

**APPENDIX I**

**ACCOUNTANT’S REPORT**

*The following is the text of a report set out on pages I-1 to I-3, received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

**[DRAFT]**

**[Letterhead of PricewaterhouseCoopers]**

**ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZIBUYU GROUP LIMITED, HUATAI FINANCIAL HOLDINGS (HONGKONG) LIMITED AND ABCI CAPITAL LIMITED**

**Introduction**

We report on the historical financial information of Zibuyu Group Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-74, which comprises the consolidated statements of financial position as at December 31, 2019, 2020 and 2021 and June 30, 2022, the statements of financial position of the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-74 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors’ responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 1.5 and Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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**Reporting accountant’s responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 1.5 and Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022 and the consolidated financial position of the Group as at December 31, 2019, 2020 and 2021 and June 30, 2022, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 1.5 and Note 2.1 to the Historical Financial Information.

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**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and cash flows for the six months ended June 30, 2021 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Note 1.5 and Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 1.5 and Note 2.1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “LISTING RULES”) AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

**Dividends**

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

**No statutory financial statements for the Company**

No statutory financial statements have been prepared for the Company since its date of incorporation.

**[PricewaterhouseCoopers]**  
*Certified Public Accountants*  
Hong Kong  
[Date]

**I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing (“ISAs”) issued by the International Auditing and Assurance Standards Board (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all amounts are rounded to the nearest thousand (RMB’000), unless otherwise stated.

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Six months ended				
		Year ended December 31,			June 30,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
<b>Revenue</b>	5	1,428,854	1,898,109	2,346,543	1,100,686	1,277,527
Cost of sales	8	(430,919)	(520,301)	(581,008)	(266,225)	(308,411)
<b>Gross profit</b>		997,935	1,377,808	1,765,535	834,461	969,116
Selling expenses and distribution costs	8	(833,610)	(1,162,217)	(1,413,705)	(636,422)	(838,255)
General and administrative expenses	8	(69,636)	(70,979)	(108,969)	(55,616)	(62,923)
Net (impairment losses)/Reversal of impairment on financial assets		(616)	(697)	15	(293)	(3,077)
Other income	6	4,340	8,981	15,982	3,755	5,596
Other gains/(losses), net	7	3,477	(11,753)	(9,092)	(4,752)	8,656
<b>Operating profit</b>		101,890	141,143	249,766	141,133	79,113
Finance income	9	365	–	–	–	1,215
Finance costs	9	(8,655)	(6,720)	(9,876)	(3,871)	(6,706)
Finance costs – net		(8,290)	(6,720)	(9,876)	(3,871)	(5,491)
Fair value changes of redeemable convertible preferred shares	31	–	–	(2,259)	(287)	(2,274)
<b>Profit before income tax</b>		93,600	134,423	237,631	136,975	71,348
Income tax expense	10	(12,491)	(20,462)	(37,122)	(22,742)	(10,034)
<b>Profit and total comprehensive income for the year/period, all attributable to owners of the Company</b>		<u>81,109</u>	<u>113,961</u>	<u>200,509</u>	<u>114,233</u>	<u>61,314</u>
Earnings per share for profit attributable to owners of the Company (express in RMB per share)						
Basic and diluted	14	<u>0.20</u>	<u>0.28</u>	<u>0.50</u>	<u>0.29</u>	<u>0.15</u>

Note: The earnings per share presented above have not been taken into account the proposed capitalisation issue pursuant to the resolutions of the shareholders passed on October 13, 2022 because the proposed capitalisation issue has not become effective as at the date of this report (note 14).

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		As at December 31,			As at June 30,
	Note	2019	2020	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	15	6,549	6,172	9,109	12,094
Right-of-use assets	16	26,194	20,879	40,225	48,746
Intangible assets	17	827	525	695	3,472
Prepayments and other receivables	18	1,364	2,095	3,385	2,749
Deferred income tax assets	28	13,286	13,505	11,451	13,014
<b>Total non-current assets</b>		<b>48,220</b>	<b>43,176</b>	<b>64,865</b>	<b>80,075</b>
<b>Current assets</b>					
Inventories	20	178,144	255,840	664,323	761,082
Trade receivables	21	189,673	166,500	119,226	180,733
Prepayments and other receivables	22	31,238	86,816	89,146	39,711
Financial assets at fair value through profit or loss	23	–	5,800	–	–
Restricted cash	24	523	1,380	1,260	1,299
Cash and cash equivalents	24	27,097	83,000	80,855	82,913
<b>Total current assets</b>		<b>426,675</b>	<b>599,336</b>	<b>954,810</b>	<b>1,065,738</b>
<b>Total assets</b>		<b>474,895</b>	<b>642,512</b>	<b>1,019,675</b>	<b>1,145,813</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	30	–	–	300	300
Lease liabilities	16	13,374	8,381	25,335	28,452
<b>Total non-current liabilities</b>		<b>13,374</b>	<b>8,381</b>	<b>25,635</b>	<b>28,752</b>

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	<i>Note</i>	<b>As at December 31,</b>			<b>As at</b>
		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>June 30,</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2022</b>
				<i>RMB'000</i>	
<b>Current liabilities</b>					
Lease liabilities	16	12,326	12,366	14,506	19,461
Trade and other payables	29	266,568	235,669	232,005	283,940
Contract liabilities	5	24,741	132,576	29,650	11,225
Current income tax liabilities		13,612	10,053	28,873	35,471
Borrowings	30	79,518	71,000	209,939	224,309
Redeemable convertible preferred shares	31	–	–	106,091	108,365
<b>Total current liabilities</b>		<b>396,765</b>	<b>461,664</b>	<b>621,064</b>	<b>682,771</b>
<b>Total liabilities</b>		<b>410,139</b>	<b>470,045</b>	<b>646,699</b>	<b>711,523</b>
<b>EQUITY</b>					
<b>Equity attributable to owners of the Group</b>					
Share capital	25	138	138	138	138
Share premium	25	1,299,862	1,299,862	1,299,862	1,299,862
Other reserves	26	(1,283,417)	(1,282,403)	(1,269,519)	(1,269,519)
Retained earnings	27	48,173	154,870	342,495	403,809
<b>Total equity</b>		<b>64,756</b>	<b>172,467</b>	<b>372,976</b>	<b>434,290</b>
<b>Total equity and liabilities</b>		<b>474,895</b>	<b>642,512</b>	<b>1,019,675</b>	<b>1,145,813</b>

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**STATEMENTS OF FINANCIAL POSITION OF THE COMPANY**

	<i>Note</i>	<b>As at December 31,</b>			<b>As at</b>
		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>June 30,</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<b>2022</b>
				<i>RMB’000</i>	
<b>ASSETS</b>					
<b>Non-current asset</b>					
Investment in subsidiaries (i)		1,300,000	1,300,000	1,300,000	1,300,000
Prepayments and other receivables	18	–	–	95,635	100,335
		<u>1,300,000</u>	<u>1,300,000</u>	<u>1,395,635</u>	<u>1,400,335</u>
<b>Current asset</b>					
Prepayments and other receivables	22	–	–	7,191	6,274
Cash and cash equivalents		45	43	86	390
		<u>45</u>	<u>43</u>	<u>7,277</u>	<u>6,664</u>
<b>Total assets</b>		<u>1,300,045</u>	<u>1,300,043</u>	<u>1,402,912</u>	<u>1,406,999</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables		44	45	917	–
Redeemable convertible preferred shares	31	–	–	106,091	108,365
		<u>44</u>	<u>45</u>	<u>107,008</u>	<u>108,365</u>
<b>Total liabilities</b>		<u>44</u>	<u>45</u>	<u>107,008</u>	<u>108,365</u>
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	25	138	138	138	138
Share premium	25	1,299,862	1,299,862	1,299,862	1,299,862
Retained earnings/(accumulated losses)		1	(2)	(4,096)	(1,366)
<b>Total equity</b>		<u>1,300,001</u>	<u>1,299,998</u>	<u>1,295,904</u>	<u>1,298,634</u>
<b>Total equity and liabilities</b>		<u>1,300,045</u>	<u>1,300,043</u>	<u>1,402,912</u>	<u>1,406,999</u>

(i) Investment in subsidiaries represents the investment in Zibuyu BVI Limited and its subsidiaries measured at fair value at date of completion of the Reorganization.



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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to owners of the Company					
	<i>Note</i>	Share capital	Share premium	Other reserves	(Accumulated losses)/ retained earnings	Total
					RMB'000	
Balance at January 1, 2019		138	1,299,862	(1,290,811)	(25,542)	(16,353)
Profit for the year		–	–	–	81,109	81,109
Appropriation to statutory reserves		–	–	7,394	(7,394)	–
Balance at December 31, 2019		<u>138</u>	<u>1,299,862</u>	<u>(1,283,417)</u>	<u>48,173</u>	<u>64,756</u>
Balance at January 1, 2020		138	1,299,862	(1,283,417)	48,173	64,756
Profit for the year		–	–	–	113,961	113,961
Appropriation to statutory reserves		–	–	7,264	(7,264)	–
Business combination under common control	<i>1.3</i>	–	–	(6,250)	–	(6,250)
Balance at December 31, 2020		<u>138</u>	<u>1,299,862</u>	<u>(1,282,403)</u>	<u>154,870</u>	<u>172,467</u>
Balance at January 1, 2021		138	1,299,862	(1,282,403)	154,870	172,467
Profit for the year		–	–	–	200,509	200,509
Appropriation to statutory reserves		–	–	12,884	(12,884)	–
Balance at December 31, 2021		<u>138</u>	<u>1,299,862</u>	<u>(1,269,519)</u>	<u>342,495</u>	<u>372,976</u>
Balance at January 1, 2022		138	1,299,862	(1,269,519)	342,495	372,976
Profit for the period		–	–	–	61,314	61,314
Balance at June 30, 2022		<u>138</u>	<u>1,299,862</u>	<u>(1,269,519)</u>	<u>403,809</u>	<u>434,290</u>
(Unaudited)						
Balance at January 1, 2021		138	1,299,862	(1,282,403)	154,870	172,467
Profit for the period		–	–	–	114,233	114,233
Balance at June 30, 2021		<u>138</u>	<u>1,299,862</u>	<u>(1,282,403)</u>	<u>269,103</u>	<u>286,700</u>

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Note	Six months ended				
		Year ended December 31,			June 30,	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
<b>Cash flows from operating activities</b>						
Cash generated from/(used in) operations	32	94,248	138,154	(190,868)	(93,051)	17,311
Interest received		99	86	67	38	33
Income taxes paid		(12,385)	(24,122)	(16,248)	(10,290)	(5,306)
<b>Net cash generated from/(used in) operating activities</b>		<u>81,962</u>	<u>114,118</u>	<u>(207,049)</u>	<u>(103,303)</u>	<u>12,038</u>
<b>Cash flows from investing activities</b>						
Payments of property, plant and equipment		(3,675)	(2,461)	(6,653)	(4,530)	(5,231)
Payments of intangible assets		(248)	–	(495)	–	(3,101)
Proceeds from disposals of property, plant and equipment		150	60	551	264	7
Payments of financial assets at fair value through profit or loss		(207,000)	(175,300)	(14,800)	(14,800)	–
Proceeds from sale of financial assets at fair value through profit or loss		207,131	169,701	20,633	20,633	–
<b>Net cash (used in)/generated from investing activities</b>		<u>(3,642)</u>	<u>(8,000)</u>	<u>(764)</u>	<u>1,567</u>	<u>(8,325)</u>
<b>Cash flows from financing activities</b>						
Proceeds from issuance of redeemable preference shares	31	–	–	103,832	103,832	–
Proceeds from bank borrowings		102,348	92,000	245,223	83,360	139,890
Loans from related parties		122,887	43,032	22,030	22,030	–
Loans from third parties		7,284	7,200	–	–	–
Repayment of bank borrowings		(97,949)	(98,790)	(106,000)	(33,200)	(126,360)
Repayment of loans from related parties		(119,990)	(66,988)	(21,926)	(21,926)	–
Repayment of loans from third parties		(7,231)	(7,280)	–	–	–
Principal elements of lease payments		(8,274)	(10,898)	(15,433)	(7,854)	(10,231)
Payments of [REDACTED]		–	–	(5,775)	(2,836)	(327)

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	<i>Note</i>	Year ended December 31,			Six months ended	
		2019	2020	2021	June 30,	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2021	2022
						<i>(Unaudited)</i>
Dividend paid to shareholders		(64,844)	–	–	–	–
Decrease/(increase) in restricted cash pledged for bank borrowings		2,200	–	(360)	(360)	–
Deemed distributions to shareholders in relation to Reorganization	1.2(iv)	(27,994)	–	–	–	–
Business combination under common control	1.3	–	–	(6,250)	(6,250)	–
Interest paid		(8,658)	(6,345)	(8,344)	(3,157)	(6,682)
<b>Net cash (used in)/generated from financing activities</b>		<u>(100,221)</u>	<u>(48,069)</u>	<u>206,997</u>	<u>133,639</u>	<u>(3,710)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(21,901)	58,049	(816)	31,903	3
<b>Cash and cash equivalents at beginning of the year/period</b>	24	48,603	27,097	83,000	83,000	80,855
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<u>395</u>	<u>(2,146)</u>	<u>(1,329)</u>	<u>(663)</u>	<u>2,055</u>
<b>Cash and cash equivalents at the end of the year/period</b>	24	<u>27,097</u>	<u>83,000</u>	<u>80,855</u>	<u>114,240</u>	<u>82,913</u>

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### II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1 GENERAL INFORMATION AND REORGANIZATION

##### 1.1 General information

Zibuyu Group Limited (the “Company”) was incorporated in the Cayman Islands on August 6, 2018 as a limited liability company. The address of the Company’s registered office is 3-212 Governors Square, 23 Lime Tree Bay Avenue, Seven Mile Beach, Grand Cayman, KY1-1203, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively, the “Group”) are principally engaged in sale of apparel products, footwear products and other products, including electronic devices and stationery and sporting goods. The Company’s products are sourced in the People’s Republic of China (the “PRC”) and sold to customers in locations including the United States (the “U.S.”), Germany, France, Japan and other countries via self-operated online stores and third-party e-commerce platforms (the “[REDACTED] Business”).

