2021 under the Companies Act (As Revised) of the Cayman Islands (the "Companies Act"). Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] with effect from the [**REDACTED**]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (including at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of our members:

(i) increase our share capital by the creation of new shares;

(ii) consolidate all or any of our capital into shares of larger amount than its existing shares;

(iii) divide our shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as our directors may determine;

(iv) subdivide our shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as our Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as our Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that our Board may dispense with the execution of the instrument of transfer by the transferee. 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 in respect of that share.

Our Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Our Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by our Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as our Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as our Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Companies Act and the Articles to purchase our own shares subject to certain restrictions and our Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Our Board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

Our Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as our Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as our Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, our Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if our Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as our Board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of our Directors for the time being (or if their number is not 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 shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Our Directors have the power to appoint any person as a Director either to fill a casual vacancy on our Board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of our Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to our Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of our Board for six (6) consecutive months, and our Board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

Our Board may appoint one or more of our body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as our Board may determine and our Board may revoke or terminate any of such appointments. Our Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as our Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by our Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

Our Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of our Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor our Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of our Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of our subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Act to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

Our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of our Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as our Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of our Board go beyond the ordinary duties of a Director may be paid such extra remuneration as our Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as our Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

Our Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

Our Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as our Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

Our Board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by our Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if our Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with our Company or any of our subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as our Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our

Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Our Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to our directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of our Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of our board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of our board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:–

(aaa) to our Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries; or

(bbb) to a third party in respect of a debt or obligation of our Company or any of our subsidiaries for which our Director or his close associate(s) 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;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where our Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries including:–

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which our Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to our Directors, his close associate(s) and employee(s) of our Company or any of our subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which our Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(c) Proceedings of our Board

Our Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our 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 has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that our chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as our Directors or our chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of our Company or at any meeting of any class of members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our 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 deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where our Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

Our Company must hold an annual general meeting of our Company for each financial year and such general meeting must be held within six (6) months after the end of our Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to our Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by our Board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, our board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of our Directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of our Directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy, and entitled to vote. In respect of a separate class meeting (including an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

Our Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Act or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as our Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by our Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at our general meeting, together with a printed copy of our Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and our directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and our directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by our Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by our Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, our Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board may think fit.

Our Company may also upon the recommendation of our Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by our Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by our Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by our Board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by our Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

Our Articles provide that to the extent that we are not prohibited by and are in compliance with the Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our 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 amount of its authorised share capital.

(b) Share capital

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 premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any 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 (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) 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; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of 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, our 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 (the "**Court**"), 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.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person 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 a company consider, in discharging their duties of care and acting 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.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of a company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution 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 issued shares of the company other than shares held as treasury 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, our company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of a company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of a company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of a company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that a company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by our company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by a company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of a company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) 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 a company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, our Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 25 August 2021.

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 our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) 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.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of a company 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 our Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. A company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

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. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

A company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of a company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, our Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of a company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when a company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of a company shall be in the custody of the Court.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the 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.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court 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 within the meaning of section 93 of the Companies Act; 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 petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) 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 Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands ("ES Act") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to this document. 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 is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on August 11, 2021 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 20, 2023. We have established a principal place of business in Hong Kong at 19/F, Golden Centre, 188 Des Voeux Road Central, Hong Kong. Ms. Li Ching Yi (李菁怡) has been appointed as our authorized representative for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, our operation is subject to the Cayman Companies Act and to the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands Companies Law is set out in Appendix III to this document.

2. Changes in share capital of our Company

The authorized share capital as at the date of our incorporation was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On August 11, 2021, one Share was allotted and issued to the initial subscriber and such Share was transferred to ShanHuiShou BVI on the same day.

On November 15, 2021, one Share was allotted and issued to MGY Wisdom BVI, SHS Glory BVI, SHS Thunder BVI, SHS Lightning BVI, MGY Alliance BVI, Flash Recycle BVI, Lightning Recycle BVI, Recycle Lifestyle BVI, SHS Blooming BVI, SHS Flash BVI, SHS Prosperity BVI, ShanHS Sword BVI and Yuntouhang Holdings BVI, respectively, at par and credited as fully paid.

Pursuant to a subscription agreement dated April 18, 2023, our Company allotted and issued (i) 6,839,039 Shares to ShanHuiSHou BVI; (ii) 2,311,399 Shares to MGY Wisdom BVI; (iii) 935,559 Shares to SHS Glory BVI; (iv) 315,519 Shares to SHS Thunder BVI; (v) 231,139 Shares to SHS Lightning BVI; (vi) 629,179 ordinary shares to MGY Alliance BVI; (vii) 526,439 Shares to Flash Recycle BVI; (viii) 385,199 Shares to Lightning Recycle BVI; (ix) 154,079 Shares to Recycle Lifestyle BVI; (x) 275,299 Shares to SHS Blooming BVI; (xi) 122,799 Shares to SHS Flash BVI; (xii) 81,639 Shares to SHS Prosperity BVI; (xiii) 657,620 Shares to Barryspace BVI; (xiv) 841,000 Series A-1 Preferred Shares to Shanghai Wenwei; (xv) 1,472,040 Series A-2 Preferred Shares to Shanghai Jiaozeng; (xvi) 1,833,410 Series C-1 Preferred Shares to Shanghai Xiuhui; (xvii) 952,540 Series C-2 Preferred Shares to World Circulation BVI; (xviii) 631,919 Series C-3 Preferred Shares to ShanHS Sword BVI; (xix) 354,380 Series C-4 Preferred Shares to Zhitou Huifu; and (xx) 1,105,219 Series C-5 Preferred Shares to Yuntouhang BVI. Pursuant to the shareholders' resolution dated April 28, 2023, one Share issued to ShanHS Sword BVI was converted into Series C-3 Preferred Share and one Share issued to Yuntouhang BVI was converted into Series C-5 Preferred Share on the same date.

On December 15, 2023, pursuant to a subscription agreement dated December 28, 2021 and an amended and restated subscription agreement dated October 31, 2023, our Company allotted and issued 406,950 Series C-6 Preferred Shares to Long Shining BVI.

On December 29, 2023, pursuant to a subscription agreement dated December 29, 2023, our Company allotted and issued 503,790 Series D-1 Preferred Shares to Anji Guorong BVI.

Pursuant to the written resolutions of our Shareholders passed on [●], our authorized share capital was increased from HK$380,000 to [**REDACTED**] by the creation of additional [**REDACTED**] Shares.

On [●], our Shareholders resolved that, conditional upon the crediting of our Company's share premium account as a result of the issue of the [**REDACTED**] pursuant to the [**REDACTED**], our Directors are authorized to [**REDACTED**] an amount of [**REDACTED**] standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of [**REDACTED**] Shares for allotment and issuance to our Shareholders immediately prior to the [**REDACTED**], on a pro rata basis.

Please refer to "Share Capital" in this document for description of the authorized and issued share capital of our Company in issue and [**REDACTED**] as fully paid or credited as fully paid immediately prior to and following the completion of the [**REDACTED**] and the [**REDACTED**].

