An investment in our Shares involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We experienced fluctuation of our financial results during the Track Record Period primarily attributable to the fluctuation in the sale of our *MODONG* coffee. We cannot assure you that we will be able to maintain the growth rate that we have experienced in the early stage of our development.

We experienced significant growth in operational scale and certain fluctuation in our financial results during the Track Record Period. Our total revenue increased by 427.6% from RMB86.6 million in 2019 to RMB456.9 million in 2020, decreased by 20.0% from RMB456.9 million in 2020 to RMB365.3 million in 2021, and decreased by 5.8% from RMB365.3 million in 2021 to RMB344.2 million in 2022. In particular, the fluctuation in our revenue was primarily resulted from the sale of our *MODONG* coffee launched in April 2019, the sales revenue of which accounted for 83.0%, 72.8%, 62.3% and 43.8% of our total revenue in 2019, 2020, 2021, and 2022, respectively. The decrease in our total revenue in 2021 to 2022 was mainly attributable to the decrease in revenue from our new retail business due to the disruptions to our business caused by the control measures imposed by the local government in respect of the Resurgence of COVID-19 pandemic and the cessation of material promotional effect of *J-Style Tip* season one since July 2020.

As a company with a relatively limited operating history, our historical growth may not be indicative of our future performance. We cannot assure you that we will be able to grow at the same rate as we did in 2019 and 2020, recover from the decline in revenue and profit experienced for the year ended December 31, 2021, or recover from the decline in revenue derived the new retail segment experienced for the year ended December 31, 2022. In particular, in the event that the demand for *MODONG* coffee or its selling price declines, and we fail to generate adequate revenue from other products or services that we provide, our business prospects, financial condition and results of operations may be materially and adversely impacted. Further, we may not be successful in executing our growth strategies, and even if we achieve our strategic plan, we may not be able to sustain profitability. In future periods, our revenue could decline further or grow more slowly than we expected. We may also incur significant losses in the future for a number of reasons, some of which are beyond our control, including decreasing consumer spending, increasing competitions, declining growth of our overall market or industry, the emergence of alternative business models, changes in rules, regulations, government policies or general economic conditions. It is difficult to evaluate our prospects, as we may not have sufficient experiences in addressing the risks to which companies operating in rapidly evolving markets may be exposed. If our growth rate declines, investors' perceptions of our business and prospects may be materially and adversely affected. You should consider our prospects in light of the risks and uncertainties that companies with a limited operating history may encounter.

We are subject to the key man risk of Mr. Jay Chou (whom has been and will continue to have impact on us), and his persona had a significant impact on the events and programs created by us, and created a promotion effect on the sales of our products during the Track Record Period. If we are not able to cooperate with Mr. Jay Chou, our business, financial position and results of operation may be adversely affected.

Our business operation is subject to the key man risk of Mr. Jay Chou (whom has been and will continue to have impact on us) as we heavily rely on the cooperation with Mr. Jay Chou and his nijigen-style personalities, *ChouMate*, and we benefitted from Mr. Jay Chou's influence which came from various forms such as IP and fan group. Our cooperation with Mr. Jay Chou had a significant impact on the events and programs created by us such as *J Style Trip* season one, and created promotion effect on the sales of *MODONG* coffee during the Track Record Period and such effect is expected to remain in the foreseeable future. We secured our cooperation with Mr. Jay Chou through JVR Music and Archstone, being Mr. Jay Chou's artiste management company and representative, respectively, and from time to time enter into agreements with them. JVR Music has been and is under Mr. Jay Chou's authorization to use Mr. Jay Chou's publicity rights, while Archstone represents Mr. Jay Chou in business negotiations under the authorization and consent of JVR Music.

If the business relationship between Mr. Jay Chou, JVR Music and Archstone is terminated, they no longer decide to cooperate with us or authorize us to use Mr. Jay Chou's publicity or intellectual properties rights, or the agreements that we have entered into with any of them are terminated, our cooperation with Mr. Jay Chou may be affected and we will no longer enjoy the promotional effect that Mr. Jay Chou has created on both new retail and IP creation and operation segments. Thus, our business operations, financial position and results of operation may be materially and/or adversely affected.

We may be restricted from making future equity capital increase in Mainland China as a result of interests of our Taiwan Shareholders in us as they are required to comply with the Approval of Investment Regulations and obtain approvals from the Taiwan Investment Commission for investments in Mainland China.

Pursuant to the Approval of Investment Regulations, direct or indirect investment in the Mainland China by any individual with Taiwan passport or Taiwan-incorporated entity is subject to the approval of the Taiwan Investment Commission. For details, please refer to "Regulatory

Overview – Approval of Investment Regulations" of this document. We cannot guarantee that the current practice and policy of the Taiwan Investment Commission will remain the same in the future, and any changes in the practice and policy may affect our Taiwan Shareholder's likelihood in obtaining the Taiwan Investment Commission's approval.

If our Company conducts any equity capital increase into our Mainland China subsidiaries using funds except **[REDACTED]** from the **[REDACTED]** (such as our borrowings or our internal resources, which are considered as capital gain of the initial investment conducted by our Taiwan Shareholders) such that any of our Taiwan Shareholders exceeds the Annual Investment Quota, or our Taiwan Shareholder(s) are unable to obtain the Taiwan Investment Commission's approval, they may be required to reduce her/his shareholding in our Company. We cannot assure you that she/he will be able to reduce her/his shareholding in our Company in a timely and orderly manner, or at all. If any Taiwan Shareholder fails to reduce her/his shareholding in our Company in a timely and orderly manner, our future investments through equity capital increase into our Mainland China subsidiaries may be limited, which could in turn materially and adversely affect our future expansion plans and prospects in Mainland China. In addition, any reduction of the shareholdings in our Company by them pursuant to the Approval of Investment Regulations may cause volatility in, or otherwise have a material adverse effect on the trading price of our Shares.

Any penalties for violation of the Approval of Investment Regulations would be directed at the violating Taiwan Shareholder(s), not at our Company or Mainland China entities which our Taiwan Shareholders invest in. Nevertheless, any violation of the Annual Investment Quota of our Taiwan Shareholders or the failure of our Taiwan Shareholder(s) to obtain the requisite approval from the Taiwan Investment Commission for their investment in our Group may restrict the expansion plan of our Group and thus affect our business operations.

Our IP Authorization Agreement with JVR Music is subject to restrictions, in particular, our priority rights thereunder are non-exclusive (other than ChouMate Projects). If JVR Music decides not to co-operate with us on projects related to Mr. Jay Chou, our business, financial position and results of operation may be adversely affected.

Pursuant to the IP Authorization Agreement, our cooperation with Mr. Jay Chou through JVR Music is subject to restrictions, for example, we are granted the non-exclusive priority right to, among other things, (i) design and develop virtual idols centered on Mr. Jay Chou's image in anime and movies projects, (ii) design and plan shows related to Mr. Jay Chou, and (iii) invest in JVR Music's and/or Mr. Jay Chou's Hollywood Movies. Even if any of the abovementioned projects are proposed by us, JVR Music retains the sole discretion to decide whether to cooperate with us or other third parties, hence there is no guarantee that we will be able to participate in such projects at all. If we are unable to carry out the Star Plus Projects (except the ChouMate Projects) with JVR Music or JVR Music decides not to cooperate with us on such projects, plans that we have for our IP creation and operation segment will be affected, and our business, financial position and results of operation may be adversely affected.

Our IP Authorization Agreement with JVR Music may be terminated by JVR Music. If such agreement is terminated, we may not be able to execute projects related to Mr. Jay Chou, and our business, financial position and results of operation may be adversely affected.

The IP Authorization Agreement stipulates various grounds of termination. JVR Music is entitled to terminate the IP Authorization Agreement if (i) a fundamental breach is caused by us, which includes the use of Mr. Jay Chou's image and name in any projects or the execution of any Star Plus Projects without obtaining the prior consent of JVR Music; (ii) any party continuously or materially breaches any provisions of the agreement and such breach is not remedied after the complying party notifies the breaching party; or (iii) if we are not **[REDACTED]** on or before the second anniversary of the date of the IP Authorization Agreement.

If JVR Music terminates the IP Authorization Agreement, we may not be able to execute projects related to Mr. Jay Chou, or identify alternative celebrities who have the same persona and influence of Mr. Jay Chou to carry out our plans for IP creation and operation. As a result, the creation and production of our IP contents might experience critical disruptions, which in turn will have an adverse impact on our business, financial position and results of operations.

We rely on our cooperation with celebrities such as Mr. Jay Chou, Mr. Liu, Ms. Vivi Wang and Mr. Harlem Yu etc. in our businesses, and any negative impact on such celebrities' reception by or exposure to our consumers may have material adverse effects on our business, financial position and results of operations.

Our new retail and/or IP creation and operation businesses rely on the cooperation with celebrities. For example, we created nijigen style personality for certain celebrities. During the Track Record Period, we monetize our proprietary celebrity IPs by licensing them to our business partners to generate revenue for our IP creation and operation business as well as using them to empower the sales of our products by creating promotional effect. We believe association of our products with relevant celebrities through such proprietary celebrity IPs facilitate our efforts to introduce our products, in particular new products, to end consumers who maybe be more familiar with the relevant IP/celebrity but have not previously purchased our products.

The empowerment of our proprietary IPs heavily relies on the public image of the relevant celebrities. However, the entertainment industry is ever-changing. In the event that any of these celebrities that we cooperate with, such as Mr. Jay Chou, Mr. Liu, Ms. Vivi Wang and Mr. Harlem Yu etc., loses his/her popularity, or is involved in any negative publicity, such negative public reception on the relevant celebrity may have material adverse effect on our operations. Such negative impact may be out of our control, as well as the relevant celebrity's control, including but not limited to, change in market preference, unfavorable media coverage, whether truthful or not, or rules and regulations on entertainment or social media industries that affect or limit the scope and contents of performance by media persona. Any such negative impact may limit the media exposure, and/or our ability to promote our product in association with our proprietary celebrity IPs which centered around such celebrities, or our ability to plan media programs or concerts that feature them. If any such event has a lasting negative impact on the reception of the relevant celebrity, by or exposure to the public, and in particular our consumers, our business, financial position and results of operations may be materially and adversely affected.

We rely on our collaboration with KOCs and KOLs in the promotion of our products. Our reputation may be negatively affected by inaccurate or inappropriate comments or content made or any negatively publicity of such KOCs and KOLs.

During the Track Record Period, a substantial portion of our revenue was generated from the sale through a distribution network of our distributors and sub-distributors, who may further developed into KOCs of our products through word-of-mouth by invoking their personal experience and exerting their personal influence over their followers. We also collaborate with KOLs from time to time to promote our products through e-commerce livestreaming sessions on online platforms. We are unable to always control the comments and content made by such KOCs or KOLs. Our reputation and business may be negatively affected if the KOCs and KOLs with whom we cooperate with provide inaccurate or misleading information regarding our products or engage in any illegal, obscene or inflammatory conversations or activities, including posting inappropriate or illegal content that may harm the public interests. In addition, the KOCs and KOLs we cooperate with may be subject to negative media coverage and publicity from time to time, which may negatively affect the reputation of our products, our brand and our Company. We may also be required to spend significant time and incur substantial costs in response to allegations and negative publicity relating to such KOCs and KOLs, and may not be able to diffuse them.