The ultimate controlling shareholders of the Group are Mr. Hua Bingru and Ms. Yu Feng (the spouse of Mr. Hua) (the “Controlling Shareholders”).

##### 1.2 Reorganization

Prior to the incorporation of the Company and the completion of the Reorganization as described below (the “Reorganization”), the [REDACTED] Business was mainly carried out by Zhejiang Zibuyu E-commerce Co., Ltd. (浙江子不語電子商務有限公司, “Zhejiang Zibuyu”), a limited liability company established in Hangzhou, the PRC, and its subsidiaries (the “Operating Entities”).

In preparation for the [REDACTED] and [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “[REDACTED]”), the Group underwent the Reorganization to incorporate the Company as the holding company of the companies which now comprise the Group to conduct the [REDACTED] Business.

The Reorganization involved the following steps:

##### *(i) Incorporation of the Company and Zibuyu BVI Limited*

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

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

##### *(ii) Acquisition of Zibuyu International Limited*

On October 30, 2018, Zibuyu BVI acquired the entire share capital of Zibuyu International Limited (“Zibuyu HK”) from Zhejiang Zibuyu at a consideration of Renminbi (“RMB”) 1,850,000. Upon the completion of the acquisition, Zibuyu HK became a wholly-owned subsidiary of Zibuyu BVI.

##### *(iii) Acquisition and subsequent disposal of USA Zibuyu Inc.*

On November 30, 2018, Zibuyu BVI acquired the entire share capital of USA Zibuyu Inc. (“Zibuyu US”) from Zhejiang Zibuyu at a consideration of US\$10,000 (equivalent to RMB70,000), which was determined with reference to the initial investment made by Zhejiang Zibuyu. Upon completion of the acquisition, Zibuyu US became a wholly-owned subsidiary of Zibuyu BVI.

On July 9, 2019, Zibuyu BVI disposed the entire share capital of Zibuyu US to Mr. Li Fubin, an independent third party at a consideration of US\$10,000 (equivalent to RMB70,000).

*(iv) Acquisition of Zhejiang Zibuyu by Zibuyu HK*

On December 14, 2018, Zibuyu HK acquired the entire equity interest in Zhejiang Zibuyu from the then shareholders of Zhejiang Zibuyu at a total consideration of RMB28,000,000. Upon the completion of the acquisition, Zhejiang Zibuyu became a wholly-owned subsidiary of Zibuyu HK.

**1.3 Business combination under common control**

*Acquisition of Xingzezhi (BVI) Limited and its subsidiaries (“Xingzezhi (BVI) Group”) by Zibuyu BVI*

On December 28, 2020, Zibuyu BVI and Xingzezhi Cayman, a company controlled by Mr. Hua, one of the Controlling Shareholders, entered into a sale and purchase agreement, pursuant to which Zibuyu BVI purchased the entire issued share capital of Xingzezhi (BVI) Limited (“Xingzezhi BVI”), at a cash consideration of RMB6,250,000. Upon the completion of the acquisition in 2020, Xingzezhi BVI and its subsidiaries became wholly-owned subsidiaries of Zibuyu BVI. The acquisition was considered as a business combination under common control as Zibuyu BVI and Xingzezhi BVI are both controlled by the same controlling party before and after the transaction.

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1.4 Subsidiaries

Upon the completion of the Reorganization and up to the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Registered capital				Percentage of attributable equity interest to the Company				Principal activities and place of operation	Note
			As at December 31,		As at June 30,		As at December 31,		As at June 30,		As at December 31,		As at June 30,			
			2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022		
Directly held:																
Zibuyu BVI Limited	Limited liability company	British Virgin Islands August 21, 2018	US\$1	US\$1	US\$1	US\$1	US\$50,000	US\$50,000	US\$50,000	US\$50,000	100%	100%	100%	100%	100%	Investment holding, in the British Virgin Islands (i)
Indirectly held:																
Zibuyu International Limited	Limited liability company	Hong Kong September 19, 2016	HK\$ 100,000	HK\$ 100,000	HK\$ 100,000	HK\$ 100,000	HK\$ 100,000	HK\$ 100,000	HK\$ 100,000	100%	100%	100%	100%	100%	100%	Operation of online stores on third party e-commerce platforms, procurement and sales of products, in Hongkong (ii)
Hong Kong Zijin Limited	Limited liability company	Hong Kong November 26, 2018	-	-	-	-	HK\$ 100,000	HK\$ 100,000	HK\$ 100,000	100%	100%	100%	100%	100%	100%	Investment holding, in Hongkong (i)
Xingzhen (BVI) Limited	Limited liability company	British Virgin Islands October 16, 2018	US\$1	US\$1	US\$1	US\$1	US\$50,000	US\$50,000	US\$50,000	100%	100%	100%	100%	100%	100%	Investment holding, in the British Virgin Islands (i)
Zhejiang Zibuyu E-commerce Co., Ltd.	Limited liability company	The PRC April 20, 2011	22,600,000 RMB	22,600,000 RMB	22,600,000 RMB	22,600,000 RMB	22,600,000 RMB	22,600,000 RMB	22,600,000 RMB	100%	100%	100%	100%	100%	100%	Technical support and operation of website, in the PRC (iv)

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Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Registered capital				Percentage of attributable equity interest to the Company				Principal activities and place of operation	Note
			As at December 31,		As at June 30,		As at December 31,		As at June 30,		As at December 31,		As at June 30,			
			2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022		
Hangzhou Shangzhi Network Technology Co., Ltd. 杭州上知網絡科技有限公司	Limited liability company	The PRC	-	-	-	-	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	100%	100%	100%	100%	Investment holding, in the PRC	(i)
Hangzhou Zibuyu Supply Chain Management Co., Ltd. 杭州子不語供應鏈管理有限公司	Limited liability company	The PRC	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	100%	100%	100%	100%	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(v)	
Wuxi Zibuyu Supply Chain Management Co., Ltd. 無錫子不語供應鏈管理有限公司	Limited liability company	The PRC	RMB 3,000,000	RMB 3,000,000	N/A	N/A	RMB 3,000,000	RMB 3,000,000	N/A	100%	N/A	N/A	N/A	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)(vi)	
Guangzhou Zibuyu Supply Chain Service Co., Ltd. 廣州子不語供應鏈服務有限公司	Limited liability company	The PRC	RMB 3,000,000	RMB 3,000,000	RMB 3,000,000	RMB 3,000,000	RMB 3,000,000	RMB 3,000,000	RMB 3,000,000	100%	100%	100%	100%	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)	

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Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Registered capital				Percentage of attributable equity interest to the Company				Principal activities and place of operation	Note			
			As at December 31,		As at June 30,		As at December 31,		As at June 30,		As at December 31,		As at June 30,						
			2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022					
Anhui Yueyu Supply Chain Management Co., Ltd. 安徽省悅語供應鏈管理有限公司	Limited liability company	The PRC April 8, 2019	RMB 1,000,000	RMB 1,000,000	RMB 1,500,000	RMB 1,500,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	100%	100%	100%	100%	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)
Huzhou Zibuyu Supply Chain Management Co., Ltd. 湖州子不語供應鏈管理有限公司	Limited liability company	The PRC December 10, 2020	N/A	RMB 3,000,000	RMB 5,000,000	RMB 5,000,000	N/A	RMB 3,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	RMB 5,000,000	100%	100%	100%	100%	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)
Nanchang Zibuyu Supply Chain Management Co., Ltd. 南昌子不語供應鏈管理有限公司	Limited liability company	The PRC October 27, 2020	N/A	-	N/A	N/A	N/A	N/A	RMB 3,000,000	RMB N/A	RMB N/A	RMB N/A	RMB N/A	100%	N/A	N/A	N/A	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)(vi)
Hefei Zibuyu Network Technology Co., Ltd. 合肥子不語網絡科技有限公司	Limited liability company	The PRC August 23, 2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)(vi)



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Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Registered capital				Percentage of attributable equity interest to the Company				Principal activities and place of operation	Note			
			As at December 31,		As at June 30,		As at December 31,		As at June 30,		As at December 31,		As at June 30,						
			2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022					
Hangzhou Chengyusi Network Technology Co., Ltd. 杭州成於思網絡科技有限公司	Limited liability company	The PRC May 23, 2018	RMB 500,000	RMB 500,000	RMB 500,000	RMB 500,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	100%	100%	100%	100%	Technical support and operation of website, in the PRC	(i)
Hangzhou Jun Bu Qi Network Technology Co., Ltd. 杭州君不器網絡科技有限公司	Limited liability company	The PRC August 25, 2017	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	100%	100%	100%	100%	Technical support and operation of website, in the PRC	(i)
Anqing Zibuyu Network Technology Co., Ltd. 安慶子不語網絡科技有限公司	Limited liability company	The PRC April 24, 2018	RMB 100,000	RMB 100,000	RMB 100,000	RMB 100,000	RMB 100,000	RMB 100,000	RMB 100,000	RMB 100,000	RMB 100,000	RMB 100,000	RMB 100,000	100%	100%	100%	100%	Technical support and operation of website, in the PRC	(i)
Hangzhou Qingxun Network Technology Co., Ltd. 杭州清如許網絡科技有限公司	Limited liability company	The PRC March 26, 2020	N/A	-	N/A	N/A	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	N/A	N/A	N/A	N/A	100%	N/A	N/A	N/A	Technical support and operation of website, in the PRC	(i)(vii)

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Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Registered capital				Percentage of attributable equity interest to the Company				Principal activities and place of operation	Note
			As at December 31,		As at June 30,		As at December 31,		As at June 30,		As at December 31,		As at June 30,			
			2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022		
Hangzhou Modenxian Information Technology Co., Ltd. 杭州莫等開信息技術有限公司	Limited liability company	The PRC April 1, 2020	N/A	-	N/A	N/A	RMB 1,000,000	N/A	N/A	N/A	100%	N/A	N/A	N/A	Technical support and operation of website, in the PRC	(i)(vii)
Xingzeshi Hong Kong Limited	Limited liability company	Hong Kong November 1, 2018	-	-	HK\$ 100,000	HK\$ 100,000	HK\$ 100,000	HK\$ 100,000	100%	100%	100%	100%	100%	100%	Operation of online stores on self-operated online stores, procurement and sales of products, in Hongkong	(iii)
Hangzhou Xingzeshi Internet Technology Co., Ltd. 杭州行則至網絡科技有限公司	Limited liability company	The PRC November 20, 2018	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	RMB 1,000,000	100%	100%	100%	100%	100%	100%	Technical support and operation of website, in the PRC	(i)
Dongguan Zibuyu Supply Chain Management Co., Ltd. 東莞子不語供應鏈管理有限公司	Limited liability company	The PRC April 27, 2021	N/A	N/A	RMB 3,000,000	RMB 3,000,000	N/A	RMB 3,000,000	N/A	N/A	100%	100%	100%	100%	Warehousing, freight forwarding, supply chain management services, design and R&D, in the PRC	(i)

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Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Registered capital				Percentage of attributable equity interest to the Company				Principal activities and place of operation	Note	
			As at December 31,		As at June 30,		As at December 31,		As at June 30,		As at December 31,		As at June 30,				
			2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022			
Shenzhen Zibuyu E-commerce Co., Ltd. 深圳子不誦電子商務有限公司	Limited liability Company	The PRC December 22, 2021	N/A	N/A	-	RMB 1,000,000	N/A	N/A	RMB 1,000,000	N/A	N/A	100%	100%	100%	100%	Technical support and operation of website, in the PRC	(i)
Guangzhou Xingrezhi Internet Technology Co., Ltd. 廣州行則至網絡科技有限公司	Limited liability Company	The PRC July 28, 2021	N/A	N/A	RMB 1,000,000	RMB 1,000,000	N/A	N/A	RMB 1,000,000	N/A	N/A	100%	100%	100%	100%	Technical support and operation of website, in the PRC	(i)
Hangzhou Xingrezhi E-commerce Co., Ltd. 杭州行則至電子商務有限公司	Limited liability Company	The PRC March 16, 2022	N/A	N/A	N/A	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%	100%	Technical support and operation of website, in the PRC	(i)
Xiamen Zibuyu E-commerce Co., Ltd. 廈門子不誦電子商務有限公司	Limited liability Company	The PRC May 17, 2022	N/A	N/A	N/A	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%	100%	Technical support and operation of website, in the PRC	(i)

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- (i) No audit of statutory financial statements were performed for these subsidiaries as they are newly incorporated or not required to issue audited financial statements under local statutory requirements of their respective places of incorporation.
  - (ii) The statutory financial statements of Zibuyu International Limited for the year ended December 31, 2019 were audited by W. H. Shum & Co., in Hong Kong and for the years ended December 31, 2020 and 2021 were audited by PricewaterhouseCoopers.
  - (iii) The statutory financial statements of Xingzezhi HK Limited for the period from the date of incorporation to December 31, 2019 were audited by W. H. Shum & Co., in Hong Kong and for the years ended December 31, 2020 and 2021 were audited by PricewaterhouseCoopers.
  - (iv) The statutory financial statements of Zhejiang Zibuyu E-commerce Co., Ltd. for the year ended December 31, 2019 were audited by Hangzhou Jinshan C.P.A. Partnership, for the year ended December 31, 2020 were audited by Zhejiang Zhengge Certified Public Accountants (General partner) and for the year ended December 31, 2021 were audited by Beijing Zhongmingguocheng Certified Public Accountants LLP.
  - (v) The statutory financial statements of Hangzhou Zibuyu Supply Chain Management Co., Ltd. for the year ended December 31, 2020 were audited by Zhejiang Zhengge Certified Public Accountants (General partner) and for the year ended December 31, 2021 were audited by Beijing Zhongmingguocheng Certified Public Accountants LLP.
  - (vi) In order to optimize the Group’s business and shareholding structure, the Group deregistered Hefei Zibuyu Network Technology Co., Ltd. in the year ended December 31, 2019 and deregistered Wuxi Zibuyu Supply Chain Management Co., Ltd., and Nanchang Zibuyu Supply Chain Management Co., Ltd. during the year ended December 31, 2021.
  - (vii) In order to optimize the Group’s business and shareholding structure, the Group disposed Hangzhou Qingruxu Network Technology Co., Ltd. and Hangzhou Modengxian Information Technology Co., Ltd. during the year ended December 31, 2021.
  - (viii) As at June 30, 2022, there are 431 companies, with no assets and liabilities, paid-up capital and business operation, established solely for the purpose of registration of seller stores on e-commerce platforms. These companies are indirectly wholly-owned subsidiaries of the Company.
- \* The English names of certain subsidiaries referred to above represent the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

### 1.5 Basis of presentation

Immediately prior to the Reorganization, the [REDACTED] Business is carried out by the Operating Entities. Pursuant to the Reorganization, the Operating Entities are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a recapitalization of the [REDACTED] Business with no changes in management of such business and the ultimate owners of the [REDACTED] Business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the [REDACTED] Business under the Operating Entities and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the Operating Entities, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the [REDACTED] Business under the consolidated financial statements of the Operating Entities for all years/periods presented.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

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### 2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (“IASB”) during the Track Record Period. The Historical Financial Information of the Group has been prepared under the historical cost convention, except for financial assets and liabilities measured at fair value through profit or loss.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

#### *New standards and interpretations not yet adopted*

All effective standards, amendments to standards and interpretations, including IFRS 16 “Leases”, which is mandatory for the financial year beginning on or after January 1, 2019, have been early adopted and are consistently applied to the Group throughout the Track Record Period.