Save for the aforesaid and as mentioned in "3. Resolutions in writing of the Shareholders of our Company passed on [●]" below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the Shareholders of our Company passed on [●]

Pursuant to the written resolutions of the Shareholders of our Company passed on [●]:

(a) immediately prior to the closing of [**REDACTED**], the authorized share capital of our Company be changed from HK$380,000 divided into 29,898,750 ordinary shares of HK$0.01 each, 841,000 Series A-1 Preferred Shares, 1,472,040 Series A-2 Preferred Shares, 1,833,410 Series C-1 Preferred Shares, 952,540 Series C-2 Preferred Shares, 631,920 Series C-3 Preferred Shares, 354,380 Series C-4 Preferred Shares, 1,105,220 Series C-5 Preferred Shares, 406,950 Series C-6 Preferred Shares and 503,790 Series D-1 Preferred Shares, to HK$380,000 divided into 38,000,000 ordinary shares of US$0.001 each, by the conversion by re-designation and re-classification of the 841,000 Series A-1 Preferred Shares, 1,472,040 Series A-2 Preferred Shares, 1,833,410 Series C-1 Preferred Shares, 952,540 Series C-2 Preferred Shares, 631,920 Series C-3 Preferred Shares, 354,380 Series C-4 Preferred Shares, 1,105,220 Series C-5 Preferred Shares, 406,950 Series C-6 Preferred Shares and 503,790 Series D-1 Preferred Shares into 8,101,250 ordinary Shares;

(b) we approved and adopted the Memorandum with effect from the [**REDACTED**];

(c) we approved and conditionally adopted the Articles which will become effective from the [**REDACTED**];

(d) the authorized share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to [**REDACTED**] divided into [**REDACTED**] Shares by the creation of an additional [**REDACTED**] Shares;

(e) conditional on (aa) the Listing Committee granting the [**REDACTED**] of, and permission to [**REDACTED**] in, the Shares in issue, Shares to be issued pursuant to the [**REDACTED**] and the [**REDACTED**] and Shares to be issued mentioned in this document (including any additional Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]); (bb) the entering into of the [**REDACTED**] between the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and our Company on the [**REDACTED**]; and (cc) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the [**REDACTED**]:

   (i) the [**REDACTED**] was approved and our Directors were authorized to allot and issue the new Shares pursuant to the [**REDACTED**];

   (ii) the [**REDACTED**] was approved; and

   (iii) conditional on the share premium account of our Company being credited as a result of the issue of the [**REDACTED**] by our Company pursuant to the [**REDACTED**], our Directors were authorized to [**REDACTED**] an amount of [**REDACTED**] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [**REDACTED**] Shares, such Shares to be allotted and issued to our Shareholder(s) as of the date of the passing of the resolution on a pro rata basis.

(f) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under any share option scheme or other similar arrangements or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(g) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange 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 as will represent up to 10% of the number of issued Shares immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**], any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme and treasury Shares held by our Company, if any), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(h) the general unconditional mandate mentioned in paragraph (f) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (g) above.

4. Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the [**REDACTED**]. For information relating to the Reorganization, please refer to "History, Reorganization and Corporate Structure – Reorganization" in this document.

5. Changes in share capital of our subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report in Appendix I to this document. Save for the subsidiaries mentioned in the Accountants' Report and in "History, Reorganization and Corporate Structure" in this document, our Company has no other subsidiaries and there are no other changes in share capital of our subsidiaries within the two years immediately preceding the date of this document.

6. Repurchase of our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of 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 securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by the Shareholders of our Company on [●], a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorizing the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the Cayman Companies Law. 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 in effect from time to time.

(b) Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchase

In repurchasing securities, our Company 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.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company. If authorized by the Memorandum and Articles and subject to the Cayman Companies Act, a repurchase of Shares may also be paid out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

However, there might be a material adverse impact on the working capital or gearing level as compared with the position disclosed in this document in the event that the Repurchase Mandate is exercised in full.

(d) Share capital

The exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in issue immediately after the [**REDACTED**] (without taking into account the Shares which may be issued pursuant to the exercise of the [**REDACTED**], any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme and treasury Shares held by our Company, if any), could accordingly result in up to [**REDACTED**] Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

(iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Shares or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, and the applicable laws of the Cayman Islands.

No core connected person has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is approved and exercised by our Directors.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised. Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two years preceding the date of this document and are, or may be, material:

(a) a share subscription agreement dated April 18, 2023 entered into by parties including the Company, ShanH Holding, Shanhui Technology, Shenzhen Shanhui, Shenzhen Tianhai, Ganzhou Shanhui, ShanHuiShou BVI, MGY Wisdom BVI, SHS Glory BVI, SHS Thunder BVI, SHS Lightning BVI, MGY Alliance BVI, Flash Recycle BVI, Lightning Recycle BVI, Recycle Lifestyle BVI, SHS Blooming BVI, SHS Flash BVI, SHS Prosperity BVI, ShanHS Sword BVI, Yuntouhang BVI, Shanghai Wenwei, Zhitou Huifu, Shanghai Jiaozeng, Shanghai Xiuhui, World Circulation BVI, Barryspace BVI, Mr. Liu, Ms. Yu, Mr. He, Mr. Lin and Mr. Luo Yuanshun (羅源順), pursuant to which our Company alloted and issue certain shares;

(b) an amended and restated share subscription agreement dated October 31, 2023 entered into by parties including the Company, Mr. Wu Ching Ho (胡清河), Long Shining BVI, Mr. Liu, Ms. Yu, Mr. He, Mr. Lin and Mr. Luo Yuanshun (羅源順), pursuant to which our Company alloted and issued 406,950 Series C-6 Preferred Shares to Long Shining BVI;

(c) an equity transfer agreement dated November 17, 2023 entered into by Zhejiang Shanhui, Shenzhen Shanhui, and the then shareholders of Shenzhen Shanhui, namely Mr. Liu, Mr. Gao Zibin (高自斌), Mr. Chen Jiangao (陳建高), Mr. Wang Shujia (王述嘉), Mr. Duan Liping (段力平), Ms. Zhu Yongmei (朱永梅), Menggongyuan, Juntong Investment, Haimin Xinshun, Jinmi Investment, Hangzhou Shunying,Shunwei Technology, Nanhai Growth, Zhitou Huifu, Fatiao Time and Flexman (HK), pursuant to which Zhejiang Shanhui acquired 98.18% equity interest in Shenzhen Shanhui;

(d) a share subscription agreement dated December 29, 2023 entered into by parties including the Company, Ailiangshan, Anji Guorong BVI, Mr. Liu, Ms. Yu, Mr. He, Mr. Lin and Mr. Luo Yuanshun (羅源順), pursuant to which our Company alloted and issued 503,790 Series D-1 Preferred Shares to Anji Guorong BVI;

(e) the Deed of Indemnity; and

(f) [**REDACTED**].

2. Our intellectual property rights

(a) Trademarks

As of the Latest Practicable Date, our Group has registered the following trademarks which we consider to be material to the business of our Group:

No.	Trademark	Trademark Owner	Registration No.	Place of Registration	Class	Expiry Date
1.		Shenzhen Shanhui	65484704	PRC	40	2032.12.20
2.		Shenzhen Shanhui	65471986	PRC	9	2032.12.20
3.		Shenzhen Shanhui	65465966	PRC	42	2032.12.20
4.	闪回优品	Shenzhen Shanhui	57487036	PRC	42	2032.01.20
5.	闪回有品	Shenzhen Shanhui	57486575	PRC	40	2032.01.20
6.	闪回有品	Shenzhen Shanhui	57494293	PRC	42	2032.01.20
7.	闪回优品	Shenzhen Shanhui	57483994	PRC	40	2032.01.13
8.	余舍	Shenzhen Shanhui	53947501	PRC	40	2031.09.20
9.		Shenzhen Shanhui	49308265	PRC	42	2031.06.06
10.		Shenzhen Shanhui	47943946	PRC	42	2031.06.06
11.		Shenzhen Shanhui	47946406	PRC	40	2031.03.27
12.		Shenzhen Shanhui	47955708	PRC	38	2031.02.27
13.	闪回	Shenzhen Shanhui	47197570	PRC	15	2031.02.06
14.	闪回	Shenzhen Shanhui	47230024	PRC	16	2031.02.06