Our operations and reputation may be perceived to be connected with the reputation of the celebrities or KOCs that we collaborate with. Therefore, our brand image and reputation could be negatively impacted by negative publicity in relation to the celebrities or KOCs that we collaborate with. Negative publicity about them could occur in many circumstances that are beyond our control. For instance, they may post unlawful, false, offensive or controversial content on their social media pages, notwithstanding any terms of use of the social media platforms and our guidelines, which may thus receive negative comments and complaints or even cause their accounts to be closed by social media platforms. In addition, they may also receive negative publicity if they are involved in any illegal activities, scandals or rumors. Any such negative publicity, regardless of its veracity, could hurt our reputation and may result in costs incurred to offset such reputation damage and have a negative impact on our business, results of operations and financial condition.

Our marketing or promotional activities in association with other celebrities may not be as successful as we expected.

As our cooperation with Mr. Jay Chou has contributed notably to our business, we may apply similar marketing strategies in the promotion of our other products in order to maximize our consumer reach. We are actively diversifying our celebrity IP portfolio by negotiating and entering into memorandum of understanding with other celebrities. For further details, please refer to the section headed "Business – Cooperation relationship with Mr. Jay Chou – Whether Mr. Jay Chou has been and will remain significant to our business operation – Collaboration with other celebrities to diversify our portfolio of celebrities and IP repertoire" in this document. However, we cannot guarantee our cooperation with these celebrities will materialize. If we cannot secure cooperation with any of these celebrities, the time and monetary resources we invested in the course exploring business opportunities and negotiations may not be recoverable, and it may adversely affect our business operations, as such time and resources could have been used in other areas such as research and development of new products.

Besides, there is no assurance that our engagement with other celebrity(ies) for the empowerment of our products will be as successful as we expected. There are various factors adversely affecting the effectiveness of our marketing which are beyond our control, including but not limited to the change in public reception towards the corresponding celebrity and the change in public policies relating to commercial activities conducted by celebrities. There is no guarantee that our cooperation with other celebrity(ies) would have similar or even better results as that of Mr. Jay Chou.

During the Track Record Period and as of the Latest Practicable Date, we mainly relied on Li Ting, as the key personnel of Kunshan Tingshe, for distribution of our Kunshan Tingshe Distributed Products and may continue such arrangement in the future.

Li Ting was one of the key founders of the distribution channel of *MODONG* coffee through her involvement with us in establishing the distribution network. During the Track Record Period and as of the Latest Practicable Date, we mainly relied on Li Ting, a key personnel of Kunshan Tingshe, for distribution of our Kunshan Tingshe Distributed Products. We engaged Kunshan Tingshe, which is mainly conducted by Li Ting and her team, to help manage our distributors and the sub-distributors and conduct product promotion so we can quickly expand the distribution network after the launch of *MODONG* coffee. For more details, please refer to the section headed "Business – Distribution network – Distribution Agent Assisted Distribution Model" in this document.

Given Li Ting was the key personnel of Kunshan Tingshe, we rely on Li Ting to manage our distributors and the sub-distributors procured by our distributors.

To the best of our Directors' knowledge and belief, many of our distributors and their sub-distributors consider Li Ting as a respectful leader in the new retail distribution network. Even though the required procedure to effect the change of distribution agent would not be time consuming as Kunshan Tingshe can unilaterally novate its rights and obligations under the distribution agreements entered into between Kunshan Tingshe and each of the Group's distributors without obtaining the prior consent of the distributors, if Li Ting ceases to act as our distributor, or in any way ceases her involvement in our distribution network, we may not be able to maintain our relationships with the distributors and sub-distributors as the distributors and sub-distributors may not be willing to continue act as the Group's distributors and sub-distributors. In addition, we may not be able to secure a suitable individual that has similar or better experience than Li Ting as replacement in a timely manner, or at all. Even if we secure a replacement, certain distributors may still opt not to continue the distribution arrangement with us. In such case, our business, financial condition and results of operations could be materially and adversely affected.

We may be exposed to credit risks in relation to trade and other receivables.

During the Track Record Period, our trade receivables mainly represented amounts receivable from our customers of the IP creation and operation business and other receivables mainly comprised amounts due from related parties and amounts due from or loan provided to third parties. As at December 31, 2019, 2020, 2021 and 2022, our trade receivables balance of our Group's trade receivables (after provision for impairment) amounted to RMB252,000, RMB40.2 million, RMB26.1 million and RMB38.1 million, respectively; and our other receivables balance (after provision for impairment) amounted to RMB39.4 million, RMB32.0 million, RMB26.5 million and RMB23.0 million, respectively. In 2021, we had written off other receivables of RMB3.0 million in relation to a loan provided to our ex-marketing agency. We could not guarantee that we can successfully collect any or all debts due to us, and any failure on the part of our customers or debtors to settle or settle on time the amounts due to us may adversely affect our Group's financial condition and operating cash flows. If we fail to adequately manage our credit risks, our bad debt expense could be significantly higher than historic levels, which could adversely affect our business, results of operations and financial condition.

The relevant rules and regulations on social e-commerce in China are still under development and subject to interpretation, and their implementation involves uncertainty.

Social e-commerce business is relatively new in the PRC and the relevant rules and regulations are still in the process of development. Such rules and regulations are subject to the interpretation of the competent authorities of various jurisdictions in their implementation, which involves uncertainty. For example, there were various incidents in the past when the Regulation on the Prohibition of Pyramid Selling was used as the regulatory basis for disciplinary actions on social e-commerce companies by local government authorities. The relevant PRC authorities, including regional and local governments, have broad discretion on regulations of social e-commerce activities, and have the authority to impose sanctions thereon, including but not limited to, temporary freezing of bank accounts, levying fines, confiscating income or suspending operations. Any unfavorable new regulatory interpretation and implementation could have a material adverse effect on our business, financial condition, results of operations and prospects.

In particular, we operate under a novel sales model in which our end consumers are often procured through social media, such as followers to PDT centred around our unique celebrity IPs. Many of our distributors and the sub-distributors are themselves consumers of our products first. It is necessary for our management and sales and marketing staff to spend significant time and resources to educate the public, including competent authorities and end consumers, in relation to our novel business model. Misunderstanding of our business model by competent authorities or end consumers could result in negative publicity and potential regulatory sanctions and adverse impact on our operations. For example, we were subject to two incidents of temporary account freeze initiated by certain local government authorities in 2020 and 2021, respectively. We were able to have both account freezes unconditionally released after reporting to Kunshan AMR which issued the Inspection Opinions on our business activities. We implemented certain measures to reduce the risk of future similar regulatory actions, but we could not assure you that we would not be subject to similar regulatory actions by other local government authorities, which could have material adverse effect on our business, financial condition, results of operations and prospects if such actions result in punitive measures or sanctions. For more details, please refer to the section headed "Business – Distribution network – Distribution Agent Assisted Distribution Model – Regulations relating to pyramid selling – The Temporary Suspension of Bank Accounts due to alleged pyramid selling" in this document.

Our brands and products may be subject to counterfeiting, imitation, and/or infringement by third parties, and we may not be able to prevent the existence of counterfeit products on the market.

We rely on intellectual property laws in the PRC and other jurisdictions to protect our brands and trademarks. During the Track Record Period, we were subject to counterfeiting and imitation by external parties that manufactured and marketed their products under brand names and trademarks that highly resembled ours. We are actively taking measures to prevent counterfeit products and infringement of our intellectual property rights. For more details, please refer to the section headed "Business – Counterfeit products" in this document. However, we cannot assure you that such counterfeiting, forgery or imitation of our products, trademarks or brands in the market will not occur in the future or, if it does occur, that we will be able to detect or address the problem effectively. Such counterfeit or forged products are usually difficult to detect or ban in a timely manner. Any occurrence of counterfeiting or imitation of our products or other breaches of our intellectual property rights could adversely affect our reputation and brand name, and lead to the loss of consumers' confidence in our brand.

Despite that we are dedicated to fight against counterfeit goods by constantly monitoring various social e-commerce platforms and report to the relevant regulatory authorities once we detect any infringements or misappropriations towards our products. Regardless, these efforts may not be sufficient and effective to protect our brand and intellectual property rights, which in turn, could damage our reputation and consumers' perception towards our products' quality as a result. In addition, litigations to prosecute infringements upon our rights and products will be expensive and will divert the management's attention as well as other resources away from our business. Moreover, if there are any concerns about the quality of the counterfeit products and consumers are not fully able to distinguish such counterfeit products from our products, our reputation and brand value may be impaired. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Recent government initiatives to further regulate the entertainment industry may have negative impact on our business operations centered around our unique celebrity IP.

We rely on our unique celebrity IPs and the related IP contents to empower our new retail business by creating promotional effect. The current and future celebrities we collaborate with may be active in the entertainment industry. Many of the media contents and large scale events we planned in our IP creation and operation are entertainment contents. As such, our business are affected by the relevant rules and regulations on the entertainment industry. For example, on September 2, 2021 the National Radio and Television Administration (國家廣播電視總局) issued The Notice on Further Enhancing Regulation on Entertainment Contents and Industry

Participants (《關於進一步加強文藝節目及其人員管理的通知》). The notice prohibits, among other things, certain formats of media contents and business practices as well as provides generic qualification requirements for entertainment industry participants. It is not yet clear how such notice will be implemented and what impact it will have on the entertainment industry as a whole. To the extend such notice or any future rules and regulations on the entertainment industry negatively affect the public reception or exposure of our unique celebrity IPs or limit the contents or venue of the media contents and events we planned, we may not be able to promote our products in association with such unique celebrity IPs or related contents in our new retail business or generate revenue based on such unique celebrity IPs in our IP creation and operation business, which in turn may have material adverse effect on our financial position and results of operations.

The licensing of our intellectual property rights is subject to certain contractual limitations, and any disputes or disagreements arising between us and the joint owner of such rights could negatively impact our sales and prospects, which lead to the decline in our business profitability.

Our health management product *MODONG* coffee is marketed with our proprietary "*ChouMate*" trademarks. Additionally, we also engaged in the production of the reality show "*J-Style Trip* season one", which we aim to integrate both intellectual property licensing of celebrities and commercial programs in order to expand our consumer base and strengthen our brand awareness.

We are one of the two co-owners of the "*ChouMate*" trademarks and our usage of these trademarks is subject to JVR Music's approval. For instance, we could not license the intellectual property rights of "*ChouMate*" to any third-party without the prior approval of JVR Music. For more details, please refer to the section headed "Business – Intellectual property" in this document. We diversified our celebrities portfolio during the Track Record Period. As at the Latest Practicable Date, we were under negotiation with other celebrities for cooperation regarding creation and development of celebrity IPs. In the event any of these cooperation materializes, our rights to the relevant celebrity IPs are subject to terms of agreement to be entered into between us and the relevant celebrity. If any disputes or disagreements arise between us, and we are not able to reach a consensus, we might not be able to use the celebrity IPs in question, such as "*ChouMate* (周同學)", or license the intellectual property as we intended, or at all, which could lead to the decline in sales, and adversely affect our business prospects and financial results. Please also refer to the paragraphs headed "If we are unable to obtain, maintain and adequately protect our intellectual property rights, especially the trademarks, copyrights and domain names that we use in connection with our products, our ability to operate and compete could be compromised, thus adversely affects our business, financial condition and results of operations" and "Our success depends on our ability to operate our business without infringing, misappropriating or otherwise violating the trademarks, copyrights and proprietary rights of other parties, which may be expensive to defend and disrupt our business and operations" in this section.