Certain new accounting standards and interpretations have been published that are not mandatory for the Track Record Period and have not been early adopted by the Group. These new standards and interpretations are:

		<u>Effective for annual periods beginning on or after</u>
IFRS 10 (Amendment) and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IAS 1 (Amendment)	Classification of liabilities as current or non-current	January 1, 2023
IFRS 17	Insurance contracts	January 1, 2023
IAS 1 (Amendment) and IFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policies	January 1, 2023
IAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IAS 8 (Amendment)	Definition of Accounting Estimates	January 1, 2023

Management is currently assessing the effects of applying these new standards and amendments on the Group’s consolidated financial information. None of these is expected to have a significant effect on the consolidated financial information of the Group. The Group does not expect to adopt these new standards and amendments until their effective dates.

### 2.2 Subsidiaries

#### *Consolidation*

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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### 2.3 Business combination

#### *Merger accounting for business combination involving businesses under common control*

The Historical Financial Information incorporate the financial statements items of the combining business in which the common control combination occurs as if it had been combined from the date when the combining business first came under the control of the controlling party.

The net assets of the combining business are consolidated using the existing book values from the controlling party’s perspective. No amount is recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of comprehensive income includes the results of the combining business from the earliest date presented or since the date when the combining business first came under the common control, where this is a shorter period.

The comparative amounts in the Historical Financial Information are presented as if the business had been combined at the beginning of the previous reporting period or when it first came under common control, whichever is shorter. These activities were combined with all intra-group balances and transactions eliminated within the Group.

### 2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in the subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year/period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

### 2.6 Foreign currencies

#### *Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). Since all of the assets of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company’s functional and the Group’s presentation currency.

#### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in the consolidated statement of comprehensive income on a net basis within “Other gains/(losses), net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

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### 2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the profit or loss during the year/period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machinery	10-20 years
Transportation equipment	4 years
Electronic equipment	3 years
Office equipment	5 years
Leasehold improvements	3 years, or over lease term, whichever is the shorter

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within “Other gains/(losses), net” in the consolidated statements of comprehensive income.

### 2.8 Intangible assets

#### *Software*

Acquired software is initially capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Software is stated at historical cost less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful lives of 2 to 5 years.

The amortization period and amortization method of intangible assets are reviewed at each reporting period. The effects of any revision are recognized as profit or loss when the changes arise.

### 2.9 Impairment of non-financial assets

Assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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### 2.10 Financial assets

#### 2.10.1 Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### 2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

#### 2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in “Other gains/(losses), net” together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.
- FVPL: Assets that do not meet the criteria for amortized cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in “Other gains/(losses), net” in the period in which it arises.



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### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group’s right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognized in “Other gains/(losses) – net” in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### **2.10.4 Impairment**

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimation of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

The Group has following types of financial assets subject to IFRS 9’s expected credit loss model:

- Trade receivables
- Other receivables
- Cash and bank balances
- Restricted bank balances

While cash and bank balances, restricted bank balances and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Impairment on other receivables, cash and bank balances and restricted bank balances are measured as lifetime expected credit losses if a significant increase in credit risk of a receivable has occurred since initial recognition.

Impairment of other receivables is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statements of comprehensive income.

### **2.11 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

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### 2.12 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of purchased inventories are determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 2.13 Trade and other receivables

Trade receivables are amounts due from platforms or customers for merchandise sold or services rendered in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 21 for further information about the Group’s accounting for trade receivables and Note 3.1 for a description of the Group’s impairment policies.

### 2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statements, cash and cash equivalents include cash on hand, demand deposits held at banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### 2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company issued shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over share capital shall be classified as share premium.

### 2.16 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case they are presented as non-current liabilities.

Borrowings are initially recognized at fair value (net of transaction costs) and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognized when the obligation is discharged, cancelled or expired. The difference between carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Foreign exchange gains and losses resulting from the borrowings denominated in foreign currencies are recognized in the consolidated statements of comprehensive income on a net basis within “Finance costs – net”.

### 2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

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### 2.18 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### 2.19 Redeemable convertible preference shares

Holders of redeemable convertible preferred shares issued by the Company are redeemable upon occurrence of certain future events. These instruments can also be converted into ordinary shares of the Company automatically upon occurrence of an [REDACTED] of the Company as detailed in Note 31.

The Group designated the preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss. All fair value changes except for those relating to the Company’s own credit risk are recognized in profit or loss. The component of fair value changes relating to the Company’s own credit risk is recognized in other comprehensive income (“OCI”). Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in profit or loss.

The preferred shares were classified as current liability. The preferred shares holders can demand the Company to redeem the preferred shares within 12 months upon occurrence of certain future events.

### 2.20 Current and deferred income tax

The income tax expense for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where the Company’s subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

### 2.21 Employee benefits

#### *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

#### *Pension obligations*

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group’s future obligations to such defined contribution pension plans even if the employee leaves.

#### *Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds is limited to the contributions payable in each year/period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

### 2.22 Share-based payments

#### *Employee share scheme*

Under the employee share scheme, shares were granted to employees for certain cash consideration vest immediately on grant date. On this date, the market value of the shares issued minus the consideration is recognized as an employee benefits expense with a corresponding increase in equity.

### 2.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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### 2.24 Revenue recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The following is a description of the accounting policy for the principal revenue streams of the Group.

#### (a) Sales of products

The Group sells its products to customers over self-operated online stores and third-party E-commerce platforms such as Amazon and Wish etc. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and delivery to the customers.

Revenue from the sale of products is recognized at the point in time when control of the asset is transferred to the customer, generally on the receipt of products by customers.

If the contract for the sale of goods provide customers with rights of return, it gives rise to variable consideration.

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

### 2.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see note 7 below. Any other interest income is included in other income.

Interest income is recognized on a time-proportion basis using the effective interest method.

### 2.26 Earnings per share

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year/period, adjusted for bonus elements in ordinary shares issued during the year/period and excluding treasury shares.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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### 2.27 Leases

The Group mainly leases office, warehouse and dormitory as lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

To determine the incremental borrowing rate, the Group:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items of IT equipment.

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### 2.28 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to other non-current liabilities account and is released to the consolidated statements of comprehensive income on a straight-line basis over the expected useful life of the relevant assets.

The recognition period of government grants is reviewed, and adjusted if appropriate, at the end of each reporting period.

### 2.29 Dividend distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the Group’s and the Company’s financial statements in the period in which the dividends are approved by the Company’s directors or shareholders, where applicable.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures during the Track Record Period.

#### *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group entities collect most of the revenue and incur most of the expenditures in respect of their functional currencies. Foreign exchange risk arises from various currency exposures primarily through proceeds received from customers and shareholders, and payments to the suppliers that are denominated in a currency other than the Group’s entities’ functional currency. The currencies giving rise to this risk are primarily US\$, European dollar (“EUR”) and HK\$, as most sales and certain purchase of the Group are denominated in US\$, EUR and HK\$. The management of the Group considers that the Group’s exposure to foreign currency exchange risk is not significant due to most of the functional currency of the entities in Group is the same as the transaction currency.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, if RMB had strengthened/weakened by 5% against the US\$, EUR and HK\$ with all other variables held constant, the total profit for the year/period would have been RMB1,453,000, RMB4,010,000, RMB2,510,000 lower/higher and RMB1,617,000 higher/lower respectively, mainly as a result of net foreign exchange losses/gains on translation of US\$, EUR and HK\$ denominated cash and cash equivalents, trade and other receivables and trade and other payables.

#### *Cash flow and fair value interest rate risk*

The Group’s interest rate risk arises from bank deposits and borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at bank with variable interest rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During the Track Record Period, the Group’s borrowings bore interest both at variable rates and fixed rates.

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Bank deposits carried at prevailing market interest rate expose the Group to cash flow interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group’s interest rate risk exposure to ensure it is within an acceptable level. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

During the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, if interest rate on borrowings had been higher/lower by 50 basis points of current interest rate, with other variables held constant, net profit for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, would have been approximately RMB166,000 lower/higher, RMB155,000 lower/higher, RMB329,000 lower/higher, RMB92,000 lower/higher and RMB221,000 lower/higher, respectively.

### *Credit risk*

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash and trade and other receivables. The carrying amount of each class of the above financial assets represents the Group’s maximum exposure to credit risk in relation to the corresponding class of financial assets.

#### *(i) Credit risk of cash and cash equivalents and restricted cash*

To manage this risk, cash deposits at banks are mainly placed with state-owned and reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

#### *(ii) Credit risk of trade receivables*

The Group has policies in place to ensure that trade receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the aging.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer’s ability to meet its obligations
- actual or expected significant changes in the operating results of customers
- significant changes in the expected performance and behaviour of the customers, including changes in the payment status.

Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the entire amounts of the receivables will have difficulty to be recovered and has recognized impairment losses.

The expected loss rates are based on the payment profiles of sales over a period of each reporting period and probability of default of counter parties on an ongoing basis throughout each reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product (GDP) and the growth rate of information technology industry to be the most relevant factor, and accordingly adjusted the historical loss rates based on expected changes in these factors.



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The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. As there was no significant change of the customer base, historical credit loss rate of customers and forward-looking information for the years ended 31 December 2019, 2020 and 2021 and six months ended June 30, 2022, the Group adopted the same expected credit loss rate during the Track Record Period.

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Gross carrying amount of trade receivables	190,626	167,337	119,825	181,641
Expected loss rate	(0.50%)	(0.50%)	(0.50%)	(0.50%)
Loss allowance	(953)	(837)	(599)	(908)

*(iii) Credit risk of other receivables*

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group believe that there is no material credit risk inherent in the Group’s outstanding balance of other receivables.

Other receivables mainly comprise deposits and other receivables. The Group considers the probability of default on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the third party’s ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, there was no significant increase in credit risk since initial recognition, the Group assessed that the expected credit losses for these receivables are not material through using the 12 months expected losses method.

**Liquidity risk**

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

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The table below analyzes the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Within 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<u>As at December 31, 2019</u>					
Lease liabilities	13,221	9,167	3,448	1,472	27,308
Trade and other payables (excluding refund liabilities, payroll and welfare payables and other tax payables)	195,055	–	–	–	195,055
Borrowings	82,857	–	–	–	82,857
	<u>291,133</u>	<u>9,167</u>	<u>3,448</u>	<u>1,472</u>	<u>305,220</u>

	<b>Within 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<u>As at December 31, 2020</u>					
Lease liabilities	13,209	5,179	3,610	–	21,998
Trade and other payables (excluding refund liabilities, payroll and welfare payables and other tax payables)	131,360	–	–	–	131,360
Borrowings	72,837	–	–	–	72,837
	<u>217,406</u>	<u>5,179</u>	<u>3,610</u>	<u>–</u>	<u>226,195</u>

	<b>Within 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<u>As at December 31, 2021</u>					
Lease liabilities	14,782	12,830	14,013	–	41,625
Trade and other payables (excluding refund liabilities, payroll and welfare payables and other tax payables)	138,478	–	–	–	138,478
Borrowings	215,657	15	305	–	215,977
Redeemable convertible preferred shares	106,091	–	–	–	106,091
	<u>475,008</u>	<u>12,845</u>	<u>14,318</u>	<u>–</u>	<u>502,171</u>

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	<b>Within 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<u>As at June 30, 2022</u>					
Lease liabilities	19,841	17,105	12,376	–	49,322
Trade and other payables (excluding refund liabilities, payroll and welfare payables and other tax payables)	188,971	–	–	–	188,971
Borrowings	230,026	311	–	–	230,337
Redeemable convertible preferred shares	108,365	–	–	–	108,365
	<u>547,203</u>	<u>17,416</u>	<u>12,376</u>	<u>–</u>	<u>576,995</u>

**3.2 Capital management**

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net debt equity ratio. This ratio is calculated as “net debt” divided by “total (deficit)/equity”. Net debt is calculated as borrowings and lease liabilities less cash and cash equivalents. The net debt equity ratios of December 31, 2019, 2020 and 2021 and June 30, 2022 were as follows:

	<b>As at December 31,</b>			<b>As at June 30,</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Bank borrowings	79,518	71,000	210,239	224,609
Lease liabilities	25,700	20,747	39,841	47,913
Loans from related parties	23,956	–	–	–
Loans from third parties	80	–	–	–
Redeemable convertible preferred shares	–	–	106,091	108,365
Less: cash and cash equivalents	<u>(27,097)</u>	<u>(83,000)</u>	<u>(80,855)</u>	<u>(82,913)</u>
Net debt	102,157	8,747	275,316	297,974
Total equity	<u>64,756</u>	<u>172,467</u>	<u>372,976</u>	<u>434,290</u>
Total capital	166,913	181,214	648,292	732,264
Net debt to total capital ratio	<u>61%</u>	<u>5%</u>	<u>42%</u>	<u>41%</u>

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**3.3 Fair value estimation**

*(a) Fair value hierarchy*

Financial instruments carried at fair value or where fair value was disclosed can be categorized by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorized into three levels within a fair value hierarchy as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

As at December 31, 2019, no assets or liabilities were measured at fair value. The following table presents the Group’s assets and liabilities that are measured at fair value as at December 31, 2020, 2021 and June 30, 2022.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at December 31, 2020				
Financial assets at fair value through profit or loss	–	–	5,800	5,800
As at December 31, 2021				
Financial assets at fair value through profit or loss	–	–	–	–
Redeemable convertible preferred shares	–	–	106,091	106,091
As at June 30, 2022				
Financial assets at fair value through profit or loss	–	–	–	–
Redeemable convertible preferred shares	–	–	108,365	108,365

Quantitative information about fair value measurements on financial assets using significant unobservable inputs (Level 3) is as follow:

<b>Significant unobservable inputs</b>	<b>Valuation approach</b>	<b>Range of unobservable inputs</b>			
		<b>Year ended December 31,</b>			<b>Six months ended</b>
		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>June 30, 2022</b>
Expected rate of return per annum	Discounted cash flow	N/A	2.97%	N/A	N/A

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Relationship of unobservable inputs to fair value: the higher of expected rate of return, the higher the fair value.

The Group manages the valuation of level 3 instruments for financial reporting purpose on a case by case basis. At least once every reporting year, the Group would assess the fair value of the Group’s level 3 instruments by using valuation techniques.

Increasing/decreasing the discount rates by 0.5% would decrease/increase the fair values as at December 31, 2020 by approximately RMB1,000.

There were no transfers between Level 1, 2 and 3 during the Track Record Period.

### **(b) Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- for other financial instruments discounted cash flow analysis.

The finance manager of the Group performs valuation on these level 3 instruments for financial reporting purposes. On an annual basis, the team adopts various valuation techniques to determine the fair value of the Group’s level 3 instrument.

The level 3 instrument of the Group mainly includes redeemable convertible preferred shares (Note 31) and investments in a wealth management product (Note 23). As these instruments are not traded in an active market, their fair value has been determined using discounted cash flows approach and market approach etc. Major assumptions used in the valuation for preferred shares are presented in Note 31.

Fair value of redeemable convertible preferred shares is affected by the changes in the Company’s equity value. If the Company’s equity value had increased/decreased by 10% with all other variables held constant, the profit before income tax for the year ended December 31, 2021 and the six months ended June 30, 2021 and 2022 would have been approximately RMB10,609,000 lower/higher, RMB10,412,000 lower/higher and RMB10,836,000 lower/higher.

The Group used discounted cash flows approach to value the fair value of the instrument as at year end. The fair value changes of the instrument are immaterial due to the short period and low expected return rate. Accordingly, the sensitivity to changes in unobservable inputs is not material.

## **4 CRITICAL ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

### **(a) Estimation of the fair value of redeemable convertible preferred shares**

The redeemable convertible preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the redeemable convertible preferred shares. Key assumptions such as the timing of the liquidation, redemption or [REDACTED] event as well as the probability of the various scenarios were based on the Group’s best estimates.

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**(b) Net realizable value of inventories**

Net realizable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable variable selling and marketing expenses.

The Group assesses the net realizable value of the inventories as well as the required amount of impairment of inventory provision at each balance sheet date, which involves significant judgment on determination of the estimated residual value of the inventory based on the Group’s marketing and retail pricing strategy, sales forecast of each product collection, and the price markdown necessary to sell off-season products at certain stage of the product lifecycle based on the general historical pattern on a season-by-season basis. The Group performs regular check on the physical conditions of inventories and assesses possible write-down for any damaged inventories at each balance sheet date.

These key estimates are based on the current market condition and the historical experience of selling products of similar nature, which are reassessed at each balance sheet date as they could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle.

**(c) Current and deferred income taxes**

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the periods in which such determinations are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized as management considers that it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation in the periods in which such estimate is changed.

**5 SEGMENT INFORMATION**

**(a) Description of segments and principal activities**

For management purposes, the Group is not organized into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group’s operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

*Geographical information of customers*

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
– North America	899,794	1,378,302	2,029,381	889,456	1,220,094
– Europe	414,658	381,607	237,576	155,077	46,486
– Others	114,402	138,200	79,586	56,153	10,947
	<u>1,428,854</u>	<u>1,898,109</u>	<u>2,346,543</u>	<u>1,100,686</u>	<u>1,277,527</u>

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**(b) Revenue during the Track Record Period**

Revenue from contract with customers within the scope of IFRS 15 is as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
– Third-party e-commerce platforms	1,312,653	1,505,888	2,052,279	897,655	1,200,303
– Self-operated online stores	109,708	362,601	257,319	172,612	74,756
– Others	6,493	29,620	36,945	30,419	2,468
	<u>1,428,854</u>	<u>1,898,109</u>	<u>2,346,543</u>	<u>1,100,686</u>	<u>1,277,527</u>

The analysis of revenue from contract with customers within the scope of IFRS 15 recognized over time and at a point in time as required by IFRS15 is set out below:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
<b>Timing of revenue recognition</b>					
– Point in time	<u>1,428,854</u>	<u>1,898,109</u>	<u>2,346,543</u>	<u>1,100,686</u>	<u>1,277,527</u>

**(c) Contract liabilities**

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Contract liabilities	<u>24,741</u>	<u>132,576</u>	<u>29,650</u>	<u>11,225</u>

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year/ period	<u>2,560</u>	<u>8,769</u>	<u>112,272</u>	<u>101,017</u>	<u>23,928</u>

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**(d) Unsatisfied performance obligations**

The following table shows the unsatisfied performance obligations resulting from contracts with customers:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<b>Expected to be recognized within one year</b>				
Advances from customers	24,741	132,576	29,650	11,225

**(e) Information about major customers**

No individual customer’s revenue exceeds 10% of the Group’s total revenue during the Track Record Period.

**6 OTHER INCOME**

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Government grants (i)	1,980	7,305	11,226	701	5,179
Consulting service income	1,959	1,157	2,304	2,005	128
Others	401	519	2,452	1,049	289
	4,340	8,981	15,982	3,755	5,596

(i) Government grants provided to the Group mainly related to financial subsidies received from the local governments in the PRC. There are no unfulfilled conditions or other contingencies relating to these grants.

**7 OTHER GAINS/(LOSSES), NET**

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net foreign exchange gains/(losses)	3,554	(3,874)	(8,566)	(4,637)	8,860
Fair value gains of financial assets at fair value through profit or loss	131	201	33	33	–
Net (losses)/gains on disposal of property, plant and equipment	(50)	3	(53)	(45)	(16)
Net losses on disposal of right-of-use assets	–	–	–	–	(16)
Penalty and interest for late payment of taxes	(169)	(8,223)	(475)	(214)	(246)
Others	11	140	(31)	111	74
	3,477	(11,753)	(9,092)	(4,752)	8,656



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8 EXPENSES BY NATURE

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Freight and insurance cost	412,157	546,587	634,851	287,499	366,865
Cost of inventories sold (Note 20)	380,731	455,266	469,071	228,121	230,148
Commission to e-commerce platforms	206,836	245,465	349,625	150,399	209,448
Marketing and advertising expenses	116,197	263,244	319,057	146,215	192,208
Employee benefit expenses (Note 11)	103,227	101,949	124,497	56,448	74,495
Other platform fees	50,687	65,714	99,440	41,315	65,649
Provision of inventories	22,386	29,952	21,162	6,322	20,313
[REDACTED]	–	–	21,546	13,332	10,781
Depreciation of right-of-use assets (Note 16)	9,124	11,261	15,132	7,730	9,767
Labour outsourcing fees	5,417	7,338	9,319	3,158	6,569
Office expenses	5,907	6,617	6,764	3,215	4,207
Legal and professional fees	2,416	2,333	5,544	2,272	2,980
Depreciation of property, plant and equipment (Note 15)	1,902	2,282	3,568	1,560	2,170
IT server fees	2,704	3,142	2,475	1,023	1,153
Rental expenses (Note 16)	170	52	227	73	495
Amortization of intangible assets (Note 17)	275	302	325	144	324
Auditors’ remuneration	487	345	268	155	322
Settlement fees	2,996	982	1,701	1,284	114
Other expenses	10,546	10,666	19,110	7,998	11,581
Total cost of sales, selling expenses and distribution costs and general and administrative expenses	<u>1,334,165</u>	<u>1,753,497</u>	<u>2,103,682</u>	<u>958,263</u>	<u>1,209,589</u>

The Group incurred expenses amounted to a total of approximately RMB13,388,000, RMB11,721,000 and RMB12,590,000, RMB5,804,000 and RMB6,040,000 related to research and development of new systems for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, respectively. All of these expenses comprise remuneration paid to certain staff in “Employee benefit expenses”, amount paid to IT server in “IT server fees” and amortization of certain software in “Amortization of intangible assets”.

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**9 FINANCE COSTS – NET**

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<i>Finance costs:</i>					
Interest expenses on bank borrowings	4,223	3,899	6,588	2,329	5,470
Interest expenses on loans from related parties	3,160	1,184	18	18	–
Finance charges for lease liabilities (Note 16)	1,059	1,035	1,851	848	1,186
Net foreign exchange losses on cash and cash equivalents and bank borrowings	–	414	1,329	664	–
Others	213	188	90	12	50
Total finance costs	<u>8,655</u>	<u>6,720</u>	<u>9,876</u>	<u>3,871</u>	<u>6,706</u>
<i>Finance income:</i>					
Net foreign exchange gains on cash and cash equivalents and bank borrowings	(365)	–	–	–	(1,215)
Finance costs – net	<u>8,290</u>	<u>6,720</u>	<u>9,876</u>	<u>3,871</u>	<u>5,491</u>

**10 INCOME TAX EXPENSE**

The amount of income tax charged to the consolidated statement of comprehensive income represents:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax	16,603	20,681	35,068	21,207	11,597
Deferred income tax (Note 28)	(4,112)	(219)	2,054	1,535	(1,563)
Income tax expense	<u>12,491</u>	<u>20,462</u>	<u>37,122</u>	<u>22,742</u>	<u>10,034</u>

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the entity operates.

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### (i) Cayman Islands profits tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and is exempted from payment of the Cayman Islands income tax.

### (ii) British Virgin Islands (“BVI”) profits tax

The Company’s subsidiaries incorporated in the BVI are exempted from BVI income tax, as they are incorporated under the International Business Companies Act of the BVI.

### (iii) Hong Kong profits tax

The Company’s subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022.

### (iv) PRC corporate income tax (“CIT”)

The Group’s subsidiaries in the PRC are subject to PRC CIT which is calculated based on the applicable tax rate of 25% on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations, except for disclosed below.

Zhejiang Zibuyu had been recognized as the High New Tech Enterprises in 2018 and 2021. Hangzhou Xingzezhi had been recognized as the High New Tech Enterprises in 2020. According to the tax incentives of the Corporate Income Tax Law of the People’s Republic of China (the “CIT Law”) for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for relevant years.

For the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, several subsidiaries in PRC were qualified as small and micro enterprises under the PRC CIT regime, which enjoyed a corporate income tax rate of 2.5%-10%.

### (v) PRC withholding income tax

According to the CIT Law, starting from January 1, 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends out of their profits earned after January 1, 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies, including those incorporated in Hong Kong.

During the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, no dividend withholding tax for PRC companies was provided as the directors have confirmed that the Group does not expect those subsidiaries to distribute the retained earnings as at December 31, 2019, 2020 and 2021 and June 30, 2022 in the foreseeable future. Unremitted earnings that deferred income tax liabilities have not been recognized totalled RMB69,033,000, RMB131,927,000, RMB246,301,000 and RMB273,723,000 as at December 31, 2019, 2020, 2021 and June 30, 2022.

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The difference between the actual income tax expense charged to the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rates to profit before income tax can be reconciled as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Profit before income tax	93,600	134,423	237,631	136,975	71,348
Tax calculated at tax rates applicable to profits of the respective subsidiaries	21,949	28,839	51,857	27,216	13,519
Preferential tax of certain subsidiaries	(7,149)	(6,985)	(12,503)	(3,964)	(2,417)
Expenses not deductible for tax purposes	50	501	876	336	24
Super deductions on research and development expenditures (i)	(2,370)	(2,228)	(2,410)	(1,129)	(1,241)
Income not subject to tax	(229)	(7)	(415)	(2)	(270)
Others	240	342	(283)	285	419
Income tax expense	12,491	20,462	37,122	22,742	10,034

*(i) Super deductions for research and development expenditures*

According to the relevant laws and regulations promulgated by the State Tax Bureau of the People’s Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim up to 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year/period (“Super Deduction”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the Track Record Period.

