

## RISK FACTORS

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

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

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

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

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

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the same year. In particular, as our sale through third-party e-commerce platforms increased during the Track Record Period, third-party e-commerce platforms may have increasing bargaining power. In the case that third-party e-commerce platforms amend the terms of agreements to make them unfavorable to us, the profitability of our products may be materially and adversely affected.

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

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

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

Fashion trends, consumer preferences and market demand change from time to time. The success of our business is largely dependent on our ability to predict future fashion trends, consumer preferences and market demand so as to design and launch new products that match the appetites of our target customers and to address the evolving needs and consumer preferences. Consumer preferences differ within and across different countries and regions and among different customer groups, thus are influenced by factors such as changing esthetics and

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evolving styles. Although we adopt data-driven product design approach and our design database contains massive elements such as pattern and fabric and accessories, our design team may not promptly cater to the changing consumer preferences. Any failure to accurately anticipate fashion trends and react to prevailing consumer preferences in a timely manner could adversely affect our sales performance, result in obsolete inventories and lead to a reduction in our business profitability, which may, in turn, have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

We consume electricity for the daily operation of our business and our OEM suppliers rely on electricity in their manufacturing process. From time to time, certain parts of China may be subject to power shortage. Since September 2021, the PRC government has imposed

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

### **We may be exposed to risks relating to ESG issues.**

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

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

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

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

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

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

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

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

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

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

We face a variety of competitive challenges from competitors in the cross-border e-commerce export B2C apparel and footwear industry in China. We primarily compete on a few major factors: (i) brand awareness and customer loyalty; (ii) the diversification of product portfolio; (iii) marketing and promotion; (iv) sales network coverage; (v) operation capabilities; (vi) pricing; and (vii) delivery efficiency. See “Industry Overview – China’s Cross-Border E-Commerce Export B2C Apparel & Footwear Market.” There can be no

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assurance that we will be able to address these challenges and compete successfully against current and future competitors, and those competitive pressures may have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

### *Security Breaches and Attacks*

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

### *Regulatory Requirements on Security and Privacy of Data and Cybersecurity*

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

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

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

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

On December 28, 2021, the CAC publicly promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022, and further clarifies and expands the scope of application of cybersecurity review. According to the Cybersecurity Review Measures, (i) on the basis of the currently effective Cybersecurity Review Measures, in addition to network products and services acquired by critical information infrastructure operators, network platform operators are also subject to cybersecurity review if they carry out data processing activities that affect or may affect national security; and (ii) network platform operators with personal information of more than one million users will be required to apply to the Cybersecurity Review Office for a cybersecurity review in the event of a “foreign listing.” Our PRC Legal Advisors are of the view that listing in Hong Kong does not fall within the scope of “foreign listing” under the Cybersecurity Review Measures and thereby would not

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trigger the cybersecurity review. However, there are still uncertainties regarding the interpretation and implementation of the Cybersecurity Review Measures. Our PRC Legal Advisors have advised us that, up to the Latest Practicable Date, the Cybersecurity Review Measures had no material and adverse impact on our results of business operations.

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

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

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

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financial condition and results of operations. In addition, complying with various laws and regulations on cybersecurity and data security could cause us to incur additional costs or require us to change our business practices, including our data practices, which may significantly distract our management’s attention and adversely affect our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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### **We may incur impairment losses on prepayments and other receivables.**

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

In addition, if our competitors or other persons send notices of alleged IP infringement to third-party e-commerce platforms, the alleged products may be exposed to the risks of being removed from our seller stores, or we may suffer from relevant penalty. If third parties bring

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We believe that our ability to compile and analyze sales statistics is critical to our success. Over the years, leveraging our privacy protection measures and the development of IT system, we did not experience any material information leakage or loss of customer data during the Track Record Period and up to the Latest Practicable Date. See “Business – Data Privacy and Protection.” In order to optimize production planning and react promptly to market trends and consumer demands, we need to access and analyze sales statistics. As a result, we are subject to governmental regulations and other legal obligations related to the protection of confidential and sensitive data (including personally identifiable information and personal data), privacy,

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information security and consumer protection in certain countries where we conduct business and there has been and will continue to be a significant increase globally in such laws that restrict or control the use of personal data.

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

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

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

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

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

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

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

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

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

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

While we have implemented internal control measures to minimize our risk exposure to International Sanctions, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our



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business or result in one or more of our business activities being deemed to have violated sanctions. We cannot provide any assurance that our future business will be free of sanctions risks or our business will conform to the expectations and requirements of the authorities of the U.S. or any other jurisdictions. Our business and reputation could be adversely affected if the authorities of the U.S., the EU, the UN, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of us. For details of our business operations in the countries subject to International Sanctions and our undertakings to the Hong Kong Stock Exchange and its related group companies, please refer to the section headed “Business – Business Activities with Customers in Relation to Countries Subject to International Sanctions” in this document.