If we are unable to obtain, maintain and adequately protect our intellectual property rights, especially the trademarks, copyrights and domain names that we use in connection with our products, our ability to operate and compete could be compromised, thus adversely affects our business, financial condition and results of operations.

Intellectual property licensing is crucial to our business operations and brand building. As of the Latest Practicable Date, our Group registered 1,115 trademarks and 148 copyrights (including software copyrights in the PRC), and we were also applying and undergoing the registrations of other intellectual property rights. Our copyrights, trademarks and domain names are unique and valuable assets that support our brand and help to elevate public's perception of our products. In addition, we generate a portion of our revenue from IP licensing operations. Our intellectual properties are unique and key assets of our Group. The sales and marketing for our products depend to a significant extent on the brand and other intellectual properties associated with our products. There can be no assurances with respect to the nature and scope of rights associated with intellectual properties in different countries, including our ability to use, maintain or defend key trademarks and copyrights. To the extent possible, we rely on trademarks, copyrights, patents and trade secret laws, as well as confidentiality procedures or other contractual restrictions of the same or similar nature, to establish and protect our intellectual property or other proprietary rights. However, these laws, procedures and restrictions may provide only limited and uncertain protection and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated, including by counterfeiters. In addition, our intellectual property portfolio in many jurisdictions other than the PRC is less extensive than our portfolio in the PRC, and the laws of the other jurisdictions other than the PRC, may not protect our intellectual property rights to the same extent as the laws of the PRC. The costs required to protect our trademarks and copyrights may be substantial.

In addition, we may fail to apply for, or be unable to obtain, protection for certain aspects of the intellectual properties used in or beneficial to our business. Furthermore, we cannot provide assurance that our applications for trademarks, copyrights and other intellectual property rights will be granted, or, if granted, will provide sound and effective protections. In addition, third parties have in the past and could in the future bring infringement, invalidity or similar claims with respect to any of our current trademarks, copyrights and other intellectual properties, or any trademarks or copyrights or other intellectual properties that we may seek to obtain in the future. Any such claims, whether or not successful, could be extremely costly to defend, divert management's attention and resources, damage our reputation and brands, and substantially harm our business and results of operations. Any lawsuits or proceedings that we initiate could be expensive, take significant time and divert management's attention from other business concerns. Litigations and other proceedings also put our intellectual property at risk of being invalidated, or if not invalidated, may result in the scope of our intellectual property rights being narrowed. In addition, our efforts to try to protect and defend our trademarks and copyrights and other intellectual properties may be ineffective. Additionally, we may provoke third parties to assert claims against us. We may not prevail in any lawsuits or other proceedings that we initiated, and the damages or other remedies awarded, if any, may not be commercially valuable. The occurrence of any of these events may have a material adverse effect on our business, financial condition and results of operations.

We rely on our distributors, the sub-distributors and the consumer community culture for the sales of our products.

We rely on our distributors to distribute our products to end consumers and the sub-distributors. As of December 31, 2022, our distribution network consisted of 742 distributors and 16,044 sub-distributors.

We have no ownership or managerial control over any of our third-party distributors. Due to the large number of our distributors and the sub-distributors, it is difficult for us to closely monitor all aspects of their practices. We cannot assure you that all our distributors and the sub-distributors will comply with and perform their contractual obligations. In addition, there may be instances when these distributors carry out or omit actions, which are not consistent with our business strategy, such as failing to participate in our marketing and promotional activities. If any of our distributors fails to perform in accordance with the terms of the respective distribution agreements, or at all, our brand image and end consumer relationship may be adversely affected.

We believe that maintaining and promoting a community culture that involves our KOC distributors is crucial for us to expand our consumer base and promote brand awareness. Towards that end, we have various professional trainings in place to ensure that our distributors keep pace with the latest industry trends and possess the sufficient knowledge of our products and brand to advertise and sell our products. For more details related to the distribution network, please refer to the section headed "Business – Distribution network" in this document. Nevertheless, despite our efforts, we may be unable to maintain our community culture. For instance, conflicts could arise among our distributors, the sub-distributors and end consumers and any inflammatory/inappropriate comments posted on any social media platforms may damage our community culture and brand reputation, which in turn would be detrimental to our business prospects and results of operations.

In addition, we may not be able to successfully manage our distributors and the sub-distributors, and the cost of any consolidation or further expansion of our distribution network may exceed the revenue generated from these efforts. There can be no assurance that we or Kunshan Tingshe will be successful in detecting any non-compliance of our distributors with provisions of the respective distribution agreements. Non-compliance by our distributors and the sub-distributors could negatively affect our brand reputation and disrupt our sales. Furthermore, if the sales volumes of our products sold to consumers are not maintained at a satisfactory level or if our distribution orders fail to track consumers' demand, our distributors may not place any new orders from us, they may also decrease the quantity of their regular orders or ask for a discounted price. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products and therefore adversely affect our financial conditions and results of operations.

Furthermore, our ability to accurately track the sales of our products and the inventory level of our distributors is limited. Our sales to distributors may not be reflective of the actual sales trends to the end consumers, and we may not be able to timely gather sufficient information and data regarding the market demand and consumers' preferences for our products. Failure to accurately track the sales and inventory levels of our distributors and timely gather market information may cause us to incorrectly predict sales trends and impede us to quickly align our marketing and product strategies in response to market changes.

As a new retail company with a focus on social media and unique celebrity intellectual properties (明星IP社交電商), our success is dependent on the continued popularity of our products and our ability to anticipate and respond to changes in industry trends, consumer preferences and behavior in a timely manner.

The success of our business and operations depends on our ability to continuously offer quality products that are attractive to the end consumers. The new retail industry is driven in part by entertainment, health and beauty trends as well as consumer preferences and behavior, which may shift quickly and have been vastly affected by the rapidly increasing use and proliferation of social and digital media by consumers, and the speed with which information and opinions are shared. As industry trends and consumers' preferences and behavior continue to change, we must also continually work to develop, produce and market new products, maintain and enhance the recognition of our brands, achieve a favorable mix of products, expand the scope and scale of our intellectual property licensing with different celebrities, and refine our approach as to how and where we market and sell our products.

Our success depends on our products' appeal to a broad range of consumers whose preferences and behavior cannot be predicted with certainty and may change rapidly, and on our ability to anticipate and respond in a timely and cost-effective manner to industry trends, consumer preferences and behavior through product innovations, product line extensions and marketing and promotional activities, among other things. We cannot assure you that we will be able to successfully anticipate and respond to consumers' preferences and behavior at all times, especially as we continue to broaden our customer base and diversify our product offerings aimed at customers with different characteristics. If we are unable to anticipate and respond to the changes in industry trends, consumer preferences and behavior, we may fail to continuously develop products with wide market acceptance, capture emerging growth opportunities, adopt competitive sales strategies for our existing products, or properly predict and manage our inventory. Such failure could also negatively impact our brand image and result in the diminishing of customer experiences and brand loyalty. Any of these occurrences could materially and adversely affect our business, prospects and results of operations.

Our business operations could be negatively impacted by our reliance on the sole supplier to produce *MODONG* coffee.

The formula of *MODONG* coffee is co-developed by us and Hengmei Group, which is currently our sole supplier for the product. Hengmei Group is in possession of the formula and technology know-hows for the purpose of manufacturing the product. We also rely on Hengmei Group to procure the raw materials and ingredients of *MODONG* coffee. We entered into a strategic cooperation agreement with Hengmei Group. For more details, please refer to the section headed "Business – Suppliers – Selection and management of supplier – Hengmei Group" in this document. We cannot assure you that our sole supplier for *MODONG* coffee will continue to maintain business relationship with us by renewing the contracts at the same terms or terms acceptable to us upon expiry thereof, or even maintain such business relationship with us at all. Our reliance on our sole supplier for the production of *MODONG* coffee could have a material adverse impact on our business in the event of any shortage of, or failure or delay in the supply. Additionally, if the sole supplier terminates or refuses to renew a contract with us or fails to fulfil their contractual obligations regarding the production of *MODONG* coffee, we may not be able to secure any suitable alternative suppliers as replacement on terms acceptable to us in a timely manner, or at all. As a result, our production might experience critical disruptions, which in turn will have an adverse impact on our reputation, business prospects and results of operations. Further, even if we are able to replace our sole supplier with alternative suppliers, the costs and resources devoted to seeking for new business partner could be significant and onerous to our business operations and financial condition. For further details, please refer to the section headed "Business – Suppliers" in this document.

If our health management products are not effective in enabling consumers in achieving their respective goals from consumption thereof, it could have a material adverse effect on our business, prospects, financial condition and results of operations.

During the Track Record period, we generated substantial majority of our sales revenue for our new retail business from health management products. We sold multiple health management products, mainly under *MODONG* brand and *Dr. INYOU* brand. Our health management products focus on the concept ketogenic diet, where these products are regarded as health management food and beverages as they can be consumed (i) as meal replacements for consumers who are on low-carb diets; and (ii) for weight management, as their ingredients consists of healthy elements such as ketogenic, low-carb high-protein, high dietary fibers, vitamins, and prebiotics. For details of the product features of our major health management products, please refer to "Business – Our business – New retail business – Health management products" in this document.

The effectiveness of our health management products are critical to the success of our business. In particular, there has been a great demand in *MODONG* coffee mainly due to the fact that our *MODONG* coffee were well-received by our end consumers. Thus, in the event that our health management products no longer have effective features that enable consumers in achieving their respective goals from consumption thereof, the demand in our health management products may decrease and it could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our expansion into new product lines or categories may expose us to new challenges and more risks. If our new product introduction is not as successful as we anticipated, it could have a material adverse effect on our business, prospects, financial condition and results of operations.

The fast-evolving entertainment and health management trends together with the consumer preferences have shortened the life cycles of our products and required us to continually work to develop, produce and market new products, maintain and enhance the recognition of our brands and shorten our product development and supply chain cycles. Our continued success depends on our ability to develop and launch products in a timely and cost-effective manner in response to industry trends and consumer preferences. We have a pipeline of new low-carb food and drinks and skincare products that are targeted in the near future. For more details, please refer to the section headed "Business – Our strategies and future plans – Further diversify our product portfolio through product development" in this document. If we do not successfully and consistently develop new products that appeal to our customers, our net revenues and margins could suffer.

Each new product launch involves risks, as well as the possibility of unexpected consequences. For instance, the acceptance of new product launches and sales to our customers may not be as high as we anticipated, due to a lack of acceptance of the products themselves or their price, or the limited effectiveness of our marketing strategies. Introduction of new products targeted at expanding our product reach beyond our current customer base may not be as successful as we anticipated due to the insufficient data insights on and understanding about the preferences, trends and behaviors of such new customer groups. Our ability to launch new products may be limited by delays or difficulties affecting the ability of our suppliers or manufacturers to timely manufacture new products. In addition, we may experience a decrease in the sales of certain existing products as a result of newly launched products.

