优趣汇控股有限公司
UNQ HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 2177

GLOBAL OFFERING

Sole Sponsor, Joint Global Coordinator, Joint Bookrunner, and Joint Lead Manager

CICC 中金公司

Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

NOMURA

Joint Bookrunners and Joint Lead Managers

(in alphabetical order)

BOC INTERNATIONAL 交銀國際 BOCOM International 富途證券 海通國際 HAITONG 東皓證券 SUNFUND 中泰國際 ZHONGTAI INTERNATIONAL

Joint Lead Manager

利弗莫尔证券

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

UNQ HOLDINGS LIMITED
优趣汇控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares offered under the Global Offering	:	**30,690,600 Shares (subject to the Over-allotment Option)**
Number of International Offer Shares	:	**27,621,400 Shares (subject to reallocation and the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**3,069,200 Shares (subject to reallocation)**
Maximum Offer Price	:	**HK$15.35 per Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.0001 per Share**
Stock code	:	**2177**

Sole Sponsor, Joint Global Coordinator, Joint Bookrunner, and Joint Lead Manager

Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

Joint Lead Manager

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, with the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Representative (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around July 5, 2021 or such later date as may be agreed by the Sole Representative and our Company, but in any event not later than July 6, 2021. If, for any reason, the Offer Price is not agreed between the Sole Representative (for itself and on behalf of the Underwriters) and our Company on or before July 6, 2021, the Global Offering will not become unconditional and will lapse immediately. The Offer Price will not be more than HK$15.35 per Offer Share and is currently expected to be not less than HK$11.86 per Offer Share. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$15.35 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$15.35.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Representative (for itself and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

The share certificates for the Global Offering will only become valid certificates of title at 8:00 a.m. Hong Kong time on July 12, 2021, provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" of the prospectus has not been exercised or lapsed.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.youquhui.com**.

If you require a printed copy of this prospectus, you may download and print from the website addresses above.

June 28, 2021

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.youquhui.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**;

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

   i. instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

   ii. (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited, both at +852 2862 8646 on the following dates:

Monday, June 28, 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Tuesday, June 29, 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Wednesday, June 30, 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Thursday, July 1, 2021	**–**	**9:00 a.m. to 6:00 p.m.**
Friday, July 2, 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Saturday, July 3, 2021	**–**	**9:00 a.m. to 6:00 p.m.**
Sunday, July 4, 2021	**–**	**9:00 a.m. to 6:00 p.m.**
Monday, July 5, 2021	**–**	**9:00 a.m. to 12:00 noon**

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application must be for a minimum of 200 Hong Kong Offer shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
200	3,100.93	7,000	108,532.77	80,000	1,240,374.56	900,000	13,954,213.76
400	6,201.88	8,000	124,037.46	90,000	1,395,421.38	1,000,000	15,504,681.95
600	9,302.81	9,000	139,542.14	100,000	1,550,468.20	1,534,600(1)	23,793,484.92
800	12,403.74	10,000	155,046.82	150,000	2,325,702.30		
1,000	15,504.68	15,000	232,570.23	200,000	3,100,936.39		
1,200	18,605.62	20,000	310,093.64	250,000	3,876,170.49		
1,400	21,706.55	25,000	387,617.05	300,000	4,651,404.59		
1,600	24,807.49	30,000	465,140.46	350,000	5,426,638.69		
1,800	27,908.43	35,000	542,663.87	400,000	6,201,872.78		
2,000	31,009.37	40,000	620,187.28	450,000	6,977,106.88		
3,000	46,514.04	45,000	697,710.69	500,000	7,752,340.98		
4,000	62,018.73	50,000	775,234.10	600,000	9,302,809.17		
5,000	77,523.41	60,000	930,280.92	700,000	10,853,277.37		
6,000	93,028.10	70,000	1,085,327.74	800,000	12,403,745.56		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Shares will be considered and any such application is liable to be rejected.