No.	Trademark	Trademark Owner	Registration No.	Place of Registration	Class	Expiry Date
15.	闪回	Shenzhen Shanhui	47209463	PRC	14	2031.02.06
16.	闪回	Shenzhen Shanhui	47192679	PRC	20	2031.02.06
17.	闪回	Shenzhen Shanhui	47197595	PRC	16	2031.02.06
18.	闪回	Shenzhen Shanhui	47200983	PRC	41	2031.02.06
19.	闪回	Shenzhen Shanhui	47204242	PRC	11	2031.02.06
20.	闪回	Shenzhen Shanhui	47204396	PRC	25	2031.04.06
21.	闪回	Shenzhen Shanhui	47218242	PRC	22	2031.02.06
22.	闪回	Shenzhen Shanhui	47218074	PRC	8	2031.02.06
23.	闪回	Shenzhen Shanhui	47230296	PRC	36	2031.02.06
24.	闪回	Shenzhen Shanhui	47209345	PRC	28	2031.02.06
25.	闪回	Shenzhen Shanhui	47209655	PRC	7	2031.02.06
26.	闪回	Shenzhen Shanhui	47209440	PRC	12	2031.02.06
27.	闪回	Shenzhen Shanhui	47190798	PRC	37	2031.04.27
28.	闪云商	Shenzhen Shanhui	47077798	PRC	40	2031.03.06
29.		Shenzhen Shanhui	39022358	PRC	40	2030.03.06
30.		Shenzhen Shanhui	39042719	PRC	35	2030.05.27
31.		Shenzhen Shanhui	39041311	PRC	9	2030.05.27
32.		Shenzhen Shanhui	39031216	PRC	42	2030.05.27

No.	Trademark	Trademark Owner	Registration No.	Place of Registration	Class	Expiry Date
33.		Shenzhen Shanhui	37754263	PRC	40	2029.12.13
34.		Shenzhen Shanhui	37744646	PRC	42	2030.03.20
35.		Shenzhen Shanhui	37754636	PRC	38	2030.02.27
36.		Shenzhen Shanhui	37741400	PRC	35	2030.03.27
37.		Shenzhen Shanhui	37744584	PRC	9	2030.04.27
38.	闪鱼	Shenzhen Shanhui	29390838	PRC	40	2029.01.20
39.	闪保保	Shenzhen Shanhui	29390841	PRC	40	2029.01.20
40.	闪优优	Shenzhen Shanhui	29381016	PRC	9	2029.01.20
41.	闪租租	Shenzhen Shanhui	29382620	PRC	40	2029.01.20
42.	闪优优	Shenzhen Shanhui	29384092	PRC	35	2029.01.20
43.	闪保保	Shenzhen Shanhui	29387150	PRC	35	2029.05.27
44.	闪保保	Shenzhen Shanhui	29382589	PRC	9	2029.05.20
45.	闪鱼	Shenzhen Shanhui	29394588	PRC	38	2029.01.20
46.	闪优优	Shenzhen Shanhui	29396153	PRC	38	2029.01.20
47.	闪优优	Shenzhen Shanhui	29396172	PRC	40	2029.01.20
48.	闪保保	Shenzhen Shanhui	29385604	PRC	42	2029.05.20
49.	闪回收	Shenzhen Shanhui	21560789	PRC	35	2028.07.13
50.	闪回收	Shenzhen Shanhui	21560931	PRC	42	2028.07.13

No.	Trademark	Trademark Owner	Registration No.	Place of Registration	Class	Expiry Date
51.	闪回收	Shenzhen Shanhui	21560952	PRC	40	2027.11.27
52.	闪回收	Shenzhen Shanhui	21561067	PRC	38	2027.11.27
53.	闪回收	Shenzhen Shanhui	21561009	PRC	9	2028.07.13
54.	闪回	Shenzhen Shanhui	21560534	PRC	35	2028.11.20
55.	闪回	Shenzhen Shanhui	21560571	PRC	38	2027.11.27
56.	闪回	Shenzhen Shanhui	21560886	PRC	40	2027.11.27
57.	闪回	Shenzhen Shanhui	21560720	PRC	9	2028.11.20
58.	闪回	Shenzhen Shanhui	21560855	PRC	42	2027.11.27
59.	闪回科技	Shenzhen Shanhui	70031827	PRC	40	2033.08.27
60	闪回有品	Shenzhen Shanhui	73633842	PRC	35	2034.02.27
61	闪回有品	Shenzhen Shanhui	73611096	PRC	35	2034.02.27
62.		Shenzhen Shanhui	305703813	Hong Kong	35, 40	2031.07.29
63.	闪回科技	Shenzhen Shanhui	305710329	Hong Kong	35, 40	2031.08.05

(b) Patents

As of the Latest Practicable Date, our Group has registered the following patents in the PRC which we consider to be or may be material to the business of our Group:

No.	Patent Type	Patent No.	Patent Title	Patent Owner	Ways of Acquisition	Application Date	Publication Date
1.	Invention Patent	2018114609282	終端回收裝置	Shenzhen Shanhui	Original Acquisition	2018.12.01	2021.06.25
2.	Utility Model Patent	20222159712429	一種移動設備智能回收機	Shenzhen Shanhui	Original Acquisition	2022.06.24	2022.10.28
3.	Utility Model Patent	2018220761013	一種適用於手機屏幕測試的固定裝置	Shenzhen Shanhui	Original Acquisition	2018.12.11	2019.10.01
4.	Utility Model Patent	2018220379160	二手手機回收裝置	Shenzhen Shanhui	Original Acquisition	2018.12.06	2020.09.29
5.	Utility Model Patent	2018220490562	終端回收設備	Shenzhen Shanhui	Original Acquisition	2018.12.06	2019.07.23
6.	Utility Model Patent	201822044889X	可雙面拍照的終端回收設備	Shenzhen Shanhui	Original Acquisition	2018.12.06	2019.06.04
7.	Design Patent	20223021192421	手機回收機	Shenzhen Shanhui	Original Acquisition	2022.04.15	2022.09.20
8.	Invention Patent	2021111228878	一種時序過程與手機缺陷特徵深度融合的二手手機價格預測方法	Shenzhen Shanhui	Original Acquisition	2021.09.24	2024.05.28
9.	Invention Patent	2022102059042	一種屏幕老化程度檢測方法及裝置	Shenzhen Shanhui	Original Acquisition	2022.04.19	2024.07.02
10.	Invention Patent	2022101692451	一種基於數據分類匹配的手機按鍵檢測方法及系統	Shenzhen Shanhui	Original Acquisition	2022.02.23	2024.07.02
11.	Invention Patent	2022103803961	一種回收設備的兼容處理方法及系統	Shenzhen Shanhui	Original Acquisition	2022.04.12	2024.07.02
12.	Invention Patent	2022103803904	一種連接USB後的按鍵檢測方法及裝置	Shenzhen Shanhui	Original Acquisition	2022.04.12	2024.07.05

No.	Patent Type	Patent No.	Patent Title	Patent Owner	Ways of Acquisition	Application Date	Publication Date
13.	Invention Patent	2022101692428	一種基於圖像自動報價系統及方法	Shenzhen Shanhui	Original Acquisition	2022.02.23	2024.08.20
14.	Invention Patent	202210139049X	一種基於數據分析的手機外觀檢測方法及裝置	Shenzhen Shanhui	Original Acquisition	2022.02.15	2024.08.20
15.	Invention Patent	2022102856124	一種機器倉門的控制方法、裝置及系統	Shenzhen Shanhui	Original Acquisition	2022.03.23	2024.08.27
16.	Invention Patent	2023114108415	一種基於用戶畫像的二手手機銷售推薦方法及系統	Shenzhen Shanxin	Original Acquisition	2023.10.28	2024.07.02