Also, product innovation may place a strain on our employees and our financial resources, including incurring expenses in connection with the product innovation and development, marketing and advertising that are not subsequently supported by a sufficient level of sales. Further, sales of new products may be affected by the efficacy of our inventory management and quality of delivery and order fulfilment services provided by our logistics providers, and we may experience product shortages, delay, defective or improper product delivery. Any of these occurrences could delay or impede our ability to achieve our sales objectives, which could have a material adverse effect on our business, financial condition and results of operations.

The new retail industry is relatively new with an evolving business model. If our new business model fails to generate or increase its revenue at the expected level and pace, our overall growth and profitability would be adversely affected.

The new retail industry is relatively new and constantly evolving. To cater to such changes in the industry, it is important that we keep ourselves up-to-date with market trends and adapt accordingly by developing or implementing the latest business models into our products and/or distribution channels on a timely basis. On the other hand, responding and adapting to an ever changing industry may require us to invest substantial resources, time and capital, and we may not be able to integrate the results of our market research to our business operations in a timely manner to take advantage of the market opportunities available.

If we are unable to keep up with changes in the industry and end consumers' purchasing patterns in the future, our ability to expand our customer base and business may be adversely affected and we may lose our distributors, end consumers and other business opportunities to our competitors. There can be no assurance that we will be able to sufficiently and promptly respond to changes in the industry, and all of the above may ultimately affect our business, financial condition, results of operations and prospects adversely.

Future expansion and acquisition plans are subject to uncertainties and risks.

We have set out our future plans in the section headed "Future plans and use of **[REDACTED]**" in this document. Whether our future plans can be implemented successfully may be beyond our control and some future events may affect the smooth running of the expansion plan, such as change in costs related to the changes in compliance with the laws, rules and regulations, delays in obtaining the necessary licenses and approvals from the government.

In the future, we may decide to enter into new distribution channels or markets or selectively pursue strategic acquisitions or investments in new markets. We may have limited or no relevant experience to operate in new distribution channels or markets that have legal and regulatory frameworks, competitive landscapes and customer preferences different from our existing distribution channels or markets. We may not be familiar with the customer preference of the new distribution channels and as such, we may fail to attract a sufficient number of end consumers to achieve profitability.

There is no assurance that we will be successful in our expansion plans and materialize the acquisitions. If we fail to project accurately the time, labor and costs required for implementing our expansion plans, or if we fail to comply with the new regulatory requirements of new distribution channels or secure sufficient amount of sales order or at all after the expansion, our business and results of operation may be adversely affected.

In addition, we may consider strategically acquiring other companies, businesses, assets or technologies that are complementary to our business and operations as part of our growth strategy. The strategic acquisition and subsequent integration of new businesses is likely to require significant managerial and financial resources and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our growth and business operations. Acquired businesses or assets may not generate the financial results we expect and may be loss making over time. The cost and duration of integrating newly acquired businesses could also materially exceed our expectations. Any such negative developments could have a material adverse effect on our business, financial condition and results of operations.

Our financial condition and results of operations may be materially and adversely affected by the outbreak of COVID-19 pandemic.

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. Demands for consumer goods were significantly affected. According to the National Bureau of Statistics, China's total retail sales of consumer goods decreased by approximately 19.0% in the first quarter of 2020 compared with the same period of 2019. The PRC government and other governments across the world have implemented strict measures to control such outbreak. While our supply partners and other service partners had to operate at a reduced capacity during such period, we were able to maintain sufficient levels of inventory and fulfillment capacity through our warehouses.

Nevertheless, our revenue was adversely affected during 2022, mainly due to the large-scale regional static management control measures imposed by the local government in view of the resurgence of COVID-19 pandemic in 2022. Even though, many of the quarantine measures within China have since been relaxed as of the date of this document, we cannot predict when the COVID-19 pandemic will become completely under control and we cannot guarantee that the COVID-19 pandemic will not worsen. If the spread of the disease is not alleviated and contained in the foreseeable future, we may face a shortage of raw materials for our products and difficulties of producing new seasons of our *J-Style Trip* as well as our ability to plan new concerts or other large-scale public events. As a result, our business operations and financial results could be adversely affected, as evidenced by the decrease in our revenue for the year ended December 31, 2022. If the situation materially deteriorates in China or globally, our business, results of operations and financial condition could be materially and adversely affected as a result of the changes in the outlook of the industry, or any slowdown in the economic growth, negative business sentiment or other factors that we cannot foresee. For details regarding impact of the Resurgence of COVID-19 on our Group, please refer to the section headed "Business – Impact of the outbreak of COVID-19 on our business" in this document.

Social media based new retail industry is highly competitive. If we are unable to compete effectively with existing or new competitors, we may lose our market share, and our business, results of operations and financial condition may be materially and adversely affected.

The new retail industry is, and will continue to be, highly competitive. We primarily compete with social e-commerce focused new retail companies. Competition in our industry is intense and based on multiple factors, including the ability to launch new products, pricing of products, quality of products and packaging, brand awareness, perceived value and quality, innovation, offline sales capabilities, customers' functional and emotional satisfaction, promotional activities, advertising, editorials, e-commerce and mobile-commerce initiatives and other activities.

Our competitors may have significantly more financial, technical, marketing and other resources than we have, and may devote greater resources to develop, promote and support their products. In addition, they may have more extensive industry relationships, longer operating histories and greater brand recognitions than we have. Despite our differentiated business model, existing and new players in the industry may also transform their business model and directly compete with us. They may also roll out products targeting young generations at a customer-friendly price or adopt a price-cutting strategy for their current products to directly compete with us. As a result, these competitors may respond more quickly to consumer tastes and trends, seeking ideas which will appeal to consumers and introducing new products that compete with our products for consumer acceptance and adopt new technologies. It is difficult for us to predict the timing and scale of our competitors' activities in these areas or whether new competitors will emerge in our industry. In addition, further technological breakthroughs, including new and enhanced technologies which increase competitions in the online retail market, new product offerings by competitors and the strength and success of our competitors' marketing programs may impede our growth and the implementation of our business strategies.

Our ability to compete also depends on the continued strength of our brand and products, our ability to predict and capture industry trends and consumer preferences, the success of our marketing, innovation and execution strategies, the continued diversification of our product offerings, the successful management of our new product introductions and innovations, strong operational executions, including order fulfillment and supply chain management, and our success in entering new markets and expanding our business in existing geographies. If we are unable to continue to compete effectively, we may lose our market share and our business, results of operations and financial condition may be materially and adversely affected.

We had recorded net cash outflow from operating activities in the year ended December 31, 2021.

For the year ended December 31, 2021, we had net cash flows outflowed from operating activities of RMB9.3 million. The net cash outflow from operating activities for the year ended December 31, 2021 is primarily attributable to the income tax payment of RMB50.0 million. We cannot assure you that net cash outflows from operating activities will not occur in the future as a result of other factors or developments. For further details on our liquidity position, please refer to the section headed "Financial information – Liquidity and capital resources" in this document.

Our success depends on our ability to operate our business without infringing, misappropriating or otherwise violating the trademarks, copyrights and proprietary rights of other parties, which may be expensive to defend and disrupt our business and operations.

Our commercial success depends in part on our ability to operate without infringing, misappropriating or otherwise violating the trademarks, patents, copyrights, trade secrets and other proprietary rights of others. We have adopted and implemented internal procedures and licensing practices to prevent unauthorized use of such intellectual properties or the infringement by us of other rights of the third parties. However, we cannot be certain that these measures can be effective in completely preventing all possible infringements, misappropriations and other violations of third-party's intellectual property rights or other rights during the course of our business. As we face increasing competitions and as litigation becomes a more common way to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights which held by third parties. This is especially the case as our sales and marketing activities may use photos or video clips that contain portraits of individuals and shows performed by others such as recorded product promotion live-streaming held by our cooperating celebrities and KOLs. We cannot rule out the possibility that some of these photos or videos are not properly authorized by the relevant performers and/or proprietary right holders, which may expose us to potential liabilities for infringement of portrait rights or rights to network dissemination of information under the PRC laws. There could also be existing intellectual property of which we are not aware of that our operations and business may inadvertently infringe upon.

Furthermore, our internal procedures and licensing practices may not be effective in completely preventing the unauthorized use of copyrighted materials or the infringement of other rights of third parties by us and/or our employees. We may receive claims by third parties that we and/or our employees have infringed or otherwise violated their software copyrights. We license and use software and other technologies from third parties in our ordinary course of business. These third-party software or technology licenses may not continue to be available to us on acceptable terms or at all, and may expose us to potential infringement liabilities. Any such liabilities, or our inability to use any of these third-party software or technologies on acceptable terms or at all, could harm our reputation, result in increased operating costs, and/or disruptions to our business that may materially and adversely affect our operations and financial results.

We may from time to time in the future be subject to legal proceedings and claims relating to the intellectual property rights of others. Also, we cannot assure you that we will not become subject to intellectual property laws in other jurisdictions, such as the United States. If a claim of infringement brought against us in China, the United States or another jurisdiction is successful, we may be required to pay substantial penalties or other damages and fines, enter into license agreements which may not be available on commercially reasonable terms or at all or be subject to injunctions or court orders. Even if the allegations or claims lack merit, defending against them could be both costly and time consuming and could significantly divert the efforts and resources of our management and other personnel.

Competitors and other third parties may claim as well that our officers or employees or our suppliers have infringed, misappropriated or otherwise violated their product formulas, confidential information, trade secrets or other proprietary information or technology in the course of their employment with us or in their designing and manufacturing products for us, as the case may be. Although we take steps to prevent the unauthorized use or disclosure of such third-party information, intellectual property or technology by our officers, employees or suppliers, we cannot guarantee that our internal intellectual property policies, any other policies or contractual provisions that we have implemented or may implement will be effective. If a claim of infringement, misappropriation or violation is brought against us or against one of our officers or employees, we may suffer reputational harm and may be required to pay substantial damages, subject to injunction or court orders or be required to suspend the sales of our products or to remit to the plaintiff the revenues that we derive from the sales, any of which could adversely affect our business, financial condition and results of operations.

Product quality is crucial to our business. Failure to maintain the quality, safety and effectiveness of the products could harm our reputation, adversely affect our financial condition and results of operations.

Any loss of confidence on the part of consumers in the ingredients used in our products, whether related to product contamination or product safety or quality failures, actual or perceived, or inclusion of prohibited or restricted ingredients or improper mixture of ingredients, could tarnish the image of our brands and could cause consumers to choose other products. Allegations of contamination or other adverse effects on the product safety or suitability for use by a particular consumer, even if untrue, may require us to expend significant time and resources responding to such allegations and could, from time to time, result in the suspension of sales or a recall of a product from any or all of the markets in which the affected product was distributed. Any such issues or recalls could negatively affect our profitability and brand image.