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement to be posted on the website of our Company at ***www.youquhui.com*** *and the website of the Stock Exchange at* ***www.hkexnews.hk****.*

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . . 11:30 a.m. on Monday, July 5, 2021

Application lists open[3] . . . . . 11:45 a.m. on Monday, July 5, 2021

Latest time to (a) complete payment for **White Form eIPO** applications by effecting internet banking transfers or PPS payment transfers and (b) give **electronic application instructions** to HKSCC[4] . . . . . 12:00 noon on Monday, July 5, 2021

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting", "The Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

Application lists of the Hong Kong Public Offering close . . . . . 12:00 noon on Monday, July 5, 2021

Expected Price Determination Date[5] . . . . . Monday, July 5, 2021

Announcement of:

- the Offer Price
- the level of indications of interest in the International Offering
- the level of applications in the Hong Kong Public Offering

- the basis of allocation under the Hong Kong Public Offering

to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.youquhui.com** on or before . . . . . .Friday, July 9, 2021

Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (See "How to Apply for Hong Kong Offer Shares – 11. Publication of results") from . . . . . .Friday, July 9, 2021

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID Number/Business Registration Number" function from . . . . . .8:00 a.m. on Friday, July 9, 2021 to 12:00 midnight on Wednesday, July 14, 2021

Despatch of share certificates or deposit of share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering, refund cheques/e-Refund payment instructions (if applicable) on or before[6][7]. . . . . Friday, July 9, 2021

Dealings in the Shares on the Stock Exchange expected to commence at . . . . . .9:00 a.m. on Monday, July 12, 2021

The application for the Hong Kong Offer Shares will commence on Monday, June 28, 2021 through Monday, July 5, 2021, being slightly longer than normal market practice of four days. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicant(s) without interest on Friday, July 9, 2021. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Monday, July 12, 2021.

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "The Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, July 5, 2021, the application lists will not open and close on that day. See "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening and Closing of the Application Lists" for further details.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares – 6. Applying through CCASS EIPO service".

(5) The Price Determination Date is expected to be on or about Monday, July 5, 2021 and in any event, not later than Tuesday, July 6, 2021. If, for any reason, the Offer Price is not agreed between the Sole Representative (for itself and on behalf of the Underwriters) and us on or before Tuesday, July 6, 2021, the Global Offering will not proceed and will lapse.

(6) Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

(7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

The above expected timetable is a summary only. You should refer to "Underwriting", "The Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, any of the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering. Information contained on our website, located at ***http://www.youquhui.com****, does not form part of this prospectus.*

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Our Company and Market Position

We are a leading brand e-commerce retail and wholesale solutions provider in China strategically focused on Japanese-branded fast-moving consumer goods or FMCG, consisting of, among others, beauty products and personal care products. According to the CIC Report, we achieved a GMV of RMB4.0 billion from overseas FMCG brand e-commerce services in 2019, ranking tenth in the China overseas FMCG brand e-commerce service market with a market share of 1.2%. According to the same source, we ranked first among brand e-commerce solutions providers in China in terms of GMV for Japanese-branded FMCG sold through e-commerce channels in China in 2019, with a market share of 5.5% while the top five service providers in China collectively held a market share of 20% in terms of GMV in 2019.[1] As Japanese FMCG brands have grown in popularity and became important players in the Chinese e-commerce business, the market size of the Japanese FMCG brand e-commerce service market increased at a CAGR of 43.1% from RMB12.2 billion in 2014 to RMB73.3 billion in 2019. It is expected to further increase by 12.6% to RMB82.5 billion in 2020, and to RMB111.4 billion by 2024 at a CAGR of 8.7% from 2019 to 2024, according to the CIC Report.