**11 EMPLOYEE BENEFIT EXPENSES**

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Wages, salaries and bonuses	86,915	94,241	110,344	50,513	65,623
Contributions to pension plan, medical insurance and other social insurance (a)	13,089	4,271	11,000	4,202	6,726
Housing fund	3,223	3,437	3,153	1,733	2,146
	103,227	101,949	124,497	56,448	74,495

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**(a) Pension costs-defined contribution plans**

The employees of the Group in the PRC are members of a state-managed pension obligations operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

Due to COVID-19 pandemic, part of pension insurance, unemployment insurance and employee injury insurance were exempted by the local government in 2020.

**12 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS**

**(a) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group include 1, 1, 2 and 1 and nil director for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022, respectively. The emoluments of directors are reflected in the analysis presented in note (b) below. Details of the remunerations of the remaining highest paid non-director individuals during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	2,315	2,311	1,748	1,143	3,690
Contributions to pension plan, housing fund, medical insurance and other social benefits	215	98	223	134	179
	<u>2,530</u>	<u>2,409</u>	<u>1,971</u>	<u>1,277</u>	<u>3,869</u>

The number of highest paid non-director individuals whose remuneration for the Track Record Period fell within the following bands are as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Nil to HK\$1,000,000	4	4	3	4	2
HK\$1,000,001 to HK\$1,500,000	–	–	–	–	3
	<u>4</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>5</u>

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**(b) Directors’ and the chief executive officer’s emoluments**

The remuneration of every director and the chief executive officer is set out below:

For the year ended December 31, 2019:

Name	Emoluments paid or receivable in respect of a person’s service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking					Total
		Fees	Salaries	Discretionary bonuses	Defined contribution pension bonuses	Other allowances and benefits in kind	
<u>Chairman:</u>							
Hua Bingru (Chief Executive Officer)	–	528	12	29	34	603	
<u>Executive directors</u>							
Yang Xinmin*	–	258	315	29	34	636	
Xu Shijian (Chief Financial Officer)	–	490	26	29	34	579	
Wang Weiping	–	270	26	29	34	359	
Wang Shijian	–	302	26	29	34	391	
	–	1,848	405	145	170	2,568	

For the year ended December 31, 2020:

Name	Emoluments paid or receivable in respect of a person’s service as a director, whether of the Company or its subsidiary undertakings	Emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking					Total
		Fees	Salaries	Discretionary bonuses	Defined contribution pension bonuses	Other allowances and benefits in kind	
<u>Chairman:</u>							
Hua Bingru (Chief Executive Officer)	–	563	51	2	21	637	
<u>Executive directors</u>							
Xu Shijian (Chief Financial Officer)	–	395	43	3	24	465	
Wang Weiping	–	283	44	3	24	354	
Wang Shijian	–	326	44	3	24	397	
Yang Xinmin*	–	253	104	3	24	384	
	–	1,820	286	14	117	2,237	

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For the year ended December 31, 2021:

Name	Emoluments paid or receivable in respect of a person’s service as a director, whether of the Company or its subsidiary undertakings		Emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking			
	Fees	Salaries	Discretionary bonuses	Defined contribution pension bonuses	Other allowances and benefits in kind	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman: Hua Bingru (Chief Executive Officer)	–	547	45	29	34	655
Executive directors						
Xu Shijian (Chief Financial Officer)	–	528	43	34	40	645
Dong Zhenguo	–	236	19	20	23	298
Wang Shijian	–	345	28	34	40	447
Wang Weiping	–	314	26	34	40	414
Non-executive Director Hua Hui	–	–	–	–	–	–
Independent non-executive directors						
Yu Kefei	–	–	–	–	–	–
Shen Tianfeng	–	–	–	–	–	–
Lau Kin Shing Charles	–	–	–	–	–	–
	–	1,970	161	151	177	2,459

For the six months ended June 30, 2021:

Name	Emoluments paid or receivable in respect of a person’s service as a director, whether of the Company or its subsidiary undertakings		Emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking			
	Fees	Salaries	Discretionary bonuses	Defined contribution pension bonuses	Other allowances and benefits in kind	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
(Unaudited) Chairman: Hua Bingru (Chief Executive Officer)	–	271	23	15	17	326
Executive directors						
Xu Shijian (Chief Financial Officer)	–	229	19	16	18	282
Wang Weiping	–	154	13	16	18	201
Wang Shijian	–	170	14	16	18	218
Dong Zhenguo	–	28	–	2	3	33
Non-executive Director Hua Hui	–	–	–	–	–	–
Independent non-executive directors						
Yu Kefei	–	–	–	–	–	–
Shen Tianfeng	–	–	–	–	–	–
	–	852	69	65	74	1,060

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For the six months ended June 30, 2022:

Name	Emoluments paid or receivable in respect of a person’s service as a director, whether of the Company or its subsidiary undertakings		Emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs, whether of the Company or its subsidiary undertaking			
	Fees	Salaries	Discretionary bonuses	Defined contribution pension bonuses	Other allowances and benefits in kind	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<u>Chairman:</u>						
Hua Bingru (Chief Executive Officer)	–	271	21	22	14	328
<u>Executive directors</u>						
Xu Shijian (Chief Financial Officer)	–	299	21	18	21	359
Wang Weiping	–	160	9	18	19	206
Wang Shijian	–	175	12	18	20	225
Dong Zhenguo	–	207	14	18	22	261
<u>Non-executive Director</u>						
Hua Hui	–	–	–	–	–	–
<u>Independent non-executive directors</u>						
Yu Kefei	–	–	–	–	–	–
Shen Tianfeng	–	–	–	–	–	–
Lau Kin Shing Charles	–	–	–	–	–	–
	–	1,112	77	94	96	1,379

\* Mr. Yang Xinmin tendered his resignation as director of the Company in December 2020 and the filing of change was completed on June 7, 2021.

Mr. Dong Zhenguo has been appointed as executive director and Ms. Hua Hui has been appointed as non-executive director from June 7, 2021.

Mr. Yu Kefei, Mr. Shen Tianfeng and Dr. Lau Kin Shing Charles has been appointed as independent non-executive directors from October 13, 2022.

**(i) Directors’ retirement and termination benefits**

None of the directors of the Company received any retirement benefits or termination benefits in respect of their services to the Group for the Track Record Period.

**(ii) Consideration provided to third parties for making available directors’ services**

No payment was made to the former employers of the directors for making available the services of them as a Director of the Company during the Track Record Period.

**(iii) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

Save as those disclosed in Note 34, there were no other loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors, or body corporate controlled by or entities connected with any of the directors during the Track Record Period.



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(iv) *Directors’ material interests in transactions, arrangements or contracts*

Save as those disclosed in Note 30 and 34, there are no significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Track Record Period.

**13 DIVIDENDS**

No dividend has been paid or declared by the Company since its incorporation.

On 31 October 2018, dividends of RMB64,844,000 were declared by Zhejiang Zibuyu E-commerce Co., Ltd. (Zhejiang Zibuyu), a subsidiary of the Company, to its the then shareholders. Such dividend was paid in cash during the year ended December 31, 2019.

For the details of deemed distribution, please refer to Note 26.

**14 EARNINGS PER SHARE**

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Profit attributable to the ordinary equity holders of the Company	81,109	113,961	200,509	114,233	61,314
Weighted average number of ordinary shares in issues (’000)	400,000	400,000	400,000	400,000	400,000
Basic earnings per share (express in RMB per share)	0.20	0.28	0.50	0.29	0.15

**Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective year/period. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of the issuance of 2,000,000 shares of the Company in connection with the Reorganization completed on December 14, 2018 and the share subdivision completed on September 16, 2022 whereby each ordinary share was subdivided into 200 ordinary shares (Note 25).

**Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all potentially dilutive ordinary shares.

The Company has one category of dilutive potential ordinary shares: redeemable convertible preferred shares. The dilutive potential ordinary shares were not included in the calculation of diluted earnings per share as the condition of conversion i.e. occurrence of the [REDACTED] of the Company of such convertible preferred shares to ordinary shares were not satisfied as at December 31, 2019, 2020 and 2021 and June 30, 2022. Accordingly, diluted earnings per share presented is the same as the basic earnings per share for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022.

The basic and diluted earnings per share as presented above has not taken into account the proposed capitalisation issue of shares pursuant to the shareholders’ resolution passed on October 13, 2022 because the proposed capitalisation issue has not become effective as of the date of this report.

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**15 PROPERTY, PLANT AND EQUIPMENT**

	<b>Electronic equipment</b>	<b>Office equipment</b>	<b>Transportation equipment</b>	<b>Machinery</b>	<b>Leasehold improvements</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at January 1, 2019</b>						
Cost	3,123	1,879	210	173	550	5,935
Accumulated depreciation	(599)	(209)	(72)	(26)	(53)	(959)
Net book amount	<u>2,524</u>	<u>1,670</u>	<u>138</u>	<u>147</u>	<u>497</u>	<u>4,976</u>
<b>Year ended December 31, 2019</b>						
Opening net book amount	2,524	1,670	138	147	497	4,976
Additions	1,177	1,279	–	–	1,219	3,675
Disposal	(200)	–	–	–	–	(200)
Depreciation (Note 8)	(805)	(500)	(44)	(16)	(537)	(1,902)
Net book amount	<u>2,696</u>	<u>2,449</u>	<u>94</u>	<u>131</u>	<u>1,179</u>	<u>6,549</u>
<b>As at December 31, 2019</b>						
Cost	4,067	3,158	210	173	1,769	9,377
Accumulated depreciation	(1,371)	(709)	(116)	(42)	(590)	(2,828)
Net book amount	<u>2,696</u>	<u>2,449</u>	<u>94</u>	<u>131</u>	<u>1,179</u>	<u>6,549</u>
<b>Year ended December 31, 2020</b>						
Opening net book amount	2,696	2,449	94	131	1,179	6,549
Additions	776	836	–	152	197	1,961
Disposals	(46)	(10)	–	–	–	(56)
Depreciation (Note 8)	(998)	(665)	(41)	(19)	(559)	(2,282)
Net book amount	<u>2,428</u>	<u>2,610</u>	<u>53</u>	<u>264</u>	<u>817</u>	<u>6,172</u>
<b>As at December 31, 2020</b>						
Cost	4,771	3,978	210	325	1,966	11,250
Accumulated depreciation	(2,343)	(1,368)	(157)	(61)	(1,149)	(5,078)
Net book amount	<u>2,428</u>	<u>2,610</u>	<u>53</u>	<u>264</u>	<u>817</u>	<u>6,172</u>
<b>Year ended December 31, 2021</b>						
Opening net book amount	2,428	2,610	53	264	817	6,172
Additions	1,231	4,227	5	618	1,028	7,109
Disposals	(94)	(258)	(1)	(251)	–	(604)
Depreciation (Note 8)	(1,307)	(1,097)	(22)	(54)	(1,088)	(3,568)
Net book amount	<u>2,258</u>	<u>5,482</u>	<u>35</u>	<u>577</u>	<u>757</u>	<u>9,109</u>
<b>As at December 31, 2021</b>						
Cost	5,721	7,718	213	679	1,773	16,104
Accumulated depreciation	(3,463)	(2,236)	(178)	(102)	(1,016)	(6,995)
Net book amount	<u>2,258</u>	<u>5,482</u>	<u>35</u>	<u>577</u>	<u>757</u>	<u>9,109</u>

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	<u>Electronic equipment</u>	<u>Office equipment</u>	<u>Transportation equipment</u>	<u>Machinery</u>	<u>Leasehold improvements</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Six months ended June 30, 2022</b>						
Opening net book amount	2,258	5,482	35	577	757	9,109
Additions	1,349	1,464	–	–	2,365	5,178
Disposals	(10)	(13)	–	–	–	(23)
Depreciation ( <i>Note 8</i> )	(730)	(821)	(11)	(32)	(576)	(2,170)
Net book amount	<u>2,867</u>	<u>6,112</u>	<u>24</u>	<u>545</u>	<u>2,546</u>	<u>12,094</u>
<b>As at June 30, 2022</b>						
Cost	7,030	9,136	213	679	4,138	21,196
Accumulated depreciation	(4,163)	(3,024)	(189)	(134)	(1,592)	(9,102)
Net book amount	<u>2,867</u>	<u>6,112</u>	<u>24</u>	<u>545</u>	<u>2,546</u>	<u>12,094</u>

Depreciation of the Group’s property, plant and equipment has been recognized as follows:

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
General and administrative expenses	1,894	2,279	3,565	1,559	2,170
Selling expenses	8	3	3	1	–
	<u>1,902</u>	<u>2,282</u>	<u>3,568</u>	<u>1,560</u>	<u>2,170</u>

**16 LEASES**

**(i) Amounts recognized in the consolidated statements of financial position**

The consolidated statements of financial position show the following amounts relating to leases:

	<u>As at December 31,</u>			<u>As at June 30,</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Right-of-use assets</b>				
Office	12,618	9,514	6,505	9,649
Warehouse	13,383	11,271	33,713	38,956
Dormitory	193	94	7	141
	<u>26,194</u>	<u>20,879</u>	<u>40,225</u>	<u>48,746</u>
<b>Lease liabilities</b>				
Current	12,326	12,366	14,506	19,461
Non-current	13,374	8,381	25,335	28,452
	<u>25,700</u>	<u>20,747</u>	<u>39,841</u>	<u>47,913</u>

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Additions to the right-of-use assets during the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022 were RMB23,045,000, RMB5,957,000, RMB39,547,000, RMB36,689,000 and RMB18,314,000, respectively.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
<b>Depreciation charge of right-of-use assets</b>					
Office	4,649	4,585	4,756	2,254	2,729
Warehouse	4,384	6,584	10,290	5,433	6,995
Dormitory	91	92	86	43	43
	<u>9,124</u>	<u>11,261</u>	<u>15,132</u>	<u>7,730</u>	<u>9,767</u>
Interest expense (included in finance costs)	1,059	1,035	1,851	848	1,186
Expense relating to short-term leases (included in administrative expenses)	170	52	227	73	495

The total cash outflow for leases during the year ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022 were RMB9,503,000, RMB11,985,000, RMB17,511,000, RMB8,775,000 and RMB11,912,000 respectively.