If our products are found to be, or perceived to be, defective or unsafe, or if they otherwise fail to meet our consumers' expectations, our relationships with the consumers could suffer, the appeal of our brands could be harmed, thus we may need to recall some of our products and/or become subject to regulatory actions, and we could lose sales or market share or become subject to liability claims. In addition, safety or other defects in our competitors' products could reduce consumers' demand for our own products if consumers view them to be similar. Any of these outcomes could result in a material adverse effect on our business, financial condition and results of operations. For more details, please refer to the section headed "Business – Quality control" in this document.

We outsource our product manufacturing to third-party manufacturers. The limited control that we have over the process may present risks to our business, and any failure in the product quality control could adversely affect our reputation, business prospects and results of operations.

In addition to Hengmei Group, we also use third-party manufacturers to manufacture our other products, our ability to grow revenues in the future will depend in part on our success in maintaining successful relationships with our manufacturing partners. As a result, the loss or unavailability of one of our major manufacturers or factories, even temporarily, could have a negative impact on our business, financial condition and results of operations. While we believe that we have the ability to replace our manufacturers if necessary, any such move may be time-consuming and costly. We believe manufacturing for us would generally take a significant percentage of the total capacity of each factory that we work with, and therefore establishing relationships with new manufacturers and having them work on similar terms with matching quality may be challenging. We may also be required to seek out additional manufacturers in response to increased demand for our products, as our current manufacturers may not have the capacity to increase production. If we fail to receive a material portion of the products made by our manufacturers, or if we fail to shift manufacturers, our sales and profitability could be significantly reduced.

We have implemented a quality control system in relation to the manufacturing process of our products. For further details, please refer to the section headed "Business – Quality control" in this document. Nevertheless, we may not have effective control over whether our manufacturers would strictly follow our specifications and instructions. There is always a risk that one or more of our third-party manufacturers will not comply with our requirements, and that we may not be able to discover such non-compliance immediately or at all. As such, the use of third-party manufacturers may expose us to product liability claims, administration penalties, confiscation or the destruction of certain products and their revenue, the revocation of business license, or the imposition of other administrative or criminal liabilities. If defective products are manufactured and sold, it would damage our reputation, lead to product recall, consumer litigations and other unfavorable outcome that could materially and adversely affect our business.

Additionally, we cannot assure you that they do not ever and will not deviate from their covenants. Any leakage, plagiary or disclosure of the formulas for manufacturing our products could be detrimental to our business prospects and results of operations. In the event they violate confidentiality agreements with other parties when developing formulas for us, we could be negatively affected.

If we fail to comply with the constantly evolving product safety laws, regulations and standards, or our products otherwise are defective, we may be required to recall products and may face penalties and product liability claims, either of which could damage our reputation, result in unexpected costs and adversely affect our financial condition and results of operations.

The manufacturing, distribution and packaging of our products and their components, ingredients and raw materials are subject to complex product safety-related laws, regulations and national and industrial standards. Please refer to the section headed "Regulatory overview – PRC laws and regulations" in this document. To comply with and promote product safety, we have assigned quality inspectors to be responsible for the production inspection, product sampling and quality issues resolution. We also cooperate with third-party international testing centers to continually oversee the quality, safety of our products and conduct sampling check from time to time. In addition, we closely work with our counsel on the development in laws, regulations and standards applicable to our business. However, as these laws, regulations and standards are relatively new and their interpretations and implementations have been constantly evolving, we cannot assure you that the competent authorities will always hold the same view as our counsel team does in terms of the compliance of our business operations.

We currently outsource our product manufacturing to third party suppliers, and in many cases rely on them to procure raw materials, components and ingredients. Thus, we do not have sufficient control over the raw material procurement and manufacturing process and thus cannot be sure that all the suppliers of raw materials, components and ingredients chosen by our contract manufacturers would have met our standards and expectations and been selected by us had we done the procurement ourselves, neither could we guarantee that no contaminations, defects or other safety issues would happen with respect to the raw materials, components and ingredients or during the manufacturing process.

Our exposure to product liability risks may increase as our manufacturing and sales volume increases. The situation is further complicated by the fact that a product may be safe for the general population when used as directed but could cause an adverse reaction for a person who has a health condition or allergies, or who is taking a prescription medication. While we include what we believe are adequate instructions and warnings, previously unknown adverse reactions could occur. If we discover that any of our products are causing adverse reactions, we could suffer adverse publicity or administrative sanctions. If any batch of our products contain contaminants, fail to meet the national safety standards or otherwise has defects or safety issues, we may need to suspend the sale or, in severe cases, order recalls of such batch or all of the products in question.

To manage and mitigate any environmental, social and governance risks, we may incur additional costs and expenses, which may materially and adversely affect our financial performance.

To manage and mitigate any environmental, social and corporate governance risks that we may identify, and to better fulfill our social responsibilities, we may incur additional costs and expenses which may adversely and materially affect our financial performance. For instance, as we aim to gradually switch to using more environmentally-friendly packaging materials in our product delivery, which are usually more costly, expenses in relation to packaging may increase. Moreover, our operating costs may increase as we may consider adopting measures to strengthen our workplace safety. For further details on our policies and visions in environmental, social and governance, please see the section headed "Business – Environmental, social and governance" in this document.

If the contents contained in videos, live broadcasting and other content formats published by us or celebrities or KOLs that we collaborate with are deemed to violate any PRC laws or regulations or are considered inappropriate, our business, financial condition and results of operations may be materially and adversely affected.

The PRC government and regulatory authorities have adopted regulations governing contents contained within videos, live broadcasting and other information over the Internet and livestream marketing. Under these regulations, Internet content providers are prohibited from posting or displaying contents that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or promotes counterfeit or substandard goods. We will closely monitor the contents that are provided in the videos and livestream marketing activities conduct by celebrities and KOLs that we collaborate with. However, as the number of celebrities and KOLs that we collaborate with increases after **[REDACTED]**, there can be no assurance that we can identify all the videos or other content that may violate relevant laws and regulations in a timely manner, or at all.

Failure to identify and prevent illegal or inappropriate content from being disseminated may subject us to liability as a service provider for livestreaming sales. In addition, PRC laws and regulations are subject to interpretation by the relevant authorities, and it may not be possible to determine in all cases the types of content that could result in our liability as a service provider for livestreaming sales. Our financial position and results of operations might be materially and adversely affected by any decision by end consumers or our customers to reduce their purchase as a result of adverse media reports, complaints or other negative publicity involving us.

Our success is critically dependent on the efforts and dedication of our senior management and key employees and officers, and the loss of one or more key employees, or our inability to attract and retain qualified personnel and maintain our corporate culture, could adversely affect our business and the results of operations.

Our success depends on the continued and collaborative efforts of our senior management and key employees. If our senior management cannot work together effectively or efficiently, our business may be severely disrupted. If, however, one or more of our executives or other key personnel are unable or unwilling to continue to provide services to us, we may not be able to find suitable replacements easily or at all. Competitions for management and key personnel are intense and the pool of qualified candidates is limited. We may not be able to retain the services of our executives or key personnel, or attract and retain experienced executives or key personnel in the future.

Our future success will also depend on our ability to attract and retain highly skilled technical, managerial, editorial, finance, marketing, sales and customer service employees. Qualified individuals are in high demand and competition for talents could cause us to offer higher compensation and other benefits to attract and retain them. Even if we were to offer higher compensation, we may not be able to successfully attract, assimilate or retain the personnel that we need to succeed.

If any of our executive officers or employees joins a competitor or forms a competing business, they may divulge business secrets, know-how, customer lists and other valuable resources. Our senior management and key employees have entered into employment agreements, confidentiality and non-competition agreements with us. However, if any dispute arises among any of them and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce such agreements at all. Any failure to attract or retain key management and personnel could severely disrupt our business and growth.

We have devoted significant efforts and invested much capital in a wide variety of sales and marketing activities, including advertising and promotions to expand our consumer base through multiple channels. If we are unable to conduct our sales and marketing efforts in a cost-effective and efficient manner, our results of operations and financial conditions may be materially and adversely affected.

We have invested, and will continue to invest, a large amount of financial and other resources in promoting our brand awareness and acquiring customers, including expanding our marketing and sales teams, purchasing advertisements and planning big music showcases and concerts for celebrities. For the years ended December 31, 2019, 2020, 2021 and 2022, we incurred selling and marketing expenses of RMB14.4 million, RMB94.9 million, RMB93.8 million and RMB72.4 million, accounting for 16.6%, 20.8%, 25.7% and 21.1% of our total revenue, respectively.

Our marketing and branding activities may not be well received, successful or cost-effective, which may lead to significantly higher marketing expenses in the future. We may also not be able to continue our existing marketing and branding activities, or successfully identify and utilize the new trends in marketing strategies, channels and approaches that appeal to or fit in the lifestyle of our targeted customers. We may also fail to adjust our sales and marketing strategies fast enough to synchronize with consumers' behavioral changes in using the Internet and mobile devices. Failure to engage in sales and marketing activities in a cost-effective manner and failure to achieve the anticipated results from our sales and marketing activities may reduce our market share, cause our revenues to decline, negatively impact our profitability, and materially harm our business, financial condition and results of operations.

In addition, failure to comply with the relevant provisions of Advertising Law of the PRC (《中華人民共和國廣告法》), which promulgated by the SCNPC in 1994 and amended on October 26, 2018, the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》), Regulations on the Supervision and Administration of Cosmetics (《化妝品監督管理條例》), which promulgated by the State Council on June 16, 2020 and which will become effective from January 1, 2021, and other relevant laws and regulations will result in the restrictions, inhibitions or delay of our ability to sell products. For more details, please refer to the section headed "Regulatory overview – PRC laws and regulations" in this document.

We may be adversely affected by the evolving PRC regulatory development on marketing activities carried out by celebrities.

We have created and operated a portfolio of various forms of proprietary IPs, and our unique celebrity IPs empower our product branding. We believe one of the sales and marketing strategies that distinguishes us from other market participants is our focus on, and ability to, utilize PDT to monetize our unique celebrity IPs to quickly procure loyal customers, as the association with celebrities, such as Mr. Jay Chou, Mr. Liu and Ms. Vivi Wang, with our products can enhance visibility and affinity to such products.

There has been evolving PRC regulatory development on marketing activities carried out by celebrities where the competent government authorities have taken initiatives to tighten regulation on the PRC entertainment industry. For example, Strengthening Regulations was promulgated in 2021 which targets the aggressive "Fan Trap" ("飯圈" practice for ill-gained profit). For details, please refer to the sections headed "Regulatory overview – PRC laws and regulations – Regulations in relation to strengthening the regulation of entertainment industry" and "Regulatory overview – PRC laws and regulations – Regulations in relation to online live streaming marketing" in this document. These celebrities marketing-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of the applicable laws and regulations. Moreover, the adoption and application of additional laws or regulations to our business may heighten the requirements for us to conduct our operations, which could in turn, increase our cost of doing business, disrupt our operations and impede our development or growth.

We cannot assure you that subsequent laws and regulations of existing ones would not render our operations non-compliant or that we would always be in full compliance with the applicable laws and regulations. In the event that we must remedy any violations, we may also become subject to fines or other penalties and, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate the non-compliant operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.

We rely on third-party service providers for logistics services. If these service providers fail to provide reliable delivery services, our business and reputation may be adversely affected.