OUR BUSINESS MODEL

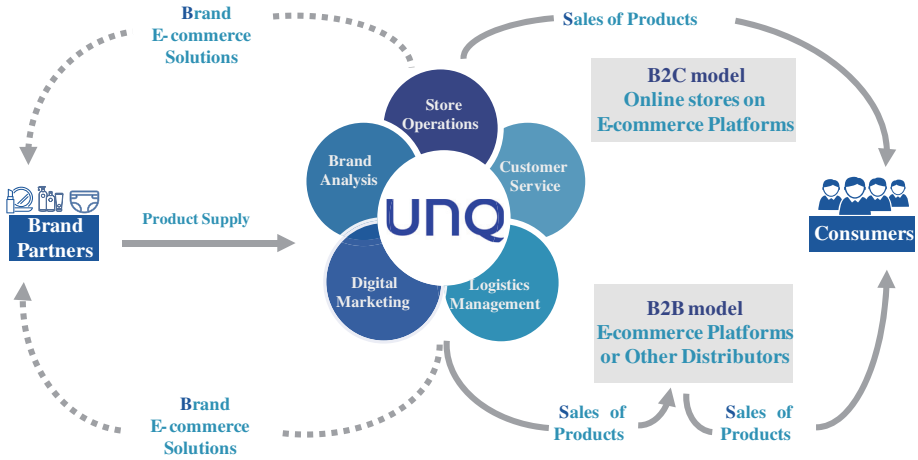
We act as the bridge between brand partners, e-commerce platforms and consumers in China. We operate our business primarily through distribution method and service fee method. Under the distribution method, we purchase products from selected brand partners, manage Chinese and cross-border supply chains, identify and reach target consumers through omnichannel marketing, and sell products to consumers through online marketplace stores operated by us, which we refer to as our business-to-consumer or B2C model, or to e-commerce platforms or other distributors which in turn sell to consumers, which we refer to as our business-to-business or B2B model. Under the service fee method, as a supplement to the B2C and B2B models, we also provide solutions to brand partners or other customers for service fees, usually at a pre-agreed amount, and/or performance-based service charge, which we refer to as our provision of services business.

Under the distribution method, we believe the value provided for the brand partners by our services or solutions of establishing their online presence, promoting their product popularities, operating their distribution channels and increasing their online sales volume, which do not generate direct revenue, is embedded in the price spread we earn from product sales to our consumers. Under the service fee method, we charge our service fees usually at a pre-agreed amount and/or performance-based service charge.

Under the distribution method, we procure the products from brand partners with the title of products transferred, store inventory, and derive price spread from the procurement from brand partners and the sales to customers, which has taken into account the volume rebates received from our brand partners as a reduction to the procurement price. Under the service fee method, we do not own the products in the course of service or stock any inventory, but mainly assist in operating stores established by brand partners and providing services to them for service fees. See "Industry Overview – China Brand E-commerce Service Market – Overview of the China Brand E-commerce Service Market." During the Track Record Period, we mainly adopt the distribution method to provide our brand e-commerce retail and wholesale solutions,

Note 1: According to the CIC Report, our GMV of RMB4.0 billion is the sum of the full value of all purchases transacted and settled directly (B2C model) or indirectly (B2B model) with end-consumers. The full value of all purchases transacted and settled indirectly with end-consumers (under the B2B model) is calculated based on the common price gap between business customers' purchase price and their selling price to the end-consumers, which are mainly collected from independent interviews with multiple industry experts as reference.

which we believe can effectively strengthen our relationship with brand partners by getting involved in multiple stages of their operations and providing them with inventory support. We believe that such brand e-commerce retail and wholesale solutions enhance our value to brand partners, though they do not generate any direct revenue under the distribution method. We also believe this distribution method could set us apart from competitors with less financing capabilities and it has contributed to our track record of serving a portfolio of renowned Japanese brand partners. The following diagram illustrates our relationship with brand partners and our business operations under the distribution method.