**17 INTANGIBLE ASSETS**

	<u>Software</u>
	<i>RMB'000</i>
<b>As at January 1, 2019</b>	
Cost	1,204
Accumulated amortization	<u>(350)</u>
Net book amount	<u>854</u>
<b>Year ended December 31, 2019</b>	
Opening net book amount	854
Additions	248
Amortization charge ( <i>Note 8</i> )	<u>(275)</u>
Net book amount	<u>827</u>
<b>As at December 31, 2019</b>	
Cost	1,452
Accumulated amortization	<u>(625)</u>
Net book amount	<u>827</u>

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	<u>Software</u>
	<i>RMB’000</i>
<b>Year ended December 31, 2020</b>	
Opening net book amount	827
Amortization charge ( <i>Note 8</i> )	<u>(302)</u>
Net book amount	<u><u>525</u></u>
<b>As at December 31, 2020</b>	
Cost	1,452
Accumulated amortization	<u>(927)</u>
Net book amount	<u><u>525</u></u>
<b>Year ended December 31, 2021</b>	
Opening net book amount	525
Additions	495
Amortization charge ( <i>Note 8</i> )	<u>(325)</u>
Net book amount	<u><u>695</u></u>
<b>As at December 31, 2021</b>	
Cost	1,947
Accumulated amortization	<u>(1,252)</u>
Net book amount	<u><u>695</u></u>
<b>Six months ended June 30, 2022</b>	
Opening net book amount	695
Additions	3,101
Amortization charge ( <i>Note 8</i> )	<u>(324)</u>
Net book amount	<u><u>3,472</u></u>
<b>As at June 30, 2022</b>	
Cost	5,048
Accumulated amortization	<u>(1,576)</u>
Net book amount	<u><u>3,472</u></u>

Amortization of the intangible assets has been recognized as follows:

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
General and administrative expenses	<u>275</u>	<u>302</u>	<u>325</u>	<u>144</u>	<u>324</u>

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**18 NON-CURRENT PREPAYMENTS AND OTHER RECEIVABLES – THE GROUP AND THE COMPANY**

**The Group**

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
Deposits	1,364	1,595	3,341	2,653
Prepayment for purchase of property, plant and equipment	–	500	44	96
	<u>1,364</u>	<u>2,095</u>	<u>3,385</u>	<u>2,749</u>

**The Company**

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
Amounts due from subsidiaries (i)	–	–	95,635	100,335
	<u>–</u>	<u>–</u>	<u>95,635</u>	<u>100,335</u>

(i) The amounts due from subsidiaries are interest free and repayable on demand.

**19 FINANCIAL INSTRUMENTS BY CATEGORY**

	Note	As at December 31,			As at
		2019	2020	2021	June 30,
		RMB'000	RMB'000	RMB'000	2022
Financial assets at fair value through profit or loss	23	–	5,800	–	–
Financial assets at amortized cost:					
Trade receivables	21	189,673	166,500	119,226	180,733
Other receivables (excluding prepayments to suppliers and platforms, prepaid [REDACTED] and value-added tax recoverables)		22,111	51,885	64,022	29,129
Restricted cash	24	523	1,380	1,260	1,299
Cash and cash equivalents	24	27,097	83,000	80,855	82,913
		<u>239,404</u>	<u>302,765</u>	<u>265,363</u>	<u>294,074</u>
		<u>239,404</u>	<u>308,565</u>	<u>265,363</u>	<u>294,074</u>

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	Note	As at December 31,			As at
		2019	2020	2021	June 30,
		RMB'000	RMB'000	RMB'000	2022
				RMB'000	
Financial liabilities at fair value through profit or loss:					
Redeemable convertible preferred shares	31	–	–	106,091	108,365
Financial liabilities at amortized cost:					
Trade and other payables excluding non-financial liabilities		195,055	131,360	138,478	188,971
Borrowings	30	79,518	71,000	210,239	224,609
Lease liabilities	16	25,700	20,747	39,841	47,913
		<u>300,273</u>	<u>223,107</u>	<u>494,649</u>	<u>569,858</u>

**20 INVENTORIES**

		As at December 31,			As at
		2019	2020	2021	June 30,
		RMB'000	RMB'000	RMB'000	2022
				RMB'000	
Finished goods		231,291	277,256	694,227	802,604
Right of goods return		1,343	3,134	6,964	9,599
Less: provision		(54,490)	(24,550)	(36,868)	(51,121)
		<u>178,144</u>	<u>255,840</u>	<u>664,323</u>	<u>761,082</u>

The cost of inventories recognized as expenses and included in cost of sales amounted to RMB380,731,000, RMB455,266,000, RMB469,071,000, RMB228,121,000 and RMB230,148,000 for the years ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2021 and 2022, respectively.

**21 TRADE RECEIVABLES**

		As at December 31,			As at
		2019	2020	2021	June 30,
		RMB'000	RMB'000	RMB'000	2022
				RMB'000	
Accounts receivable		190,626	167,337	119,825	181,641
Less: provision for impairment		(953)	(837)	(599)	(908)
		<u>189,673</u>	<u>166,500</u>	<u>119,226</u>	<u>180,733</u>

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The majority of the Group’s receivables are with credit term approximately from 10 days to 90 days. At December 31, 2019, 2020 and 2021 and June 30, 2022, the aging analysis of the trade receivables, based on invoice date, was as follows:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB’000	RMB’000	RMB’000	2022
Less than 3 months	171,977	158,154	114,638	178,674
3 months to 6 months	13,770	7,279	1,831	1,448
6 months to 12 months	4,566	1,649	2,504	847
More than 1 year	313	255	852	672
	<u>190,626</u>	<u>167,337</u>	<u>119,825</u>	<u>181,641</u>

The movements in provision for impairment of trade receivables are as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At the beginning of the year/period	894	953	837	837	599
Provisions/(reversal) for trade receivables	616	697	(15)	293	3,077
Written off as uncollectible	(557)	(813)	(223)	(223)	(2,768)
At the end of the year/period	<u>953</u>	<u>837</u>	<u>599</u>	<u>907</u>	<u>908</u>

For the trade receivables, the Group has assessed the expected credit losses by considering historical default rates, existing market conditions and forward-looking information. Based on the assessment, the creation and reversal for impaired receivables have been included in the net impairment losses on financial assets. Amounts charged to allowance account are written off when there is no expectation of receiving the receivables.

The carrying amounts excluding provision of the Group’s trade receivables were denominated in the following currencies:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB’000	RMB’000	RMB’000	2022
US\$	54,431	68,236	101,077	169,941
EUR	947	1,470	2,010	5,147
RMB	133,893	91,892	15,234	5,130
Great Britain Pound (“GBP”)	181	784	1,273	1,274
Brazil Real (“BRL”)	–	337	36	41
Canada Dollar (“CAD”)	30	147	62	15
Japanese Yen (“JPY”)	838	728	10	2
Romanian Leu (“RON”)	–	3,417	–	–
Others	306	326	123	91
	<u>190,626</u>	<u>167,337</u>	<u>119,825</u>	<u>181,641</u>



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**ACCOUNTANT’S REPORT**

**22 PREPAYMENTS AND OTHER RECEIVABLES – THE GROUP AND THE COMPANY**

**The Group**

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
Receivables from payment platforms	20,152	46,567	59,357	22,797
Prepayments to suppliers and platforms	10,212	36,131	20,579	9,091
Prepaid [REDACTED]	–	–	6,858	3,437
Deposits	194	1,319	804	2,201
Value-added tax recoverable	279	395	1,028	707
Export tax refundable	–	1,647	344	110
Others	401	757	176	1,368
	<u>31,238</u>	<u>86,816</u>	<u>89,146</u>	<u>39,711</u>

**The Company**

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
Prepaid [REDACTED] <sup>(i)</sup>	–	–	6,858	3,437
Amounts due from subsidiaries	–	–	333	2,837
	<u>–</u>	<u>–</u>	<u>7,191</u>	<u>6,274</u>

(i) The percentage of new shares to be issued upon the [REDACTED] changed from 25% to 10% during the six months ended June 30, 2022.

The carrying amounts of other receivables approximate their fair values.

**23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
<b>Current</b>				
Wealth management product				
– with principal and interests non-guaranteed	–	5,800	–	–
	<u>–</u>	<u>5,800</u>	<u>–</u>	<u>–</u>

All wealth management products as at December 31, 2020 are denominated in RMB.

**(i) Risk exposure and fair value measurements**

For information about the methods and assumptions used in determining fair value please refer to Note 3.3.

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**24 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
Cash at bank	27,620	84,379	82,115	84,212
Cash on hand	–	1	–	–
Less: Restricted cash (a)	(523)	(1,380)	(1,260)	(1,299)
Cash and cash equivalents	<u>27,097</u>	<u>83,000</u>	<u>80,855</u>	<u>82,913</u>

**(a) Restricted cash**

The breakdown of restricted cash by nature as at December 31, 2019, 2020 and 2021 and June 30, 2022 is as follows:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
Pledged for bank borrowing	–	–	360	360
Guarantee for online store credit card facilities	403	382	779	818
Deposits for locking exchange	120	120	121	121
Pledged for a lawsuit	–	878	–	–
	<u>523</u>	<u>1,380</u>	<u>1,260</u>	<u>1,299</u>

**(b) Cash at bank are denominated in**

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
RMB	14,000	31,903	21,855	57,523
US\$	10,544	51,514	57,316	24,105
HK\$	587	561	877	1,617
GBP	1	244	1,006	851
CAD	–	79	98	102
AUD	–	–	10	10
EUR	511	33	814	4
JPY	1,977	45	139	–
	<u>27,620</u>	<u>84,379</u>	<u>82,115</u>	<u>84,212</u>

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**25 SHARE CAPITAL AND SHARE PREMIUM**

<u>Authorised</u>	<u>Number of ordinary shares</u>	<u>Number of preferred shares</u>
As at December 31, 2019 and 2020	5,000,000	–
Re-designation upon issuance of preferred shares	(64,000)	64,000
As at December 31, 2021 and June 30, 2022	<u>4,936,000</u>	<u>64,000</u>

<u>Issued</u>	<u>Number of ordinary shares issued</u>	<u>Amount</u>		
		<u>Equivalent nominal value of ordinary share</u>	<u>Share premium</u>	<u>Total</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at December 31, 2019, 2020 and 2021 and June 30, 2022	<u>2,000,000</u>	<u>138</u>	<u>1,299,862</u>	<u>1,300,000</u>

The Company was established on August 6, 2018. The authorized and issued share capital was with par value of US\$0.01 each.

Upon the incorporation of the Company, one share was allotted and issued, credited as fully-paid, to CO Services Cayman Limited, our Company’s initial subscriber and an independent third party. In 2018, 1,999,999 shares of US\$0.01 each were allotted and issued to and 1 share was transferred from CO Services Cayman Limited to TONGMINGYUN ONE LIMITED, TONGMINGYUN TWO LIMITED, TONGMINGYUN THREE LIMITED and Zhongyao Limited evenly.

On September 16, 2022, each issued and unissued share of a par value of US\$0.01 in the authorised shares of the Company divided into 200 shares of a par value of US\$0.00005 each. On the same day, the authorized share capital of the Company was further increased to US\$100,000 divided into 2,000,000,000 Shares with a par value of US\$0.00005 each, consisting of (a) 1,974,400,000 ordinary shares of a par value of US\$0.00005 each; and (b) 25,600,000 preferred shares of a par value of US\$0.00005 each.

**26 OTHER RESERVES**

	<i>Note</i>	<u>Other reserves</u>		
		<u>Statutory reserve</u>	<u>Capital reserve</u>	<u>Total</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2019		9,189	(1,300,000)	(1,290,811)
Appropriation to statutory reserves		7,394	–	7,394
At December 31, 2019		16,583	(1,300,000)	(1,283,417)
Appropriation to statutory reserves		7,264	–	7,264
Business combination under common control	<i>1.3</i>	–	(6,250)	(6,250)
At December 31, 2020		23,847	(1,306,250)	(1,282,403)
Appropriation to statutory reserves		12,884	–	12,884
At December 31, 2021		<u>36,731</u>	<u>(1,306,250)</u>	<u>(1,269,519)</u>
At January 1 and June 30, 2022		<u>36,731</u>	<u>(1,306,250)</u>	<u>(1,269,519)</u>
(Unaudited) At January 1 and June 30, 2021		<u>23,847</u>	<u>(1,306,250)</u>	<u>(1,282,403)</u>

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**(a) Statutory surplus reserves**

Pursuant to the relevant laws and regulations in the PRC, the Company’s subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries.

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the “PRC Subsidiaries”), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years’ losses as determined under the PRC accounting standards, to the statutory reserves fund before distributing the net profit. When the balance of the statutory reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory reserves fund can be used to offset prior years’ losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory reserves fund after such issue is not less than 25% of registered capital.

**(b) Capital reserves**

Capital reserve mainly represents i) the aggregate paid-in capital of the subsidiaries acquired, offset by investment costs in subsidiaries of the Company during the Reorganization; ii) deemed distribution of RMB28,000,000 to shareholders in 2018 due to the consideration paid by the Group to the shareholders for acquiring the entire net assets of Zhejiang Zibuyu and its subsidiaries (see Note 1.2 (iv)); and iii) RMB6,250,000 consideration paid by the Group to the shareholders for acquiring the entire net assets of Xingzezhi BVI and its subsidiaries as such Xingzezhi BVI has been consolidated into the Group on the basis of business combination under common control from the beginning of the Track Record Period (see Note 1.3).