We rely on third-party couriers and logistics providers for order fulfillment and delivery services, including, among others, collection of products, warehousing services, shipping products to our customers, our designated warehouses and handling product returns. While these arrangements allow us to focus on our main business, they reduce our direct control over the logistics services provided to our customers. Logistics in our primary locations or transit to final destinations may be disrupted for a variety of reasons, including events that are beyond our control or the control of these service providers, such as inclement weather, natural and man-made disasters, health epidemics, information technology system failures, transportation disruptions, labor unrest, commercial disputes, military actions or economic, business, environmental, public health, or political issues.

In addition, if our third-party logistics service providers fail to comply with the applicable rules and regulations in China, our delivery services may be materially and adversely affected. If any of our service providers' operations or services are disrupted or terminated, we may not be able to find alternative qualified service providers and on commercial terms to our satisfaction in a timely and reliable manner, or at all. Furthermore, delivery personnel of the contracted third-party logistics service providers act on our behalf and interact with our customers personally. We need to effectively manage these third-party logistics service providers to ensure the quality of our customer services. If our products are not delivered in proper conditions or in a timely manner or there is any other failure to provide high-quality delivery services to our customers, our products may be compromised, customer experience may be impaired and, as a result, our business and reputation could suffer. Further, if our logistics providers raise their fee rate, we may incur additional costs and may not be able to pass such costs to our customers.

Our success depends in part on our ability to successfully manage our inventories. We may face the risk of inventory obsolescence.

We must maintain sufficient inventory levels to operate our business successfully, but we must also avoid accumulating excess inventory, which increases working capital needs and lowers gross margin. We obtain substantially all of our inventory from third-party manufacturers and must typically order products in advance of the time these products will be offered for sale to our customers. As a result, it may be difficult to respond to changes in consumers' preferences and market conditions, which for health and beauty products can change rapidly. If we do not accurately anticipate the popularity of certain products, then we may not have sufficient inventory to meet the demand. Alternatively, if demand or future sales do not reach our forecasted levels, we could have excess inventory that we may need to hold for a long period of time, write down, sell at prices lower than expected or discard. If we are not successful in managing our inventory, our business, financial condition and results of operations could be adversely affected.

We may also be negatively affected by changes in distributors' inventory policies and practices. Our distributors make no binding long-term commitments to us regarding purchase volumes and make all purchases by delivering purchase orders. Any distributor can therefore freely reduce its overall purchase of our products, and reduce the number and variety of our products that it carries and the shelf space allotted for our products. If demand or future sales do not reach our forecasted levels, we could have excess inventory. If we are not successful in managing our inventory, our business, financial condition and results of operations could be adversely affected.

In addition, our business relies on consumers' demand for our products. Any change in the consumers' demand for our products or the occurrences of catastrophic events may have an adverse impact on our product sales, which may in turn lead to inventory obsolescence, decline in inventory value or inventory write-off.

If we determine our prepayments and other current assets to be impaired, our business, results of operations and financial condition may be adversely affected.

Our prepayments and other current assets mainly comprised prepayments made to suppliers of our new retail business and service providers of our IP creation and operation business. As at December 31, 2019, 2020, 2021 and 2022, our prepayments and other current assets amounted to RMB16.6 million, RMB31.3 million, RMB53.7 million and RMB53.1 million, respectively, representing a substantial portion of our current assets.

We may have to make provisions for impairment losses for our prepayments and other current assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment assessment of prepayments and other current assets involve substantial management judgments, estimates and assumptions. Our management would typically take into account the credibility, financial performance, and default history (if any) of our suppliers and/or service providers and other factors beyond our control. Consequently, any material changes in the circumstances may negatively impact our forecasts and projections, which in turn may lead to a decline in the carrying amount of our prepayments and other current assets and result in impairment. The results of our assessment may also be materially different from the actual results, and our periodic assessment on the impairment of our prepayments and other current assets may turn out to be inaccurate. During the Track Record Period, we did not record any impairment losses on our prepayments and other current assets. However, there is no guarantee that we will not incur impairment losses in the future. Any significant impairment losses could materially and adversely affect our business, results of operations and financial condition.

Our TV program rights may be subject to impairment.

As at December 31, 2019, 2020, 2021 and 2022, we recorded TV program rights of RMB77.2 million, nil, RMB13.6 million and RMB89.6 million, respectively, which were arising from the production of *J-Style Trip* season one and season two. We assess whether impairment indicator exists on TV program rights and provides impairment (if any) up to its net realizable amount. In determining whether impairment indicator exists and the net realizable amount of TV program rights, we make reference to both internal and external market information, such as sales forecasts, sales and distribution costs budget and the market condition. If there are any impairment indicators, we may be required to record impairment charges in respect of our TV program rights which may substantially and adversely affect our result of operations for the relevant years.

We are exposed to fair value changes for financial assets measured at fair value through profit and loss and valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions which are inherently uncertain, any adverse change in their fair value may directly affect our results of operations.

During the year ended December 31, 2021, our Group purchased certain wealth management products with floating returns and we recorded other gain from fair value change on financial assets at fair value through profit and loss ("**FVPL**") of RMB0.4 million.

Since the value of our financial assets depend on the investment performance of the underlying financial instruments, our investments are subject to all of the risks associated with those underlying financial instruments, including the possibility of a default by, or bankruptcy of, the issuers of such products. Any potential realized or unrealized losses in our investments in the future resulting from the changes in the value of the financial instruments we invested in may adversely affect our business, our results of operations and our financial condition. The fair value of our financial assets that are not traded in an active market is determined using valuation techniques, which require judgment and assumptions and involve the use of unobservable input, such as the expected yield of the underlying investment portfolio and discount rate. Changes in the basis and assumptions used in the estimation could materially affect the fair value of these financial assets and/or financial liabilities. Factors beyond our control, include, but not limited to, general economic conditions, changes in market interest rates and stability of the capital markets, can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. We recorded fair value change on financial assets at FVPL of approximately RMB435,000 for the year ended December 31, 2021. The valuation may involve a significant degree of judgment and assumptions which are inherently uncertain. If the fair value on financial asset at FVPL were to fluctuate, our business, financial condition and results of operations may be materially and adversely affected.

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

Our contract liabilities mainly arose from the prepayments made by distributors for purchase of our products which were received by Kunshan Tingshe through the Jointly-controlled Accounts. We would account for such receipts in advance as contract liabilities as we regard Kunshan Tingshe as our agent to receive such advance payments on our behalf which were cleared and settled to us regularly. As at December 31, 2019, 2020, 2021 and 2022, our contract liabilities amounted to RMB13.5 million, RMB64.5 million, RMB59.3 million and RMB31.4 million, respectively. There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities as provision of our products to our distributors through Kunshan Tingshe is subject to various factors, including the production of our products from third-party manufacturers. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to return the advance payment made by our distributors. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

Settlement of investment in our TV programs is non-recurring in nature.

For the year ended December 31, 2020, we recorded other gains of RMB9.4 million which represented the settlement sum paid by an Independent Third Party for the early termination of its investment in *J-Style Trip* season one. For details, please refer to the section headed "Financial information – Description of major components of our results of operations – Other gains/(losses), net" in this document and note 6 in the Accountant's Report in Appendix I to this document. The settlement of investment in our TV programs is non-recurring in nature. Third party investor(s) may decide to reduce, delay or discontinue the investment by amending or terminating the investment agreement with us and we cannot assure you that we would be able to reach a settlement with such investor(s) in the future.

The non-recurring nature of government grant could materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, our Group received a government grant from the PRC government as support to our operations. In particular, we received government grants of RMB16.5 million for 2022 primarily comprised (i) the financial subsidies received from the Department of Finance in Kunshan for the efforts of maintaining stability of employees and business during the pandemic; and (ii) one-off awards from the government for our contribution to the business of Kunshan Huaqiao Economic Development Zone. For details, please refer to the note 6 in the Accountant's Report in Appendix I to this document.

We cannot assure you that we will be able to receive government grant in the future. As government grant contributed certain portion of our profitability during the Track Record Period, the non-recurring nature of government grant to us may affect our profitability. Hence, our business, financial condition and results of operations could be affected as a result of the non-recurring nature of government grants.

A severe and prolonged economic downturn may negatively impact the consumer discretionary spending and demand for our products and services, thus adversely affect our results of operations and financial condition.

Our products may be considered as discretionary items for the consumers. Factors affecting the level of consumer spending for such discretionary items include general economic conditions and other factors, such as consumers' confidence in the future economic conditions, consumer sentiment, the availability and cost of consumer credit, levels of unemployment and tax rates. Unfavorable economic conditions may cause consumers to delay or reduce the purchases of our products and consumers' demand for our products may not grow as we expect. Our sensitivity to economic cycles and any related fluctuations in consumers' demand for our products and services may have an adverse effect on our results of operations and financial condition.

Security breaches and attacks against our systems and network may lead to the leakage and unauthorized disclosure of data and information that we gather, which may thus harm our brand image, our business and results of operations.

Despite the security measures that we have implemented, we may experience cyber-attacks of varying degrees, including the attempts to hack into our cloud or our intranet and steal customer and business information or obtain economic benefits from us. Our security measures may also be breached due to employee errors, malfeasance or otherwise. Additionally, outside parties may attempt to fraudulently induce our employees to disclose sensitive information in order to gain access to our data, or may otherwise obtain access to such data. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation and a loss of confidence in the security of our information system that could deter our customers from engaging with us, and have an adverse effect on our business and results of operations.

Due to the techniques being used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of our security occurs, our customers' and business partners' perception of the effectiveness of our security measures could be harmed, we could lose customers and business partners. Also, we may not be able to maintain the level of engagement with customers and business partners and we could be exposed to significant legal and financial risks, including legal claims and regulatory fines and penalties. Any of these actions could have a material and adverse effect on our business and results of operations.

Failure to successfully operate and upgrade our information systems and procedures, and the inability to implement new technologies in a timely fashion, either may have a material adverse effect on our business, financial condition and results of operations.

As we grow our business, we will continue to invest in, implement and upgrade our information technology systems and procedures. Without these improvements, our operations might suffer from unanticipated system disruptions, slow data processing, unreliable service levels, impaired quality or delays in reporting accurate information, any of which could negatively affect our reputation and our ability to attract and retain customers. However, such upgrades may subject us to inherent costs and risks associated with changes to these systems, including potential disruption of our internal control structure, additional administration and operating expenses, failure to acquire or retain sufficiently skilled personnel to implement and operate the new systems, demands on management time and other risks and costs of delays or difficulties in transitioning to or integrating new systems into our current systems. If we fail to respond to the technological changes or to adequately maintain and upgrade our systems and infrastructure in response to the changing business needs in a timely, effective and cost-efficient fashion, our business could be adversely affected.

We require various approvals, licenses, permits and registrations to operate our business and any failure to obtain or renew any of these approvals, licenses, permits and registrations or any failure to attain the above pursuant to the new enactment of government policies, laws or regulations could materially and adversely affect our business and results of operations.