(c) Domain names

As of the Latest Practicable Date, our Group has registered the following domain names in the PRC which we consider to be or may be material to the business of our Group:

No.	Registrant	Domain Name	ICP Filing No.	Filing Date
1	Shenzhen Shanhui	shanhuitech.com	粵ICP備16047847號-8	2023.07.18
2	Shenzhen Shanhui	shs.ink	粵ICP備16047847號-7	2022.10.26
3	Shenzhen Shanhui	shanhuishou.cn	粵ICP備16047847號-5	2020.04.23
4	Shenzhen Shanhui	shanhuikeji.com	粵ICP備16047847號-3	2020.04.23
5	Shenzhen Shanhui	shanhuikeji.cn	粵ICP備16047847號-6	2020.04.23
6	Shenzhen Shanhui	shanhuikeji.com.cn	粵ICP備16047847號-4	2020.04.23
7	Shenzhen Shanhui	shanyhs.com, shanyhs.cn	粵ICP備16047847號-2	2020.01.01
8	Shenzhen Shanhui	shanhs.cn, shanhs.com.cn, shanhs.com	粵ICP備16047847號-1	2020.01.01
9	Shenzhen Tianhai	tianhaiyoupin.com	粵ICP備2024170798號-3	2024.05.10

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(d) Copyright

As of the Latest Practicable Date, our Group has registered the following copyrights in the PRC which we consider to be or may be material to the business of our Group:

No.	Title	Registration No.	Registration Date	Copyright Owner	Ways of Acquisition
1.	閃回收BOSS開發平台V1.0	軟著登字第3762998號	2019.04.17	Shenzhen Shanhui	Original Acquisition
2.	閃回收線下回收系統V1.0	軟著登字第3741866號	2019.04.11	Shenzhen Shanhui	Original Acquisition
3.	閃回收線上回收系統V1.0	軟著登字第3762745號	2019.04.17	Shenzhen Shanhui	Original Acquisition
4.	閃回收碎屏險業務系統V1.0	軟著登字第3740578號	2019.04.10	Shenzhen Shanhui	Original Acquisition
5.	報表配置系統V1.0	軟著登字第6958791號	2021.02.09	Shenzhen Shanhui	Original Acquisition
6.	商城以舊換新平台技術開發系統[簡稱:商城以舊換新平台]V1.0	軟著登字第6958612號	2021.02.09	Shenzhen Shanhui	Original Acquisition
7.	圖床資源管理系統[簡稱:圖床系統]V1.0	軟著登字第6952628號	2021.02.08	Shenzhen Shanhui	Original Acquisition
8.	閃魚手機回收安卓版APP軟件[簡稱:閃魚手機回收]V1.0	軟著登字第2734642號	2018.05.31	Shenzhen Shanhui	Original Acquisition
9.	閃回收手機回收支付寶小程序軟件[簡稱:閃回收手機回收]V1.0	軟著登字第2982625號	2018.08.16	Shenzhen Shanhui	Original Acquisition
10.	閃回收線下自動檢測微信小程序軟件[簡稱:閃回收自動檢測小程序]V1.0	軟著登字第2983389號	2018.08.16	Shenzhen Shanhui	Original Acquisition
11.	閃回收租機業務系統V1.0	軟著登字第3741876號	2019.04.11	Shenzhen Shanhui	Original Acquisition
12.	閃魚回收手機回收系統[簡稱:閃回收手機回收]V1.0	軟著登字第3334794號	2018.12.12	Shenzhen Shanhui	Original Acquisition
13.	閃優優銷售商城小程序軟件V1.0	軟著登字第3399400號	2018.12.25	Shenzhen Shanhui	Original Acquisition
14.	閃回收手機回收支付寶小程序軟件[簡稱:閃優優商城小程序]V1.0	軟著登字第3335770號	2018.12.12	Shenzhen Shanhui	Original Acquisition

No.	Title	Registration No.	Registration Date	Copyright Owner	Ways of Acquisition
15.	回收檢測手機機型系統V1.0	軟著登字第3399428號	2018.12.25	Shenzhen Shanhui	Original Acquisition
16.	二手手機可視化智能AI檢測系統V1.0	軟著登字第5403032號	2020.05.28	Shenzhen Shanhui	Original Acquisition
17.	二手手機回收報表分析系統V1.0	軟著登字第3399433號	2018.12.25	Shenzhen Shanhui	Original Acquisition
18.	電子商城千人千面AI智能推薦系統V1.0	軟著登字第5402962號	2020.05.28	Shenzhen Shanhui	Original Acquisition
19.	boss銷售競價系統V1.0	軟著登字第3399425號	2018.12.25	Shenzhen Shanhui	Original Acquisition
20.	自動支付對賬系統[簡稱:閃回收自動對賬]V1.0	軟著登字第6969484號	2021.02.10	Shenzhen Shanhui	Original Acquisition
21.	BOSS客服議價系統V1.0	軟著登字第4414136號	2019.09.25	Shenzhen Shanhui	Original Acquisition
22.	BOSS售後管理系統V1.0	軟著登字第4412682號	2019.09.25	Shenzhen Shanhui	Original Acquisition
23.	BOSS財務自動開票系統V1.0	軟著登字第4414167號	2019.09.25	Shenzhen Shanhui	Original Acquisition
24.	BOSS數據分析系統V1.0	軟著登字第4410586號	2019.09.24	Shenzhen Shanhui	Original Acquisition
25.	BOSS商城積分管理系統V1.0	軟著登字第4410621號	2019.09.24	Shenzhen Shanhui	Original Acquisition
26.	基於區塊鏈的二手機流轉追溯系統軟件V1.0	軟著登字第5402761號	2020.05.28	Shenzhen Shanhui	Original Acquisition
27.	BOSS手機維修檢測系統V1.0	軟著登字第4410620號	2019.09.24	Shenzhen Shanhui	Original Acquisition
28.	閃賺回收微信小程序平台V1.0	軟著登字第4408076號	2019.09.24	Shenzhen Shanhui	Original Acquisition
29.	基於深度學習的拍照成像檢測估價系統V1.0	軟著登字第5405298號	2020.05.28	Shenzhen Shanhui	Original Acquisition
30.	閃魚優品支付寶商城系統V1.0	軟著登字第4405956號	2019.09.24	Shenzhen Shanhui	Original Acquisition
31.	自動上架銷售報價系統V1.0	軟著登字第6951961號	2021.02.08	Shenzhen Shanhui	Original Acquisition
32.	BOSS庫存共享系統V1.0	軟著登字第4412357號	2019.09.25	Shenzhen Shanhui	Original Acquisition
33.	舊手機回收處理的POPs/PTS減排管理平台V1.0	軟著登字第5405289號	2020.05.28	Shenzhen Shanhui	Original Acquisition
34.	BOSS電子協議流程管理系統V1.0	軟著登字第4414134號	2019.09.25	Shenzhen Shanhui	Original Acquisition