**27 RETAINED EARNINGS**

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
At the beginning of the year/period	(25,542)	48,173	154,870	154,870	342,495
Net profit for the year/period					
– Attributable to owners of the Company	81,109	113,961	200,509	114,233	61,314
Appropriation to statutory reserves	(7,394)	(7,264)	(12,884)	–	–
At the end of the year/period	<u>48,173</u>	<u>154,870</u>	<u>342,495</u>	<u>269,103</u>	<u>403,809</u>

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**28 DEFERRED INCOME TAX**

The analysis of net deferred income tax assets and deferred income tax liabilities is as follows:

	<b>As at December 31,</b>			<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>June 30,</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<b>2022</b>
				<i>RMB'000</i>
Deferred income tax assets:				
to be recovered within 12 months	17,262	14,786	13,710	15,759
to be recovered after more than 12 months	1,871	1,525	3,478	3,310
	<u>19,133</u>	<u>16,311</u>	<u>17,188</u>	<u>19,069</u>
Deferred income tax liabilities:				
to be settled within 12 months	(4,042)	(1,386)	(2,433)	(2,917)
to be settled after more than 12 months	(1,805)	(1,420)	(3,304)	(3,138)
	<u>(5,847)</u>	<u>(2,806)</u>	<u>(5,737)</u>	<u>(6,055)</u>
Deferred tax assets – net	<u>13,286</u>	<u>13,505</u>	<u>11,451</u>	<u>13,014</u>

The movement of the deferred income tax account is as follows:

	<b>Years ended December 31,</b>			<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year/period	9,174	13,286	13,505	13,505	11,451
Credited/(charged) to profit or loss	4,112	219	(2,054)	(1,535)	1,563
At end of year/period	<u>13,286</u>	<u>13,505</u>	<u>11,451</u>	<u>11,970</u>	<u>13,014</u>

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The movement in deferred income tax assets and liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<b>Accrued payroll</b>	<b>Allowance for impairment of accounts receivables and inventory provision</b>	<b>Lease liabilities</b>	<b>Tax losses</b>	<b>Accrued expenses</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax assets:						
At January 1, 2019	2,670	7,642	2,637	203	51	13,203
Credited/(charged) to profit or loss	947	1,506	1,126	2,363	(12)	5,930
At December 31, 2019	3,617	9,148	3,763	2,566	39	19,133
Credited/(charged) to profit or loss	378	(4,959)	(833)	2,631	(39)	(2,822)
At December 31, 2020	3,995	4,189	2,930	5,197	–	16,311
(Charged)/credited to profit or loss	(217)	1,984	3,109	(4,007)	8	877
At December 31, 2021	3,778	6,173	6,039	1,190	8	17,188
(Charged)/credited to profit or loss	(1,052)	2,410	348	182	(7)	1,881
At June 30, 2022	2,726	8,583	6,387	1,372	1	19,069
(Unaudited)						
At January 1, 2021	3,995	4,189	2,930	5,197	–	16,311
(Charged)/credited to profit or loss	(275)	1,060	2,663	(2,472)	–	976
At June 30, 2021	3,720	5,249	5,593	2,725	–	17,287

	<b>Right-of-use assets</b>	<b>Others</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax liabilities:			
At January 1, 2019	(2,549)	(1,480)	(4,029)
Charged to profit or loss	(1,082)	(736)	(1,818)
At December 31, 2019	(3,631)	(2,216)	(5,847)
Credited to profit or loss	902	2,139	3,041
At December 31, 2020	(2,729)	(77)	(2,806)
(Charged)/credited to profit or loss	(3,008)	77	(2,931)

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	Right-of-use assets	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2021	(5,737)	–	(5,737)
Charged to profit or loss	(318)	–	(318)
At June 30, 2022	<u>(6,055)</u>	<u>–</u>	<u>(6,055)</u>
(Unaudited)			
As at January 1, 2021	(2,729)	(77)	(2,806)
(Charged)/credited to profit or loss	(2,584)	73	(2,511)
At June 30, 2021	<u>(5,313)</u>	<u>(4)</u>	<u>(5,317)</u>

29 TRADE AND OTHER PAYABLES

		As at December 31,			As at June 30,
	<i>Note</i>	2019	2020	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables – due to third parties		103,316	99,528	117,751	152,564
Trade payables – due to related parties	34	<u>27,727</u>	–	–	–
Total trade payables		131,043	99,528	117,751	152,564
Refund liabilities		26,826	37,665	34,122	56,434
Payroll and social security		39,163	40,256	46,423	36,050
Payables to third-party e-commerce platforms		22,550	14,419	6,956	25,284
Payable for [REDACTED]		–	–	4,330	7,157
Other tax payables		5,524	19,127	11,800	2,387
Interest payables		128	89	292	266
Payable for business combination under common control	1.3	–	6,250	–	–
Loans from related parties (i)		23,956	–	–	–
Other payables		<u>17,378</u>	<u>18,335</u>	<u>10,331</u>	<u>3,798</u>
		<u>266,568</u>	<u>235,669</u>	<u>232,005</u>	<u>283,940</u>

(i) As at December 31, 2019, the Group’s loans from related parties were all denominated in RMB and repayable in one year. The weighted average effective interest rates of the loans from related parties existed during the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022 were as follows:

	Years ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				(Unaudited)	
Loans from related parties	3.44%	2.41%	1.06%	1.06%	N/A

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- (ii) As at December 31, 2019, 2020 and 2021 and June 30, 2022, the aging analysis of the trade payables based on invoice date were as follows:

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
Within 3 months	94,447	91,872	106,269	141,652
Between 3 months and 1 year	2,142	2,130	11,446	10,875
Between 1 year and 2 years	9,034	1,320	11	12
Over 2 years	25,420	4,206	25	25
	<u>131,043</u>	<u>99,528</u>	<u>117,751</u>	<u>152,564</u>

The carrying amounts of trade and other payables approximate their fair values.

**30 BORROWINGS**

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
Non-current				
Bank borrowings – Secured (i)	–	–	300	300
Current				
Bank borrowings – Secured (i)	47,800	56,000	130,139	152,109
Bank borrowings – Unsecured	31,718	15,000	79,800	72,200
	<u>79,518</u>	<u>71,000</u>	<u>210,239</u>	<u>224,609</u>

- (i) As at December 31, 2019, the borrowings of RMB15,000,000 were secured by Mr. Hua Bingru, Mr. Wang Shijian and Ms. Yu Feng. The borrowings of RMB10,500,000 were secured by the pledge of property with maximum financing principal of RMB19,000,000. The property belongs to Mr. Hua Bingru. The borrowings of RMB9,800,000 were guaranteed by Mr. Hua Bingru, Ms. Yu Feng, and Zibuyu International. The borrowings of RMB8,500,000 were guaranteed by Zhejiang Zibuyu, and secured by the pledge of property of maximum financing principal of RMB26,000,000. The property belongs to Mr. Hua Bingru. The borrowings of RMB4,000,000 were guaranteed by Zhejiang Zibuyu.

As at December 31, 2020, the borrowings of RMB19,000,000 were secured by the pledge of property with maximum financing principal of RMB19,000,000. The property belongs to Mr. Hua Bingru. The borrowings of RMB15,000,000 were secured by Mr. Hua Bingru, Mr. Wang Shijian and Ms. Yu Feng. The borrowings of RMB8,800,000 were guaranteed by Mr. Hua Bingru, Ms. Yu Feng and Zibuyu International. The borrowings of RMB10,000,000 were secured by the pledge of property with maximum financing principal of RMB16,640,000. The property belongs to Mr. Wang Weiping and Ms. Chen Xiaodong (the spouse of Mr. Wang Weiping). The borrowings of RMB3,200,000 were secured by the pledge of property with maximum financing principal of RMB3,200,000. The property belongs to a third party individual.

As at December 31, 2021, the borrowings of RMB50,000,000 were guaranteed by Mr. Hua Bingru, Mr. Wang Shijian, Ms. Yu Feng and Hangzhou Zibuyu Supply Chain Management Co., Ltd, a subsidiary of the Group. The borrowings of RMB19,000,000 were secured by the pledge of property with maximum financing principal of RMB19,000,000. The property belongs to Mr. Hua Bingru. The borrowings of USD2,500,000 (equivalent to RMB15,939,000) were guaranteed by Mr. Hua Bingru and the Company.



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The borrowings of RMB14,010,000 were secured by the pledge of property with maximum financing principal of RMB16,640,000. The property belongs to Mr. Wang Weiping and Ms. Chen Xiaodong. The borrowings of RMB13,030,000 were secured by the pledge of property with maximum financing principal of RMB16,090,000. The property belongs to Mr. Wang Shijian and Ms. Rao Xingxing (the spouse of Mr. Wang Shijian). The borrowings of RMB7,720,000 were secured by the pledge of property with maximum financing principal of RMB10,930,000. The property belongs to Mr. Dong Zhenguo. The borrowings of RMB7,240,000 were secured by the pledge of property with maximum financing principal of RMB11,200,000. The property belongs to Mr. Hua Bingru and Ms. Yu Feng. The borrowings of RMB3,200,000 were secured by the pledge of property with maximum financing principal of RMB3,200,000. The property belongs to a third-party individual. The borrowings of RMB300,000 were secured by the pledge of time deposit of RMB360,000.

As at June 30, 2022, the borrowings of RMB40,000,000 were guaranteed by Mr. Hua Bingru, Mr. Wang Shijian, Ms. Yu Feng and Hangzhou Zibuyu Supply Chain Management Co., Ltd. The borrowings of RMB18,700,000 were secured by the pledge of property with maximum financing principal of RMB19,000,000. The property belongs to Mr. Hua Bingru. The borrowings of USD2,500,000 (equivalent to RMB16,779,000) were guaranteed by Mr. Hua Bingru and the Company. The borrowings of RMB30,000,000 were guaranteed by Zibuyu International Limited. The borrowings of RMB3,640,000 were secured by the pledge of property with maximum financing principal of RMB16,640,000. The property belongs to Mr. Wang Weiping and Ms. Chen Xiaodong. The borrowings of RMB13,030,000 were secured by the pledge of property with maximum financing principal of RMB16,090,000. The property belongs to Mr. Wang Shijian and Ms. Rao Xingxing (the spouse of Mr. Wang Shijian). The borrowings of RMB9,000,000 were guaranteed by Mr. Hua Bingru, Ms. Yu Feng and Zibuyu International Limited. The borrowings of RMB10,520,000 were secured by the pledge of property with maximum financing principal of RMB10,930,000. The property belongs to Mr. Dong Zhenguo. The borrowings of RMB7,240,000 were secured by the pledge of property with maximum financing principal of RMB11,200,000. The property belongs to Mr. Hua Bingru and Ms. Yu Feng. The borrowings of RMB3,200,000 were secured by the pledge of property with maximum financing principal of RMB3,200,000. The property belongs to a third-party individual. The borrowings of RMB300,000 were secured by the pledge of time deposit of RMB360,000.

All guarantees from and properties pledged by the shareholders of the Company and third party as securities for the Group’s borrowings are expected to be released upon the [REDACTED] of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited.

The weighted average effective interest rates during the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2021 and 2022 were as follows:

	Years ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
				<i>(Unaudited)</i>	
Bank borrowings	6.22%	5.44%	5.05%	4.91%	5.01%

The fair values of the borrowings of the Group are approximate to their carrying amounts, since either the interest rates of those borrowings are close to current market rates or the borrowings are of a short-term nature.

**31 REDEEMABLE CONVERTIBLE PREFERRED SHARES – THE GROUP AND THE COMPANY**

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Redeemable convertible preference shares	–	–	106,091	108,365

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The movement of the redeemable convertible preferred shares are set out as below:

	<i>RMB'000</i>
At January 1 and December 31, 2019 and 2020	–
Issuance of redeemable convertible preference shares	103,832
Changes in fair value	<u>2,259</u>
At December 31, 2021	<u>106,091</u>
Changes in fair value	<u>2,274</u>
At June 30, 2022	<u>108,365</u>

Pursuant to a capital increase agreement dated May 25, 2021, Calor Capital (BVI) Limited subscribed for an increased registered capital of US\$440 (44,000 preferred shares, 2.1318% of total shares on an as-converted basis) with a consideration of US\$11,000,000. As a result, the issued capital of the Company was increased to US\$20,440 on May 25, 2021. As such shares can be converted into ordinary shares of the Company automatically upon occurrence of an [REDACTED] of the Company, and they have redeemable rights and liquidation preference, the Company recognized the fair value of expected redemption amount of the redeemable shares of approximately RMB71,385,000 at the date of capital injection as financial liabilities at fair value through profit or loss.

Pursuant to a capital increase agreement dated May 28, 2021, Aloe Tower Limited subscribed for an increased registered capital of US\$200 (20,000 preferred shares, 0.9690% of total shares on an as-converted basis) with a consideration of US\$5,000,000. As a result, the issued capital of the Company was increased to US\$20,640 on May 28, 2021. As such shares can be converted into ordinary shares of the Company automatically upon occurrence of an [REDACTED] of the Company, and they have redeemable rights and liquidation preference, the Company recognized the fair value of expected redemption amount of the redeemable shares of approximately RMB32,447,000 at the date of capital injection as financial liabilities at fair value through profit or loss.

### Conversion

The preferred shares can be converted into ordinary shares of the Company automatically upon occurrence of an [REDACTED] of the Company.

### Liquidation Priority

Upon Liquidation Event, whether voluntary or involuntary, before any distribution or payment shall be made to the ordinary shareholders, each holder of preferred shares shall be prior entitled to receive liquidation amount.

The Liquidation Events are defined to include: (i) any liquidation, winding-up, or dissolution of any group company (as defined in the share purchase agreement); (ii) any merger, acquisition, sale of voting control, amalgamation or consolidation of any group company, as a result of which the shareholders of the Company will cease to own a majority of the shares or voting power of the surviving entity. There is no liquidation events triggered throughout the Track Record Period and not expected to occur in the near future.

### Redemption features

Subject to the applicable terms of share purchase agreements, if the Company fail to complete the [REDACTED] within 12 months, or the Company may purchase its own shares as the directors may determine and agree with the shareholder, the holders of preferred shares shall be entitled to sell their preferred shares to the Company on the same terms and in the same manner on a pro rata basis.