Social media based e-commerce industry is highly regulated, and requires multiple licenses, permits and approvals to conduct and develop business. As we increase our product and service offerings, we may also become subject to new or existing laws and regulations that did not apply to us before. In August 2018, the SCNPC promulgated the E-Commerce Law, which imposed a number of new requirements and obligations on e-commerce platform operators. Pursuant to the relevant PRC laws and regulations, e-commerce business operators shall operate legally and fulfil relevant obligations in terms of protection of consumers' rights and interests, intellectual property rights as well as cybersecurity and personal information. We have adopted a series of measures to comply with the requirements under the E-Commerce Law.

While we currently hold all the material licenses and permits required for our business operations, we cannot assure you that we will not be subject to any penalties or disciplinary actions in the future. For more details in relation to the licenses, permits and approvals which we possess in order to operate our business, please refer to the section headed "Business – Licenses, regulatory approvals and permits" in this document. In addition, certain licenses, permits or registrations which we hold are subject to periodic renewal. If we fail to maintain or renew one or more of our licenses and certificates when their current term expires, or obtain such renewals on a timely manner, our operations could be disrupted, and we may face penalties and in extreme circumstances, order to suspend or terminate our website and online business.

Further, due to the uncertainties of interpretation and implementation of existing laws and the adoption of additional laws and regulations, the licenses, permits, registrations or filings that we held may be deemed insufficient by the PRC governments, which may restrain our ability to expand our business scope and may subject us to fines or other regulatory actions. Furthermore, as we develop and expand our business scope, we may need to obtain additional permits and licenses and we cannot assure that we will be able to obtain such permits in a timely fashion or at all. Complying with the government regulations may require substantial expenses, and any non-compliance may expose us to liabilities. In case of any non-compliance, we may have to incur significant expenses and divert substantial management's time and resources to resolving any deficiencies. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our business and financial performance.

We face potential liabilities, expenses for legal claims and harm to our business based on the nature of our convention business.

We are subject to laws, regulations and other obligations relating to our conventions. We may incur significant expenses to comply with the applicable laws and regulations. We are required to obtain approvals, permits and files with respect to the conventions or activities from governmental authorities of public security and commerce at multiple levels, and we may face delays or obstacles in obtaining the requisite approvals, permits and files to host such conventions or activities. Once we encounter delays in obtaining or failure to obtain the requisite approvals, permits and files to host such conventions or activities, our sales, and results of operations may be adversely affected. In addition, we also face potential liabilities and expenses for legal claims relating to the convention business, including potential claims related to event injuries allegedly caused by us, creators, service providers, partners or unrelated third parties. For example, third parties could assert legal claims against us in connection with personal injuries related to occurrences at a convention or other events. Even if our personnel are not involved in these occurrences, we may face legal claims and still incur substantial expenses to resolve such claims.

Changes and misuse of our return and exchange policies may adversely affect our business and results of operations.

We have adopted shipping policies that do not necessarily pass the full cost of shipping onto our customers. We have also adopted return and exchange policies that allows customers to return the products within seven days without cause, or to exchange the products within 30 days without cause. We may also be legally required to adopt new or amend existing return and exchange policies from time to time. However, these policies also subject us to additional costs and expenses which we may not recoup through increased revenues. If our delivery, return and exchange policies are misused by a significant number of customers or if the return or exchange rates increase beyond historical records or otherwise substantially, our costs may increase significantly and our results of operations may be materially and adversely affected. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in the loss of existing customers or failure to acquire new customers at a desirable pace, which may materially and adversely affect our results of operations.

We have limited business insurance coverage which could expose us to significant costs and business disruptions.

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies do in more developed economies. We do not have any business liability or disruption insurance to cover our operations. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured occurrence may disrupt our business operations, require us to incur substantial costs and divert our resources, which could have an adverse effect on our results of operations and financial condition. Please refer to the section headed "Business – Insurance" in this document for more details on our insurance policies.

Some of our leased properties did not complete registration procedures at relevant authorities and have title defects.

Our principal executive offices are located on leased premises in Kunshan, Jiangsu Province. Under the relevant PRC laws, all lease agreements are required to be registered with the relevant land and real estate administration bureaus. However, as of the Latest Practicable Date, all lease agreements with respect to our leased properties had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. As advised by our PRC Legal Advisors, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. For details, please refer to the section headed "Business – Properties – Leased properties" in this document.

In addition, as of the Latest Practicable Date, with respect to six out of 27 of our leased properties in the PRC, the lessors have not provided valid title certificates, valid title certificates for commercial purpose or relevant authorization documents evidencing their rights to lease the properties. For details, please refer to the section headed "Business – Properties – Leased Properties" in this document. As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties leased by us for which the relevant lessors do not hold valid title certificates. Any disputes or claims in relation to the titles of the properties that we occupy, including any litigations involving allegations of illegal or unauthorized use of these properties, could require us to relocate our offices and staff quarters occupying these properties. If any of our leases are terminated or voided as a result of the challenges from third parties or the government, we would need to seek alternative premises and incur relocation costs. Any relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects.

We established the mechanism of share incentives and will continue to grant share option plan in the future, which may result in increased share-based compensation expenses and negatively impact our results of operations upon its implementation, and any options granted under the [REDACTED] Share Option Scheme may dilute the Shareholders' equity interests.

On [•], our Board approved the establishment of the **[REDACTED]** Share Option Scheme. The **[REDACTED]** Share Option Scheme shall be valid and effective for [10] years from [•]. The maximum number of Shares that may be issued pursuant to all awards under the Share Option Plan shall be [80,000,000] Shares. Please refer to the section headed "Statutory and general information – D. Share Option Schemes – 2. **[REDACTED]** Share Option Scheme" in Appendix V to this document. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. In addition, any additional grant of share-based awards will also dilute existing shareholders' shareholding.

Any future natural disasters, acts of war or terrorism, the outbreak of any contagious disease, epidemic or the occurrence of other incidents that are beyond our control may adversely affect our business, financial condition and results of operations.

Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of the information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in the loss of life, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause the loss of lives, disrupt our business networks and destroy our markets. Any of the aforementioned factors and other factors which beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct our business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

We cannot guarantee that we will not be involved in claims, disputes or legal proceedings during our ordinary course of business.

From time to time, we may be involved in claims, disputes or legal proceedings during our ordinary course of business. These may concern issues relating to, among others, product quality incidents relating to our health and beauty products, environmental matters, breach of contract, employment or labor disputes and the infringement of our intellectual property rights. As of the Latest Practicable Date, we were not involved in any litigations or legal proceedings that may materially affect our business and results of operations. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputations. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in full and in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings. For more details, please refer to the section headed "Business – Legal proceedings and compliance matters" in this document.

Our business operations may be subject to seasonality.

Our results of operations, in particular for our new retail segment, may be affected by our promotional and marketing activities, which may be subject to different shopping festivals during the year. For example, we may record higher sales volume of our products during 618 campaign in second quarter and/or Double 11 and Double 12 campaigns in fourth quarter during each year. Accordingly, various aspects of our operations, including sales, working capital and operating cashflow, may be exposed to the risks associated with seasonable fluctuations in demand of our products, and our half year results may not reflect our full year results going forward.

RISKS RELATING TO DOING BUSINESS IN THE PRC

As all of our operations are conducted in China, we are vulnerable to adverse changes in China's political, economic, and social conditions as well as government policies which could negatively impact our business, prospects and results of operations.

Substantially all of our assets and operations are located in China. Accordingly, our business, prospects, financial condition and results of operations may be influenced to a significant degree by the political, economic and social conditions in China generally and by continued economic growth in China as a whole.

China's economy has been transitioning from a planned economy towards a more market-oriented economy. However, a substantial portion of productive assets in China remain state-owned and the PRC government exercises a high degree of control over these assets. The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures to emphasize the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in the business enterprises, a substantial portion of the productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. In addition, the rate of growth has been slowing since 2012, and the impact of COVID-19 on the Chinese and global economies in 2020 was severe. In particular, National Bureau of Statistics of China reported a 6.8% drop in gross domestic product (GDP) for the first quarter of 2020 as compared with the same period in 2019. Any adverse changes in the economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to the reduction in demand for our solutions and services, thus adversely affect our competitive position.

The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For instance, our financial condition and results of operations may be adversely affected by government's control over capital investments or changes in tax regulations. In addition, in the past, the PRC government has implemented certain measures, including interest rate adjustments, to control the pace of economic growth. These measures may cause the decline of economic activities in China, which may adversely affect our business and results of operations.

Uncertainties with respect to the interpretation and enforcement of the PRC laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited precedential value. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly increased the protections provided to various forms of foreign or private sector investment in China. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and the enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities may differ in their discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of the administrative and court proceedings and the level of legal protections we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published in a timely manner or at all, but which may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including the uncertainties over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to the changes in the regulatory environment in China could materially and adversely affect our business and therefore impede our ability to continue our operations.

We may be adversely affected by the complexity, uncertainties and changes in the PRC regulation of Internet-related businesses and companies.

The PRC government extensively regulates the Internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the Internet industry. These Internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of the applicable laws and regulations.

The evolving PRC regulatory system for the Internet industry may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of the State Internet Information Office (with the involvement of the State Council Information Office, MIIT, and the Ministry of Public Security). The primary role of the State Internet Information Office is to facilitate the policy-making and legislative development in this field, to direct and coordinate with the relevant departments in connection with the online content administration and to deal with cross-ministry regulatory matters in relation to the internet industry.

Due to the increasing popularity and the use of the Internet and other online services, with respect to online sales, advertising, customer acquisition, data acquisition and usage, or otherwise related to the Internet industries, a number of laws and regulations have been adopted and it is possible that more will be adopted in the future. The adoption of additional laws or regulations, the application to our business of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application to our business of existing laws and regulations that are traditionally not applicable to digital forms of services, may heighten the requirements for us to conduct our operations, which could in turn, increase our cost of doing business, disrupt our operations and impede the development or growth of the Internet industry generally.

We cannot assure you that subsequent laws and regulations or interpretation of existing ones would not render our operations non-compliant or that we would always be in full compliance with the applicable laws and regulations. In the event that we must remedy any violations, we may be required to modify our business models in a manner that undermines the experience of our customers. We may also become subject to fines or other penalties and, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate the non-compliant operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.

Tensions between Mainland China and Taiwan may adversely affect our business, results of operations and expansion plans.

There have been tensions in the relationship between Mainland China and Taiwan which have impacted the trade, investments, and other economic activities between them, in particular, since the outbreak of COVID-19 when travel restrictions have been tightened, which led to greater uncertainties. If the geopolitical tensions between Mainland China and Taiwan intensify in the future, our operation may be adversely impacted.

As a number of our Shareholders, including Ms. Ma, Mr. Yang, Ms. Yeh and Mr. Chen are holders of Taiwan passports; and we from time to time cooperate with celebrities from Taiwan, including Mr. Jay Chou, Mr. Harlem Yu, Mr. Liu and Ms. Vivi Wang who are critical to our IP creation and operation segment, any further escalation in tensions between Mainland China and Taiwan or news and rumors of any escalation could introduce uncertainties to economic activities between Mainland China and Taiwan, which in turn could affect companies with collaboration in Mainland China and Taiwan like us. In addition, we do not have any control over statements made by or actions of such persons and/or their associated celebrities or close contacts via social media and other forms of publicity, and rising geopolitical tensions could result in either Mainland China or Taiwan authorities and/or consumers taking adverse positions with respect to intentional or unintentional social or political statements or actions made by such persons that could potentially negatively impact our business, results of operations and expansion plans.