No.	Title	Registration No.	Registration Date	Copyright Owner	Ways of Acquisition
35.	閃回收大數據雲報表平台系統V1.0	軟著登字第5402730號	2020.05.28	Shenzhen Shanhui	Original Acquisition
36.	手機真偽快速鑑定檢測系統軟件V1.0	軟著登字第5402751號	2020.05.28	Shenzhen Shanhui	Original Acquisition
37.	應用回收手機的遠程信息採集大數據平台V1.0	軟著登字第5402860號	2020.05.28	Shenzhen Shanhui	Original Acquisition
38.	自動化賬戶管理系統V1.0	軟著登字第6952627號	2021.02.08	Shenzhen Shanhui	Original Acquisition
39.	運用智能手機的比色傳感檢測軟件V1.0	軟著登字第5402952號	2020.05.28	Shenzhen Shanhui	Original Acquisition
40.	智能手機系統運算性能測試系統V1.0	軟著登字第5402957號	2020.05.28	Shenzhen Shanhui	Original Acquisition
41.	閃回有品app V1.0	軟著登字第7976316號	2021.08.24	Shenzhen Shanhui	Original Acquisition
42.	大數據庫客戶管理分析平台[簡稱:閃回收客戶管理]V1.0	軟著登字第6958792號	2021.02.09	Shenzhen Shanhui	Original Acquisition
43.	二手手機產品信息對比分析系統V1.0	軟著登字第1805765號	2017.06.01	Shenzhen Shanhui	Original Acquisition
44.	二手手機電池電量檢測系統V1.0	軟著登字第1805758號	2017.06.01	Shenzhen Shanhui	Original Acquisition
45.	二手手機行業挖掘系統V1.0	軟著登字第6958793號	2021.02.09	Shenzhen Shanhui	Original Acquisition
46.	寄售回收業務及其系統[簡稱:寄售系統]V1.0	軟著登字第6958794號	2021.02.09	Shenzhen Shanhui	Original Acquisition
47.	門店以舊換新平台技術開發系統[簡稱:門店以舊換新]V1.0	軟著登字第6958611號	2021.02.09	Shenzhen Shanhui	Original Acquisition
48.	實時二手機交易撮合平台[簡稱:閃雲拍]V1.0	軟著登字第6958613號	2021.02.09	Shenzhen Shanhui	Original Acquisition
49.	銷售平台業務及其管理系統[簡稱:銷售管理系統]V1.0	軟著登字第6952622號	2021.02.08	Shenzhen Shanhui	Original Acquisition
50.	WMS倉庫管理系統[簡稱:WMS系統]V1.0	軟著登字第11003125號	2023.03.30	Shenzhen Shanhui	Original Acquisition
51.	閃回門店系統APP[簡稱:閃回門店系統]V1.0	軟著登字第8765577號	2021.12.13	Shenzhen Shanhui	Original Acquisition
52.	閃回有品訂貨平台[簡稱:訂貨平台]V1.0	軟著登字第11607670號	2023.09.06	Shenzhen Shanhui	Original Acquisition

No.	Title	Registration No.	Registration Date	Copyright Owner	Ways of Acquisition
53.	AI智能二手機外觀識別系統[簡稱:智能手機識別]V1.0	軟著登字第11608032號	2023.09.06	Shenzhen Shanhui	Original Acquisition
54.	閃回有品授權檢測系統[簡稱:授權檢測]V1.0	軟著登字第11611016號	2023.09.06	Shenzhen Shanhui	Original Acquisition
55.	閃回門店驗機系統[簡稱:門店驗機]V1.0	軟著登字第11605305號	2023.09.05	Shenzhen Shanhui	Original Acquisition
56.	AI智能拍照設備控制系統[簡稱:智能拍照]V1.0	軟著登字第11604377號	2023.09.05	Shenzhen Shanhui	Original Acquisition
57.	AI智能手機報價系統[簡稱:智能報價]V1.0	軟著登字第11788296號	2023.10.09	Shenzhen Shanhui	Original Acquisition
58.	低代碼平台開發系統[簡稱:低代碼平台]V1.0	軟著登字第11869788號	2023.10.24	Shenzhen Shanhui	Original Acquisition
59.	手機機型自動識別系統[簡稱:機型自動識別]V1.0	軟著登字第11869790號	2023.10.24	Shenzhen Shanhui	Original Acquisition
60.	高端機到店回收系統[簡稱:高端機回收]V1.0	軟著登字第11869804號	2023.10.24	Shenzhen Shanhui	Original Acquisition
61.	二手商品殘值管理系統[簡稱:殘值管理]V1.0	軟著登字第11869803號	2023.10.24	Shenzhen Shanhui	Original Acquisition
62.	閃回售後管理系統[簡稱:售後管理系統]V1.0	軟著登字第11869789號	2023.10.24	Shenzhen Shanhui	Original Acquisition
63.	二手機前置回收系統[簡稱:前置回收系統]V1.0	軟著登字第11882185號	2023.10.25	Shenzhen Shanhui	Original Acquisition
64.	閃回收圖片識別與處理系統V1.0	軟著登字第12659857號	2024.02.08	Shenzhen Shanhui	Original Acquisition
65.	閃回收積分與會員系統V1.0	軟著登字第12659851號	2024.02.08	Shenzhen Shanhui	Original Acquisition
66.	物流風控與管理系統V1.0	軟著登字第12659889號	2024.02.08	Shenzhen Shanhui	Original Acquisition
67.	閃回自主控價系統V1.0	軟著登字第12659843號	2024.02.08	Shenzhen Shanhui	Original Acquisition
68.	智能收貨拆包系統[簡稱:收貨拆包]V1.0	軟著登字第12415500號	2024.01.03	Shenzhen Shanhui	Original Acquisition
69.	銷售價格管理系統[簡稱:價格管理]V1.0	軟著登字第12415369號	2024.01.03	Shenzhen Shanhui	Original Acquisition

No.	Title	Registration No.	Registration Date	Copyright Owner	Ways of Acquisition
70.	APP統一構建發佈系統[簡稱:構建平臺]V1.0	軟著登字第12281986號	2023.12.20	Shenzhen Shanhui	Original Acquisition
71.	維修工單管理系統[簡稱:維修管理]V1.0	軟著登字第12281856號	2023.12.20	Shenzhen Shanhui	Original Acquisition
72.	AI智能標注系統[簡稱:AI標注]V1.0	軟著登字第12282160號	2023.12.20	Shenzhen Shanhui	Original Acquisition
73.	回收拍照小程序[簡稱:回收拍照]V1.0	軟著登字第12282108號	2023.12.20	Shenzhen Shanhui	Original Acquisition
74.	閃回智能抽獎系統V1.0	軟著登字第12659869號	2024.02.08	Shenzhen Shanhui	Original Acquisition
75.	閃回智能數據分析系統V1.0	軟著登字第12659878號	2024.02.08	Shenzhen Shanhui	Original Acquisition
76.	客戶分類與標簽系統V1.0	軟著登字第12659925號	2024.02.08	Shenzhen Shanxin	Original Acquisition
77.	app消息推送管理系統V1.0	軟著登字第10588457號	2023.01.03	Shenzhen Shanxin	Original Acquisition
78.	店員佣金結算系統V1.0	軟著登字第10596819號	2023.01.03	Shenzhen Shanxin	Original Acquisition
79.	微信模版消息推送系統V1.0	軟著登字第10591892號	2023.01.03	Shenzhen Shanxin	Original Acquisition
80.	店員積分管理系統V1.0	軟著登字第10588475號	2023.01.03	Shenzhen Shanxin	Original Acquisition
81.	訂單差錯申訴處理系統[簡稱:差錯申訴系統]V1.0	軟著登字第10603871號	2023.01.04	Shenzhen Shanxin	Original Acquisition
82.	門店接單系統[簡稱:上門回收]V1.0	軟著登字第10603724號	2023.01.04	Shenzhen Shanxin	Original Acquisition
83.	視頻會員權益包兌換系統[簡稱:視頻會員兑換系統]V1.0	軟著登字第10595331號	2023.01.04	Shenzhen Shanxin	Original Acquisition
84.	內部統一條碼打印系統V1.0	軟著登字第10595461號	2023.01.04	Shenzhen Shanxin	Original Acquisition
85.	會員等級管理系統[簡稱:會員等級]V1.0	軟著登字第10591893號	2023.01.03	Shenzhen Shanxin	Original Acquisition
86.	預授權訂單系統[簡稱:以舊換新回收]V1.0	軟著登字第10603329號	2023.01.04	Shenzhen Shanxin	Original Acquisition
87.	店員畫像分析系統[簡稱:畫像分析]V1.0	軟著登字第10603725號	2023.01.04	Shenzhen Shanxin	Original Acquisition
88.	積分抽獎兑換系統V1.0	軟著登字第10595332號	2023.01.04	Shenzhen Shanxin	Original Acquisition
89.	門店政策申請系統V1.0	軟著登字第11027154號	2023.04.06	Shenzhen Shanxin	Original Acquisition