The redemption price shall be equal to the sum of the following two:

- (1) 100% of the subscription price of the Company's equity held by each holder of these shares at that time;
- (2) the interest income based on annualized simple interest which is 8%.

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The Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. As at December 31, 2021 and June 30, 2022, key assumptions are set as below:

	<b>As at December 31, 2021</b>	<b>As at June 30, 2022</b>
Discount rate	15.0%	15.0%
Risk-free interest rate	0.25%	2.43%
DLOM	7.0%	7.0%
Volatility	50.0%	51.2%

Discount rate was estimated by weighted average cost of capital as of each appraisal date. The Group estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to period from the respective appraisal dates to expected liquidation/redemption date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected liquidation/redemption date. In addition to the assumptions adopted above, the Company’s projections of future performance were also factored into the determination of the fair value of the redeemable convertible preferred shares.

**32 CASH GENERATED FROM/(USED IN) OPERATIONS**

	<b>Year ended December 31,</b>			<b>Six months ended June 30,</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Profit before income tax	93,600	134,423	237,631	136,975	71,348
Adjustments for:					
Depreciation of right-of-use assets	9,124	11,261	15,132	7,730	9,767
Depreciation of property, plant, and equipment	1,902	2,282	3,568	1,560	2,170
Amortization of intangible asset	275	302	325	144	324
Losses/(gains) on disposal of property, plant and equipment	50	(3)	53	45	16
Losses on disposal of right of use assets	–	–	–	–	16
Interests received on financial assets at fair value through profit or loss	(131)	(201)	(33)	(33)	–
Fair value changes of redeemable convertible preferred shares	–	–	2,259	287	2,274
Interest expenses	8,655	6,306	8,547	3,207	6,706
Interest income	(99)	(86)	(67)	(38)	(33)
Net impairment losses/(reversal of impairment) on financial assets	616	697	(15)	293	3,077
Net impairment losses on inventories	22,386	29,952	21,162	6,322	20,313
Net foreign exchange (losses)/gains	(365)	414	123	(19)	(911)

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	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating profit before changes in working capital	136,013	185,347	288,685	156,473	115,067
Changes in working capital:					
(Increase)/decrease in restricted cash	(523)	(857)	480	468	(39)
Increase in inventories	(60,120)	(107,648)	(429,645)	(302,532)	(117,072)
(Increase)/decrease in trade receivables	(12,428)	22,476	47,289	(14,369)	(64,584)
(Increase)/decrease in prepayment and other receivables	(14,210)	(55,693)	3,412	(21,658)	49,805
Increase/(decrease) in trade and other payables	29,585	(13,306)	1,837	163,316	52,559
Increase/(decrease) in contract liabilities	15,931	107,835	(102,926)	(74,749)	(18,425)
Cash generated from/(used in) operations	<u>94,248</u>	<u>138,154</u>	<u>(190,868)</u>	<u>(93,051)</u>	<u>17,311</u>

(a) Net debt reconciliation

	Lease liabilities	Bank borrowings and interest payable	Loans from related parties and third parties	Redeemable convertible preferred shares	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net debt as at January 1, 2019	10,924	75,221	21,086	–	107,231
Cash flows	(9,333)	173	(423)	–	(9,583)
New leases	23,045	–	–	–	23,045
Amortization of borrowing costs	1,059	4,223	3,373	–	8,655
Effects of exchange rate changes	5	29	–	–	34
Net debt as at December 31, 2019	<u>25,700</u>	<u>79,646</u>	<u>24,036</u>	<u>–</u>	<u>129,382</u>
Cash flows	(11,933)	(10,728)	(25,408)	–	(48,069)
New leases	5,957	–	–	–	5,957
Amortization of borrowing costs	1,035	3,899	1,372	–	6,306
Effects of exchange rate changes	(12)	(1,728)	–	–	(1,740)
Net debt as at December 31, 2020	<u>20,747</u>	<u>71,089</u>	<u>–</u>	<u>–</u>	<u>91,836</u>
Cash flows	(17,284)	132,838	74	103,832	219,460
New leases	39,547	–	–	–	39,547
Early termination of lease	(5,018)	–	–	–	(5,018)
Amortization of borrowing costs	1,851	6,588	30	–	8,469
Fair value changes	–	–	–	2,259	2,259
Effects of exchange rate changes	(2)	16	(104)	–	(90)
Net debt as at December 31, 2021	<u>39,841</u>	<u>210,531</u>	<u>–</u>	<u>106,091</u>	<u>356,463</u>

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	<u>Lease liabilities</u>	<u>Bank borrowings and interest payable</u>	<u>Loans from related parties and third parties</u>	<u>Redeemable convertible preferred shares</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net debt as at January 1, 2022	39,841	210,531	–	106,091	356,463
Cash flows	(11,417)	8,034	–	–	(3,383)
New leases	18,314	–	–	–	18,314
Early termination of lease	(14)	–	–	–	(14)
Amortization of borrowing costs	1,186	5,470	–	–	6,656
Fair value changes	–	–	–	2,274	2,274
Effects of exchange rate changes	3	840	–	–	843
	<u>47,913</u>	<u>224,875</u>	<u>–</u>	<u>108,365</u>	<u>381,153</u>
 (Unaudited)					
Net debt as at January 1, 2021	20,747	71,089	–	–	91,836
Cash flows	(8,702)	47,881	74	103,832	143,085
New leases	36,689	–	–	–	36,689
Early termination of lease	(3,100)	–	–	–	(3,100)
Amortization of borrowing costs	848	2,329	30	–	3,207
Fair value changes	–	–	–	287	287
Effects of exchange rate changes	(3)	–	(104)	–	(107)
	<u>46,479</u>	<u>121,299</u>	<u>–</u>	<u>104,119</u>	<u>271,897</u>

**33 COMMITMENTS**

**(i) Capital commitments**

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the Group had no significant capital commitment.

**34 RELATED PARTY TRANSACTIONS**

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor’s returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group during the Track Record Period:

<u>Name of related parties</u>	<u>Relationship with the Company</u>
TONGMINGYUN ONE LIMITED	Shareholder of the Company
Mr. Hua Bingru	Director of the Company
Mr. Wang Shijian	Director of the Company
Mr. Wang Weiping	Director of the Company
Mr. Xu Shijian	Director of the Company
Mr. Dong Zhenguo	Director of the Company (Appointed in June 2021)
Mr. Yang Xinmin <sup>(ii)</sup>	Director of the Company (Resigned in June 2021)
Mr. Wang Bin <sup>(iii)</sup>	Senior management of a subsidiary of the Company
Mr. Wang Shichen <sup>(iv)</sup>	Senior management of a subsidiary of the Company
Mr. Mao Shiqi <sup>(v)</sup>	Senior management of a subsidiary of the Company

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Name of related parties	Relationship with the Company
Ms. Chen Xiaodong	Spouse of Mr. Wang Weiping
Ms. Yu Feng	Spouse of Mr. Hua Bingru
Ms. Rao Xingxing	Spouse of Mr. Wang Shijian
Mr. Yu Liudong	Brother of Ms. Yu Feng
Ningbo Ruyu Investment Co., Ltd.	Controlled by Mr. Hua Bingru
Jiahe Group (Hong Kong) Limited	Controlled by Mr. Yu Liudong <sup>(i)</sup>
Xingzezhi Cayman Limited	Controlled by the same ultimate controlling shareholder

- (i) Jiahe Group (Hong Kong) Limited has been transferred to a third party individual from May 2021.
- (ii) Mr. Yang Xinmin tendered his resignation as director of the Company in December 2020 and the filing of change was completed on June 7, 2021.
- (iii) Mr. Wang Bin has no longer served as senior management of a subsidiary of the Company since March 11, 2022.
- (iv) Mr. Wang Shichen has no longer served as senior management of a subsidiary of the Company since June 29, 2022.
- (v) Mr. Mao Shiqi has no longer served as senior management of a subsidiary of the Company since June 30, 2022.

**(b) Transactions with related parties**

Related party transactions of the Group are listed as follows:

*(i) Sales to related parties*

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Discontinued transactions</b>					
Jiahe Group (Hong Kong) Limited	–	–	14,240	14,240	–
	<u>–</u>	<u>–</u>	<u>14,240</u>	<u>14,240</u>	<u>–</u>

*(ii) Service to related parties*

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Discontinued transactions</b>					
Jiahe Group (Hong Kong) Limited	–	–	1,487	1,487	–
	<u>–</u>	<u>–</u>	<u>1,487</u>	<u>1,487</u>	<u>–</u>

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(iii) *Loans from related parties*

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Discontinued transactions</b>					
TONGMINGYUN ONE LIMITED	144	10	15,030	15,030	–
Ningbo Ruyu Investment Co., Ltd.	32,270	23,000	7,000	7,000	–
Ms. Chen Xiaodong	3,000	12,000	–	–	–
Ms. Rao Xingxing	16,500	8,000	–	–	–
Mr. Dong Zhenguo	3,780	22	–	–	–
Mr. Wang Shijian	25,206	–	–	–	–
Mr. Wang Weiping	25,206	–	–	–	–
Ms. Yu Feng	7,500	–	–	–	–
Mr. Wang Bin	7,088	–	–	–	–
Mr. Hua Bingru	2,074	–	–	–	–
Mr. Wang Shichen	30	–	–	–	–
Mr. Yang Xinmin	30	–	–	–	–
Mr. Mao Shiqi	30	–	–	–	–
Mr. Xu Shijian	29	–	–	–	–
	122,887	43,032	22,030	22,030	–

(iv) *Repayment of loans from related parties*

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<b>Discontinued transactions</b>					
TONGMINGYUN ONE LIMITED	198	20,042	14,926	14,926	–
Ningbo Ruyu Investment Co., Ltd.	32,270	23,000	7,000	7,000	–
Ms. Chen Xiaodong	3,000	12,000	–	–	–
Ms. Rao Xingxing	16,500	8,000	–	–	–
Mr. Hua Bingru	–	2,730	–	–	–
Mr. Dong Zhenguo	3,522	397	–	–	–
Mr. Wang Shijian	25,000	273	–	–	–
Mr. Wang Weiping	25,000	273	–	–	–
Mr. Wang Bin	7,000	117	–	–	–
Mr. Xu Shijian	–	39	–	–	–
Mr. Wang Shichen	–	39	–	–	–
Mr. Yang Xinmin	–	39	–	–	–
Mr. Mao Shiqi	–	39	–	–	–
Ms. Yu Feng	7,500	–	–	–	–
	119,990	66,988	21,926	21,926	–

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(v) *Interest expenses on loans from related parties*

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
<b>Discontinued transactions</b>					
Ningbo Ruyu Investment Co., Ltd.	851	774	18	18	–
Ms. Chen Xiaodong	73	250	–	–	–
Ms. Rao Xingxing	457	160	–	–	–
Mr. Wang Weiping	858	–	–	–	–
Mr. Wang Shijian	395	–	–	–	–
Ms. Yu Feng	272	–	–	–	–
Mr. Wang Bin	183	–	–	–	–
Mr. Dong Zhenguo	71	–	–	–	–
	<u>3,160</u>	<u>1,184</u>	<u>18</u>	<u>18</u>	<u>–</u>

(vi) *Purchase of advertising services*

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
<b>Discontinued transactions</b>					
Jiahe Group (Hong Kong) Limited	–	54,905	5,774	5,774	–
	<u>–</u>	<u>54,905</u>	<u>5,774</u>	<u>5,774</u>	<u>–</u>

(c) **Balances with related parties**

(i) *Receivables from related parties*

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Trade</b>				
Other receivables				
– Mr. Dong Zhenguo	50	–	–	–
	<u>50</u>	<u>–</u>	<u>–</u>	<u>–</u>



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(ii) Payables to related parties

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
<b>Trade</b>				
Trade payables				
– Mr. Hua Bingru	27,727	–	–	–
Other payables				
– Jiahe Group (Hong Kong) Limited	–	1,503	–	–
– Mr. Dong Zhenguo	115	9	–	–
	<u>27,842</u>	<u>1,512</u>	<u>–</u>	<u>–</u>
<b>Non-Trade</b>				
Loans from related parties				
– TONGMINGYUN ONE LIMITED	20,032	–	–	–
– Mr. Hua Bingru	2,730	–	–	–
– Mr. Dong Zhenguo	375	–	–	–
– Mr. Wang Weiping	273	–	–	–
– Mr. Wang Shijian	273	–	–	–
– Mr. Wang Bin	117	–	–	–
– Mr. Xu Shijian	39	–	–	–
– Mr. Yang Xinmin	39	–	–	–
– Mr. Mao Shiqi	39	–	–	–
– Mr. Wang Shichen	39	–	–	–
	<u>23,956</u>	<u>–</u>	<u>–</u>	<u>–</u>
Other payable				
– Xingzezhi Cayman Limited	–	6,250	–	–
	<u>23,956</u>	<u>6,250</u>	<u>–</u>	<u>–</u>

(iii) Amounts due from subsidiaries (the Company)

	As at December 31,			As at
	2019	2020	2021	June 30,
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
<b>Non-Trade</b>				
– Zibuyu BVI Limited	–	–	95,635	100,335
– Zibuyu International	–	–	333	2,837
	<u>–</u>	<u>–</u>	<u>95,968</u>	<u>103,172</u>

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**(d) Key management compensation**

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Wages, salaries and bonuses	3,206	3,300	3,102	1,521	1,800
Contributions to pension plan, housing fund, medical insurance and other social benefits	495	206	507	208	280
	<u>3,701</u>	<u>3,506</u>	<u>3,609</u>	<u>1,729</u>	<u>2,080</u>

**35 CONTINGENT LIABILITIES**

There are no significant contingent liabilities as at December 31, 2019, 2020 and 2021 and June 30, 2022.

**36 SUBSEQUENT EVENTS**

There is no significant subsequent event after June 30, 2022.

**III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2022 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2022.