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

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established complex procedures and requirements for some acquisitions of Chinese companies by foreign investors, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law promulgated by the SCNPC which became effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by MOFCOM before they can be completed. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire *de facto* control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring a transaction through a proxy or contractual control arrangement.

In the future, we may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the Document based on foreign laws.

We are an exempted company incorporated under the laws of the Cayman Islands. However, we conduct substantially all of our operations in China and substantially all of our assets are located in China. As a result, it may be difficult for you to effect service of process upon us or our management named in the document inside mainland China. It may also be difficult for you to enforce in U.S. courts of the judgments obtained in the U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and Directors as most of them currently reside outside the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of the U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based on either treaties between China and the country where the judgments are made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of written arrangement with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our Directors and officers if they decide that the judgment violates the basic principles of the PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our Shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, the board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of the voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that we or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then we or such subsidiary could be subject to PRC tax at a rate of 25% on our or the subsidiary's worldwide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid by us will, and gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), and in the case of dividends, the PRC tax will be withheld at source if such dividends or gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

PRC regulations related to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC resident Shareholders to personal liabilities, and restrict our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, or otherwise affect our financial position.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with, and obtain approval from, local branches of the SAFE and/or their designated commercial banks in connection with their direct or indirect offshore investment activities. The SAFE Circular 37, was promulgated by the SAFE in July 2014 that requires PRC residents or entities to register with the SAFE or its local branch or designated commercial banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our Shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in the offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch or commercial banks of the SAFE, with respect to that offshore company, to reflect any material changes involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary.

Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liabilities under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive or illegal; and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. Failure by any such Shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects. As of the Latest Practicable Date, we cannot assure you that our individual Shareholders who are PRC citizens have completed their registration under the SAFE Circular 37.

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

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements that we may have, the PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenues in RMB. Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements that we may have. Under the existing PRC foreign exchange regulations, payments of current account items, such as profit distributions, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by the beneficial owners of our Company who are PRC residents. However, approval from or registration with appropriate governmental authorities or their designated agencies like commercial banks is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

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

Heightened scrutiny from the PRC tax authorities over the indirect transfer of equity interests in PRC resident enterprises by their non-PRC holding companies may have a negative impact on our business operations, our acquisitions or restructuring strategy or the value of your investment in us.

Pursuant to the Circular 698, where a non-resident enterprise investor transfers equity interests in a PRC resident enterprise indirectly by way of disposing of equity interests in an overseas holding company, the non-resident enterprise investor, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at the rate of up to 10%. In addition, the PRC resident enterprise may be required to provide necessary assistance to support the enforcement of Circular 698.

Circular 7 has introduced a new tax regime that is significantly different from that under Circular 698. Circular 7 extends its tax jurisdiction to not only indirect transfers set forth under Circular 698 but also transactions involving transfer of other PRC taxable assets through the offshore transfer of a foreign intermediate holding company. In addition, Circular 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Circular 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an "indirect transfer" by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a "substance over form" principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfers may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to late payment fees and penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes on a timely manner.

We face uncertainties with respect to the reporting and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our Company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies, or other taxable assets, by us. Our Company and other non-resident enterprises of ours may be subject to filing or tax obligations if our Company and other non-resident enterprises of ours are transferors in such transactions, and we may be subject to withholding obligations if our Company and other non-resident enterprises of ours are transferees in such transactions, under Circular 7. For the transfer of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Circular 7. As a result, we may be required to expend valuable resources to comply with Circular 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our Company and other non-resident enterprises of ours should not be taxed under these circulars. The PRC tax authorities have the discretion under Circular 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Circular 7, our income tax costs associated with such transactions may be increased, which may have an adverse effect on our financial condition and results of operations. We may conduct acquisitions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance to them for the investigation of any transactions which we were involved in. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on the potential acquisitions that we may pursue in the future.

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

Any funds that we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in the registered capital, are subject to approval by, or registration with, relevant governmental authorities or their designated agencies such as commercial banks in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System ("**FICMIS**"), and registration with other governmental authorities or designated commercial banks in China. In addition, (i) any foreign loans procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches or designated commercial banks; and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in FICMIS or twice the net assets of such applicable PRC subsidiary. Any medium- or long-term loan exceeding one year to be provided by us must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our

PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the **[REDACTED]** of this **[REDACTED]** and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

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

We may be subject to the filing requirement with the CSRC if our [REDACTED] is not completed before September 30, 2023.

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Measures and five supporting guidelines, along with the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知) (i.e. the Notice), pursuant to which, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedure with the CSRC and report relevant information, unless the domestic companies (i) have already obtained the approval from overseas regulatory authorities or stock exchanges (which, according to the Notice, include the passing of the hearing for applicants who apply for listing on the Stock Exchange) prior to the effective date of the Trial Measures; and (ii) complete the indirect overseas listing prior to September 30, 2023. If we are unable to complete the **[REDACTED]** before September 30, 2023, the **[REDACTED]** may be subject to the filing requirement with CSRC.

Any failure to comply with the PRC regulations in relation to the registration requirements for employee stock incentive plans may subject our plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company are required to register with the SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures, unless certain exceptions are available. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or non-PRC citizens living in China for a continuous period of not less than one year and have been granted options are subject to these regulations as our Company has become an overseas-listed company. Failure to complete SAFE registrations may subject them to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals and may also limit our ability to contribute additional capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our Directors, executive officers and employees under PRC law.

In addition, the SAT, has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes for those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

Fluctuations in exchange rates could result in foreign currency exchange losses, and negatively impact our results of operations and the value of your investment.

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends on a large extent regarding domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit the fluctuations in RMB exchange rates and achieve policy goals.

The **[REDACTED]** from the **[REDACTED]** will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our **[REDACTED]** from the **[REDACTED]**. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

Changes in global economic conditions, international trade policies and rising political tensions, particularly between the U.S. and China, may adversely impact our business and operating results.

Recently there have been changes in the international trade policies and rising political tensions, particularly between the U.S. and China. The U.S. government has made statements and taken certain actions that may lead to potential changes to U.S. and international trade policies towards China. While the "Phase One" agreement was signed between the United States and China on trade matters, it remains unclear what additional actions, if any, will be taken by the U.S. or other governments with respect to international trade, tax policy related to international commerce, or other trade matters. In addition, China has implemented, and may further implement, measures in response to new trade policies, treaties and tariffs initiated by the U.S. government. The situation is further complicated by the political tensions between the United States and China that escalated during the COVID-19 pandemic and in the wake of the PRC National People's Congress' decision on Hong Kong national security legislation, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region, the central government of the PRC and the executive orders issued by U.S. President in August 2020 that prohibit certain transactions with certain China-based companies and their respective subsidiaries. Rising trade and political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between China and other countries, which would have an adverse effect on global economic conditions, the stability of global financial markets, and international trade policies.

While cross-border business currently may not be an area of our focus, a portion of materials, components and ingredients used for the manufacturing of our products are sourced by our third-party manufacturers from overseas. Any rising trade and political tensions or unfavorable government policies on international trade, such as capital controls or tariffs, may affect our procurement cost for products relying on materials, components and ingredients sourced from overseas, affect the price and demand for our products, impact the competitive position of our products or prevent us from selling products in certain countries. In particular, if any new tariffs, legislation and/or regulations are implemented, or if the existing trade agreements are renegotiated or, especially, if the U.S. government takes retaliatory trade actions due to the recent U.S.-China trade and political tension, such changes could have an adverse effect on our business, financial condition and results of operations. In addition, our results of operations could be adversely affected if any such tensions or unfavorable government trade policies harm the Chinese economy or the global economy in general.

RISKS RELATING TO OUR SHARES AND THE [REDACTED]

There has been no prior public market for our Shares and there can be no assurance that an active market would develop or be sustained after the [REDACTED]. The liquidity and [REDACTED] of our Shares may be volatile.

Prior to the completion of the **[REDACTED]**, there has been no public stock market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after the completion of the **[REDACTED]**. The **[REDACTED]** is the result of negotiations among our Company, the Selling Shareholder and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**), which may not be indicative of the price at which our Shares will be traded following the completion of the **[REDACTED]**. The **[REDACTED]** of our Shares may drop below the **[REDACTED]** at any time after the completion of the **[REDACTED]**.

The trading price of the Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performances.

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

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

We currently do not expect to pay dividends in the foreseeable future after this [REDACTED] and you must rely on the price appreciation of our Shares for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after this **[REDACTED]** to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after this **[REDACTED]** or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

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

As the **[REDACTED]** of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the **[REDACTED]**, purchasers of our Shares in the **[REDACTED]** will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the **[REDACTED]** may experience further dilutions in their shareholding percentages.

Shareholders' interest may be diluted in the future if additional Shares are issued under the [REDACTED] Share Option Scheme or upon exercise of [REDACTED] Options.

We have adopted the **[REDACTED]** Stock Incentive Plan under which **[REDACTED]** Options to subscribe for an aggregate of 25,000,000 Shares (to be adjusted to an aggregate of **[REDACTED]** Shares upon the **[REDACTED]**), representing approximately **[REDACTED]** of the total issued share capital of our Company immediately upon completion of the **[REDACTED]** and **[REDACTED]** (assuming the **[REDACTED]** is not exercised and without taking into account the Shares which may be issued pursuant to the exercise of the Options under the Share Option Schemes) at an exercise price of HK$1.90 per Share (to be adjusted to **[REDACTED]** per Share after the **[REDACTED]**). No further options will be granted under the

[REDACTED] Stock Incentive Plan after our **[REDACTED]**, however, the previously granted **[REDACTED]** Options will remain outstanding. We have also conditionally adopted the **[REDACTED]** Share Option Scheme to be effective upon **[REDACTED]** under which options to subscribe for our Shares may be granted to employees and consultants, including officers and Directors. Options may remain outstanding for up to ten years. Options would be exercised presumably only when the closing price of the Shares on the Stock Exchange is higher than the option exercise price.

Exercise of **[REDACTED]** Options or of options granted under the **[REDACTED]** Share Option Scheme after the **[REDACTED]** will result in dilution to our Shareholders and will accordingly result in reduced earnings per Share and net asset value per Share.

We are a Cayman Islands company and, because the availability of judicial precedents regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedents in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those under statutes and judicial precedents in existence in the jurisdictions where minority Shareholders may be located. Please refer to the section headed "Summary of the constitution of our Company and the Cayman Companies Act" set out in Appendix IV of this document for more details.

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or Controlling Shareholders, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such Shareholders are located.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the sections headed "Business" and "Industry overview" in this document, contain information and statistics relating to the social media based e-commerce industry and our business and operations. Such information and statistics have been derived from a third-party report commissioned by us and publicly available sources. We believe that the sources of the information are appropriate and sufficient for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the **[REDACTED]**, the **[REDACTED]**, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or any other parties involved in the **[REDACTED]**, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this Document being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

You should read the entire document carefully and are strongly cautioned against placing any reliance on the information contained in any press articles or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this document.

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