No.	Title	Registration No.	Registration Date	Copyright Owner	Ways of Acquisition
90.	銷售商品sku定義系統[簡稱:銷售商品sku系統]V1.0	軟著登字第10603552號	2023.01.04	Shenzhen Shanxin	Original Acquisition
91.	統一銷售上架平台系統	軟著登字第11026717號	2023.04.06	Shenzhen Shanxin	Original Acquisition
92.	線上寄售訂單處理系統[簡稱:線上寄售系統]V1.0	軟著登字第11186411號	2023.06.08	Shenzhen Shanxin	Original Acquisition
93.	用戶餘額提現系統[簡稱:餘額提現系統]V1.0	軟著登字第11186413號	2023.06.08	Shenzhen Shanxin	Original Acquisition
94.	自動差錯規則配置系統[簡稱:差錯配置]V1.0	軟著登字第11186414號	2023.06.08	Shenzhen Shanxin	Original Acquisition
95.	實時競拍標簽管理系統[簡稱:競標標簽系統]V1.0	軟著登字第11186415號	2023.06.08	Shenzhen Shanxin	Original Acquisition
96.	驗貨寶訂單管理系統[簡稱:驗貨訂單管理]V1.0	軟著登字第11186412號	2023.06.08	Shenzhen Shanxin	Original Acquisition
97.	門店店長審核系統[簡稱:門店審單系統]V1.0	軟著登字第11185459號	2023.06.08	Shenzhen Shanxin	Original Acquisition
98.	智能回收櫃機APP[簡稱:回收櫃機App]V1.0	軟著登字第11608033號	2023.09.06	Shenzhen Shanxin	Original Acquisition
99.	門店店員等級權益管理系統[簡稱:店員權益管理]V1.0	軟著登字第11608370號	2023.09.06	Shenzhen Shanxin	Original Acquisition
100.	智能回收櫃機控制系統[簡稱:櫃機控制系統]V1.0	軟著登字第11609107號	2023.09.06	Shenzhen Shanxin	Original Acquisition
101.	智能BI報表系統[簡稱:BI報表]V1.0	軟著登字第11530233號	2023.08.16	Shenzhen Shanxin	Original Acquisition
102.	閃回智能門店回收系統[簡稱:智能回收系統]V1.0	軟著登字第11523368號	2023.08.15	Shenzhen Shanxin	Original Acquisition
103.	AI智能分單系統[簡稱:智能分單]V1.0	軟著登字第11523408號	2023.08.15	Shenzhen Shanxin	Original Acquisition
104.	自動開標管理系統[簡稱:開標管理]V1.0	軟著登字第12282385號	2023.12.20	Shenzhen Shanxin	Original Acquisition
105.	通用權限申請系統[簡稱:權限系統]V1.0	軟著登字第12282183號	2023.12.20	Shenzhen Shanxin	Original Acquisition

No.	Title	Registration No.	Registration Date	Copyright Owner	Ways of Acquisition
106.	閃回驗機師平臺[簡稱:驗機師平臺]V1.0	軟著登字第12282296號	2023.12.20	Shenzhen Shanxin	Original Acquisition
107.	電子合同管理系統[簡稱:合同管理]V1.0	軟著登字第12282319號	2023.12.20	Shenzhen Shanxin	Original Acquisition
108.	機器人自動報價系統[簡稱:自動報價系統]V1.0	軟著登字第12282275號	2023.12.20	Shenzhen Shanxin	Original Acquisition
109.	明星機回收管理系統[簡稱:明星機管理]V1.0	軟著登字第12282414號	2023.12.20	Shenzhen Shanxin	Original Acquisition
110.	閃新營銷與推廣系統V1.0	軟著登字第12659911號	2024.02.08	Shenzhen Shanxin	Original Acquisition
111.	商品搜索與推薦系統V1.0	軟著登字第12659951號	2024.02.08	Shenzhen Shanxin	Original Acquisition
112.	物流跟蹤與管理系統V1.0	軟著登字第12659838號	2024.02.08	Shenzhen Shanxin	Original Acquisition
113.	閃新智能客服系統V1.0	軟著登字第12659936號	2024.02.08	Shenzhen Shanxin	Original Acquisition
114.	自主風控系統V1.0	軟著登字第12659899號	2024.02.08	Shenzhen Shanxin	Original Acquisition

Save as disclosed in this document, there are no other trademarks or service marks, patents, domain names, copyrights or other intellectual or industrial property rights which are or may be material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR GROUP'S SUBSIDIARIES IN THE PRC

The particulars of our operating subsidiary are provided in the Accountants' Report, the text of which is set out in Appendix I in this document.

Save as disclosed in "History, Reorganization and Corporate Structure" in this document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

D. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests – Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the [**REDACTED**] and the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are [**REDACTED**] will be as follows:

(i) Interests in our Company

Name of Director	Nature of interest	Number of Shares[1]	Approximate percentage of shareholding Interest (%)
Mr. Liu	Interest in controlled corporation[2]	[**REDACTED**] (L)	[**REDACTED**]
Ms. Yu	Interest in controlled corporation[3]	[**REDACTED**] (L)	[**REDACTED**]
Mr. He	Interest in a controlled corporation[4]	[**REDACTED**] (L)	[**REDACTED**]
Mr. Lin	Interest in a controlled corporation[5]	[**REDACTED**] (L)	[**REDACTED**]

Notes:

1. The letter "L" denotes the person's long position in our Shares.

2. Please refer to "Substantial Shareholders" in this document.

3. These Shares are held by MGY Alliance BVI, which is wholly owned by Ms. Yu. By virtue of the SFO, Ms. Yu is deemed to be interested in these Shares.

4. These Shares are held by Flash Recycle BVI, which is wholly owned by Mr. He. By virtue of the SFO, Mr. He is deemed to be interested in these Shares.

5. These Shares are held by Lightning Recycle BVI, which is wholly owned by Mr. Lin. By virtue of the SFO, Mr. Lin is deemed to be interested in these Shares.

(b) Particulars of service agreements

Each of our executive Directors, non-executive Director and independent non-executive Directors [has entered] into a service agreement or letter of appointment with our Company commencing for a term of three years commencing from the [**REDACTED**], which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) Directors' remuneration

Each of our executive Directors and independent non-executive Directors is entitled to a remuneration and shall be paid on the basis of a twelve-month year. During the Track Record Period, the aggregate remuneration (including fees, salaries, bonus, share-based payments, contributions to retirement benefits schemes, allowances and other benefits in kind) paid to our Directors was approximately RMB2.0 million, RMB3.1 million and RMB3.5 million, respectively.

Each of our independent non-executive Directors [have been] appointed for a term of three years with effect commencing from the [**REDACTED**]. We intend to pay a fixed director's fee to each of our independent non-executive Directors.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, bonus, share-based payments, contributions to retirement benefits scheme, allowances and other benefits in kind) of our Directors for the year ending December 31, 2023 is estimated to be no more than RMB3.2 million.