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

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

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

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

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

We primarily store our products in warehouses operated by us and Amazon. As of the Latest Practicable Date, we leased 12 warehouses located in the PRC. See “Business – Our Business Process – Delivery and Warehousing – Warehousing” for details of our warehouses. Amazon’s warehousing facilities are located globally. Any significant downtime arising from major and unexpected repairs or servicing of any of these warehouses that results in major disruptions to our operations could cause us to be unable to store our products for an extended

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period and require us to make significant unanticipated capital expenditures and/or delay our delivery of products. Though we currently maintain insurance to cover our inventory loss and damages, the coverage may not be sufficient and the delay in delivery may not be recoverable under our existing insurance policies, and prolonged business disruptions could result in a loss of end customers. If any one or more of the above risks were to materialize, our financial condition and results of operations may be adversely affected. The warehouses where we store our products are also subject to a number of risks, such as fires, floods, explosions, natural disasters, third-party interference, disruptions in the power supply or power outages, war, terrorism and communal unrest, which could lead to a significant disruption to our operations or result in significant damages to our warehouses or inventories. These hazards could also result in personal injury or wrongful death claims and other damage to our warehouses. These disruptions may materially and adversely affect our business, financial condition and results of operations.

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

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

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

### **There are legal defects regarding some of our leased properties.**

We lease properties in the PRC for various purposes. As of the Latest Practicable Date, we had not registered 12 leasing agreements with the relevant housing administrative authorities in the PRC. According to the *Administrative Measures for Commercial Housing Leases* (《商品房屋租賃管理辦法》), failure to complete the relevant lease registration may subject the parties to the lease agreement a fine between RMB1,000 to RMB10,000. As a result, if we fail to complete or timely complete such lease registration upon the housing authorities' request, we may face a total maximum fine up to RMB120,000 assuming a maximum fine of RMB10,000 is imposed on each unregistered lease agreement. Besides, we also failed to obtain

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the consents from the landlord for the sub-lease of two properties with an aggregate GFA of 25,750 sq.m., from the existing leasees to us. For details of our leased properties, see “Business – Properties.” We cannot assure you that we will be able to renew such leases on terms acceptable to us upon their expiration. If any of our leases is terminated as a result of challenges by third parties or if we fail to renew them upon expiration timely, we may be forced to relocate and incur additional costs associated therewith, and our business, financial condition and results of operations may be adversely affected.

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

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

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

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

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

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that a natural disaster, health epidemic or other outbreak harms the PRC and global economy in general. Our operations could also be severely disrupted if our customers were affected by natural disasters, health epidemics or other outbreaks.

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

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

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

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

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

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

PRC laws and regulations require us to participate in various government sponsored employee benefit plans. These benefit plans include social insurance, housing provident fund and other welfare-oriented payment obligations. According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts and pay social insurance premiums and housing provident fund contributions for employees. PRC laws require that we contribute to the plans in amounts equal to certain

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percentages of salaries, including bonus and allowances, of our employees up to the maximum amounts specified by the local government at locations where we operate our business. Local governments in China have not consistently implemented requirements regarding employee benefit plans.

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

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

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

Under the laws and regulations in the PRC and Hong Kong, arrangements and transactions among related parties may be subject to audit or challenge by the relevant tax authorities. During the Track Record Period, we conducted our operations primarily through our subsidiaries in the PRC and Hong Kong. We primarily conducted our sales activities through Zibuyu HK, our subsidiary in Hong Kong. During the Track Record Period, our subsidiaries in China are responsible for the logistics, technical services, e-commerce operations, supply chain management, warehousing and IT support. Zibuyu HK then sold the products to our overseas customers through third-party e-commerce platforms or our self-operated online stores. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the relevant intra-Group transactions amounted to RMB537.5 million, RMB580.3 million, RMB680.5 million and RMB248.6 million, respectively. See “Regulatory Overview” and “Business – Transfer Pricing Arrangement” for details. We could face material and adverse tax consequences if the relevant tax authorities determine that the certain intra-Group transactions of us do not represent arm’s length negotiations and consequently adjust any of those entities’ income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. If we fail to rectify such incident within the limited timeframe required by the relevant tax authorities, the relevant tax authorities may impose late payment interest or surcharge and other penalties

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on us for any unpaid taxes. In addition, a transfer pricing arrangement may give rise to tax recoverable in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operation may therefore be materially and adversely affected.

### **RISKS RELATING TO DOING BUSINESS IN THE PRC**

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

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

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

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

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

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

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

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

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

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

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

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

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

Although efforts have been made by the PRC government to enhance protection of foreign investment in the PRC, the PRC has not yet developed a fully integrated legal system. Newly enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC and there is much uncertainty in their application, interpretation and



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enforcement. Furthermore, the PRC legal system is partly based on government policies and administrative rules that may take effect retrospectively. As a result, we may not be aware of our violations of certain policies or rules in a timely manner.

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

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

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

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

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

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we are regarded as a PRC tax resident enterprise by the PRC tax authorities, we would have to pay the PRC EIT at a rate of 25% for our entire global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

According to the relevant PRC regulations on foreign-invested enterprises in the PRC, capital contributions by us to our PRC subsidiaries are subject to the requirement of making necessary filings in the Enterprise Registration System and registration with other government authorities in the PRC. In addition, any foreign loan provided by us to our PRC subsidiaries is required to be registered with the SAFE, or its local counterparts. We may not be able to

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complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the [REDACTED] of this [REDACTED] and to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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

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

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

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

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

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

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

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

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

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

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

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



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

### **RISKS RELATING TO THE [REDACTED]**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**We may not pay any dividends on the Shares.**

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

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

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

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

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

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

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

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

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