2. Disclosure of interests – interests and short positions discloseable under Divisions 2 and 3 of the Part XV of the SFO

Save as disclosed in "Substantial Shareholders" in this document, our Directors are not aware of any other person who will, immediately following the completion of the [**REDACTED**], have an interest or short position in the Shares or underlying Shares of our Company which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

3. Agency fees or commissions received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted 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

Save as disclosed in this document:

(a) none of our Directors or chief executive of our Company has any interests or short position in our Shares, underlying shares or debenture of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are listed;

(b) none of our Directors or experts referred to under "F. Other Information –7. Qualification of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) taking no account of Shares which may be taken up under the [**REDACTED**], none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [**REDACTED**], have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(f) none of the experts referred to under "F. Other information – 7. Qualification of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers in each year of the Track Record Period or the five largest suppliers in each year of the Track Record Period of our Group.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by our Company pursuant to the written resolutions of our then Shareholders passed on [●].

(a) Purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Eligible participants of the Share Option Scheme

Our Board may, at its discretion, offer to grant an option to any director and employee of our Company or any of our subsidiaries (including persons who are granted options under the Share Option Scheme as an inducement to enter into employment contracts with our Company and/or any of our subsidiaries) (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (f) below.

Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

The vesting period of any options shall not be less than 12 months. Options may be subject to a shorter vesting period under any of the following circumstances:

(a) where the options are granted in assumption of, or in substitution or exchange for, an award previously granted, or the right or obligation to make a future award, in all cases by a company acquired by our Company or any of our subsidiary or with which our Company or any of our subsidiary combines;

(b) where the Shares to be issued upon the exercise of such options are subject to a minimum holding period of not less than 12 months and are delivered to an Eligible Participant under his/her compensation arrangements with our Company, including Shares delivered to a non-employee director in respect of such non-employee director's annual retainer;

(c) where the options are sign-on or make-whole grants to new Eligible Participants;

(d) where the options are subject to performance-based vesting conditions;

(e) where the options are granted in batches for administrative or compliance reasons;

(f) where the options shall vest evenly over a period of 12 months or more;

(g) where the options are subject to a total vesting and holding period of more than 12 months; or

(h) in cases of retirement, separation, retention arrangements, death, disability or a change in control of our Company, our Board may accelerate the vesting of the options at its sole discretion.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share schemes of our Company must not in aggregate exceed 10% ("the **Scheme Limit**") of the total number of Shares in issue immediately following the completion of the [**REDACTED**], being [**REDACTED**] Shares (assuming that the [**REDACTED**] is not exercised). As of the date on which such option is offered in writing to an Eligible Participant which must be a Business Day (the "**Offer Date**") of any proposed grant of options under the Share Option Scheme, the maximum number of Shares in respect of which options may be granted is such number of Shares less the aggregate of the following:

(i) the number of Shares which would be issued on the exercise in full of the options under the Share Option Scheme or under any other share schemes of our Company but not canceled or exercised;

(ii) the number of Shares which have been issued and allotted pursuant to the exercise of any options under the Share Option Scheme or under any other share schemes of our Company or any awards granted under any other share schemes of our Company; and

(iii) the number of those Shares which were the subject of options which had been granted and accepted under the Share Option Scheme and any other share schemes of our Company but subsequently canceled.

Subject to the approval of our Shareholders in general meeting in compliance with Rules 17.03C(1) and 17.03C(2) of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time, our Board may refresh the Scheme Limit from time to time to 10% of the number of Shares in issue ("**New Scheme Limit**") as of the date of the approval by our Shareholders in general meeting ("**New Approval Date**"). Any refreshment within any three year period from the date of our Shareholders' approval for the last refreshment (or the adoption of the Share Option Scheme) must be approved by our Shareholders subject to the following provisions:

(i) any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of our Company and their respective associates) abstaining from voting in favor of the relevant resolution at the general meeting of our Company; and

(ii) our Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules,

and thereafter, as of the date of grant of any options under the Share Option Scheme, the maximum number of Shares in respect of which options may be granted is the New Scheme Limit less the aggregate of the following:

(i) the number of Shares which would be issued on the exercise in full of the options under the Share Option Scheme or under any other share schemes of our Company granted on or after the New Approval Date but not canceled or exercised;

(ii) the number of Shares which have been issued and allotted pursuant to the exercise of any options under the Share Option Scheme or under any other share schemes of our Company or any awards granted under any other share schemes of our Company granted on or after the New Approval Date; and

(iii) the number of those Shares which were the subject of options which had been granted on or after the New Approval Date and accepted under the Share Option Scheme and any other share schemes of our Company but subsequently canceled.

Subject to the approval of our Shareholders in general meeting in compliance with Rule 17.03C(3) of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time, our Board may grant options exceeding the Scheme Limit to Eligible Participants specifically identified by our Board.

The Scheme Limit shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalization issue, rights issue, sub-division or consolidation of shares or reduction of the share capital of our Company.

(e) Maximum number of options to any one individual

Our Board shall, subject to and in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled to but shall not be bound, at any time on any business day during the Scheme Period (as defined in paragraph (j) below) offer to grant an option to any Eligible Participant whom our Board may in its absolute discretion select and subject to such conditions (including, without limitation, the vesting period and/or any performance targets as assessed in accordance with the Performance Measures (as defined in paragraph (k) below) during a specified performance period which must be achieved before an option can be exercised) as it may think fit.

If our Board determines to offer options under the Share Option Scheme to an Eligible Participant which, when aggregated with any Shares issued or to be issued in respect of all options or awards granted to that person (excluding any options or awards lapsed in accordance with the terms of the relevant schemes) under the Share Option Scheme and the other share schemes of our Company in any 12-month period up to and including the date of such offer, exceed 1% of the number of Shares in issue on the Offer Date:

(i) the grant shall be subject to (a) the issue of a circular by our Company to our Shareholders which shall comply with Rules 17.03D and 17.06 of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time; and (b) the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person) abstaining from voting; and

(ii) unless provided otherwise in the Listing Rules, the date of the Board meeting at which our Board resolves to grant the proposed options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares.

Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

(aa) the Eligible Participant's name, address and occupation;

(bb) the Offer Date;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;

(gg) the date of expiry of the option as may be determined by our Board;

(hh) the method of acceptance of the option which shall, unless our Board otherwise determines, be as set out in paragraph (c); and

(ii) such other terms and conditions (including, without limitation, the vesting period and/or any performance targets as assessed in accordance with the Performance Measures (as defined in paragraph (k) below) during a specified performance period which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of our Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

(ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(g) Granting options to a director, chief executive or substantial shareholder of our Company or any of their respective associates

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued in respect of all options and awards granted to such person under the Share Option Scheme or the other share schemes of our Company (excluding any options and awards lapsed in accordance with the terms of such schemes) in the 12-month period up to and including the Offer Date of representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue on the Offer Date, such further grant of options will be subject to, in addition to the abovementioned approval of the independent non-executive

Directors, the approval of our Shareholders in general meeting in accordance with Rule 17.04(4) of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time. Our Company must also send a circular to our Shareholders, which shall contain the following information:

(i) the details of the number and terms (including the information required under Rules 17.03(5) to 17.03(10) and Rule 17.03(19) of the Listing Rules) of the options to be granted to each selected Eligible Participant, which must be fixed before our Shareholders' meeting, and the Offer Date (which shall be the date of the Board meeting at which our Board proposes to grant the proposed options to that Eligible Participant);

(ii) the views of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of our Company and our Shareholders as a whole, and their recommendation to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the time of grant of options

A grant of options shall not be made after inside information has come to the knowledge of our Company until it has announced such inside information pursuant to the requirements of the Listing Rules and Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our annual results or our results for half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of our annual results or our results for half-year, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of actual publication of the results for such year, half-year, quarterly or interim period (as the case may be) and where an option is granted to a Director, no options shall be granted:

(i) during the period of 60 days immediately preceding the publication date of our annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of our quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

Save for a transfer to a vehicle (such as a trust or a private company) for the benefit of the grantee and any family members of such grantee (including for estate planning or tax planning purposes) that would continue to meet the purpose of the Share Option Scheme and comply with other requirements of the Listing Rules, in which case a waiver must be obtained from the Stock Exchange, an option and offer to grant an option is personal to the grantee and shall not be transferrable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option held by him/her or any offer relating to the grant of an option made to him/her or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the [**REDACTED**]. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the [**REDACTED**] ("**Scheme Period**").

(k) Performance target

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised. The performance targets shall be assessed in accordance with any one or more of the following corporate-wide or subsidiary, division, operating unit, line of business, project, geographical or individual performance measures ("**Performance Measures**") during a specified performance period: cash flow; earnings; earnings per share; market value added or economic value added; profits; return on assets; return on equity; return on investment; sales; revenue; Share price; total shareholder return; customer satisfaction metrics; and such other goals as our Board may determine from time to time. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of our Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' equity and/or shares outstanding, investments or to assets or net assets. Our Board may, in its sole discretion, amend or adjust the Performance Measures and establish any special rules and conditions to which the Performance Measures shall be subject at any time.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries:

(i) by any reason other than death, ill-health, injury, disability or termination of his/her employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as of the date of cessation (to the extent not already exercised) within a period of one month from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not; or

(ii) by reason of death, ill-health, injury or disability, his/her personal representative(s) may exercise the option within a period of 12 months from the date of cessation of being an Eligible Participant or death to exercise the option in full (to the extent not already exercised), failing which it will lapse.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries on the grounds that he/she has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by our Board) on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offense involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and our members or creditors

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and terminate. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable as if such compromise or arrangement had not been proposed by our Company.

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares to be issued and allotted upon the exercise of options, subject to the provisions of the articles of association of our Company, will carry the same right in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. For the avoidance of doubt, Shares issued upon the exercise of an option shall not be entitled to any rights attaching to Shares by reference to a record date preceding the date of allotment.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an approved independent financial advisor shall at the request of our Company or any grantee, certify in writing either generally or as regards any particular grantee to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance issued by the Stock Exchange on November 6, 2020 and any further guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and/or such other requirement prescribed under the Listing Rules from time to time), rounded to the nearest whole Share, as that to which he/she was entitled to subscribe had he/she exercised all the options held by him/her immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by our Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment with our Company or any of our subsidiaries or the termination of his/her employment or contract on any one or more of the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his/her integrity or honesty, or in relation to an employee of our Group (if so determined by our Board), or has been insolvent, bankrupt or has made compositions with his creditors generally or any other ground as determined by our Board that would warrant the termination of his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of our Board or the board of our relevant subsidiary to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

Save as provided above in this paragraph (s), no options or shares issued upon the exercise of any options under the Share Option Scheme are subject to any clawback mechanism.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

(i) any change to the terms of options granted to a grantee must be approved by our Board, the Remuneration Committee, the independent non-executive Directors and/or our Shareholders (as the case may be) if the initial grant of the options was approved by our Board, the Remuneration Committee, the independent non-executive Directors and/or our Shareholders (as the case may be) (except any changes which take effect automatically under the terms of the Share Option Scheme); and

(ii) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any alterations to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Eligible Participants or any change to the authority of the Directors or the administrators of the Share Option Scheme to alter the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules.

(u) Cancelation of options

Subject to paragraph (i) above, any cancelation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is canceled pursuant to paragraph (m).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or our Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of our Board

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to and is conditional on:

(i) the passing of the necessary resolutions by our Shareholders to approve and adopt the rules of the Share Option Scheme;

(ii) the Stock Exchange granting the approval for the [**REDACTED**] of, and permission to [**REDACTED**], our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(iii) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional (including, if relevant, as a result of the waiver(s) of any such condition(s)) by the Sole Sponsor, the [**REDACTED**] and the [**REDACTED**] (on behalf of the [**REDACTED**]) and not being terminated in accordance with the terms of the [**REDACTED**] or otherwise; and

(iv) the commencement of [**REDACTED**] in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within twelve calendar months from the adoption date:

(i) the Share Option Scheme shall forthwith terminate;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in our annual reports and interim reports including the number of options, Offer Date, exercise price, exercise period, vesting period and other information as prescribed under the Listing Rules from time to time during the financial year in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) Present status of the Share Option Scheme

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Stock Exchange for the approval for the [**REDACTED**] of and permission to [**REDACTED**] in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being [**REDACTED**] Shares in total.

F. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in "Business – Legal proceedings and non-compliance" in this document as of the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the [**REDACTED**] of, and permission to [**REDACTED**] in, the Shares in issue and [**REDACTED**] as mentioned in this document (including any Shares which may be [**REDACTED**] pursuant to the exercise of the [**REDACTED**]).

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor fees are US$650,000 and are payable by our Company.

4. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

5. Promoter

Our Company has 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. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability or estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications or subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the [**REDACTED**] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualification
Zero2IPO Capital Limited	Licensed to conduct Type 6 (advising on corporate finance) of the regulated activities under the SFO
Han Kun Law Offices	Legal advisor to our Company as to the PRC law
Conyers Dill & Pearman	Legal advisors of our Company as to the laws of the Cayman Islands
KPMG	Certified Public Accountants and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Frost & Sullivan	Industry consultant

8. Consents of experts

Each of the experts referred to in "7. Qualifications of experts" above in this appendix 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 herein in the form and context in which it is respectively included.

9. Interests of experts in our Company

None of the persons referred to in "7. Qualifications of experts" above in this appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

10. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of our 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) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) 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 capital of our Company or any of our subsidiaries; and

(iv) no commission has been paid or payable subscribing, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(b) save as disclosed in this document, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since September 30, 2023 (being the date which the latest audited consolidated financial information of our Group were made up);

(d) 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) the principal register of members of our Company will be maintained in the Cayman Islands by [**REDACTED**] and a branch register of members of our Company will be maintained in Hong Kong by [**REDACTED**]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to [**REDACTED**];

(f) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(g) our Directors have been advised that under Cayman Islands law the use of a Chinese name by our Company in conjunction with our English name does not contravene the Cayman Companies Law;

(h) save as disclosed in this document, our Company has no outstanding convertible debt securities or debentures;

(i) there is no arrangement under which future dividends are waived or agreed to be waived; and

(j) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

12. Bilingual document

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 from Companies and Prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to in "Statutory and General Information – F. Other information – 8. Consents of Experts" in Appendix IV to this document; and

(b) copies of each of the material contracts referred to in "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix IV to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.shanhs.com** up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and Articles of Association;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this document;

(c) the report on the unaudited [**REDACTED**] financial information of our Group from KPMG, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Company for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024;

(e) the PRC legal opinions issued by Han Kun Law Offices, our PRC Legal Advisor in respect of our Group's business operations and property interests in the PRC;

(f) the letter of advice prepared by Conyers Dill & Pearman, our legal advisors on Cayman Islands law, in relation to certain aspects of Cayman Islands company law referred to in "Summary of the Constitution of Our Company and Cayman Islands Company Law" in Appendix III to this document;

(g) the F&S Report;

(h) the rules of the Share Option Scheme;

(i) the Cayman Companies Act;

(j) the material contracts referred to in "Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts" in Appendix IV to this document; and

(k) the service contracts and the letters of appointment referred to in "Statutory and General Information – D. Further information about our Directors and Substantial Shareholders" in Appendix IV to this document; and the written consents referred to in "Statutory and General Information – F. Other information – 8. Consents of Experts" in Appendix IV to this document.