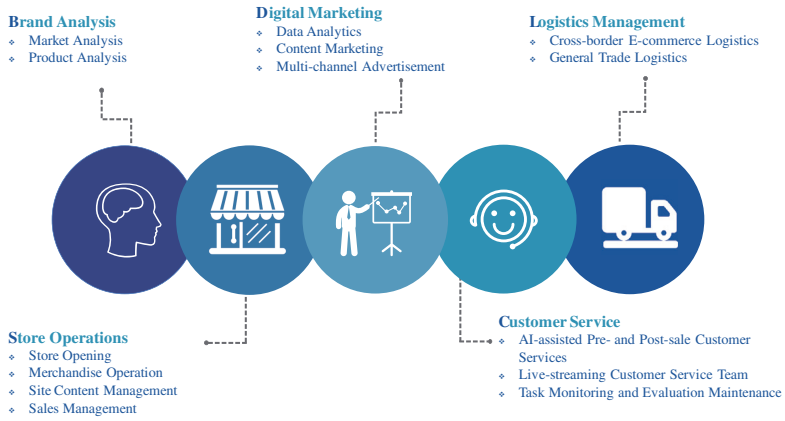
Leveraging our deep industry experience and strong brand analysis and data analytics capabilities, we assist the brand partners in designing the operation and marketing strategies for our sales through multiple channels under both B2C and B2B models. The following table sets forth the breakdown of revenue by business lines for the periods indicated.

	Year ended December 31,					
	2018		2019		2020	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB in thousands except for percentages)					
Distribution method						
B2B model	**1,404,323**	**55.3**	**1,379,966**	**49.6**	**1,226,516**	**43.9**
General trade	974,989	38.4	1,014,562	36.5	841,559	30.0
Cross-border e-commerce	429,334	16.9	365,404	13.1	384,957	13.9
B2C model	**1,089,428**	**42.9**	**1,353,044**	**48.6**	**1,539,757**	**54.9**
General trade	644,179	25.4	599,847	21.6	732,395	26.1
Cross-border e-commerce	445,249	17.5	753,197	27.0	807,362	28.8
Service fee method						
Provision of services	**47,210**	**1.8**	**48,709**	**1.8**	**34,573**	**1.2**
Total	2,540,961	100.0	2,781,719	100.0	2,800,846	100.0

Our revenue generated under the B2B model through general trade decreased from RMB1,014.6 million in 2019 to RMB841.6 million in 2020, primarily because we stopped selling products of brand A in 2020. Our revenue from our provision of services business decreased from 2019 to 2020 because we stopped to provide online operating services to TCC in 2020.

Our Brand E-Commerce Retail and Wholesale Solutions

In operating our business under B2C model, B2B model and provision of services, we offer brand e-commerce retail and wholesale solutions that are tailored to meet our brand partners' unique needs and are optimized for serving cross-border e-commerce. These solutions are a combination of service modules that encompass various operations in the e-commerce value chain, as illustrated by the diagram below.



For more details on our e-commerce retail and wholesale solutions, see "Business – Our Businesses – Our Brand E-commerce Retail and Wholesale Solutions."

Our Solutions for Cross-border E-commerce and General Trade

Serving as two means by which overseas brands may enter into China, general trade and cross-border import vary in terms of aspects such as time, costs, regulatory procedures and taxation. Under the general trade, products sold are stored within the border, and due to the generally higher tariffs and taxes compared with cross-border import, prices offered to end-consumers are generally higher. Under the cross-border import, goods are generally imported through bonded warehouses, and import tariffs and taxes are generally lower, in certain product categories, than those under the general trade, and the registration and filing procedures are comparatively simplified and easier. We took advantage of UNQ Japan and UNQ HK as part of our cross-border e-commerce solutions and accumulated knowledge and experience in handling customs-related regulations and policies in China, Japan and Hong Kong. Therefore we are able to provide our brand partners with optimal strategies and solutions taking into consideration factors such as their product characterization and applicable regulatory requirements.

OUR BRAND PARTNERS

As of the Latest Practicable Date, we provided brand e-commerce solutions to 28 brand partners with 66 brands, among which 58 brands were from Japan, covering product categories including, personal care products for adults, personal care products for babies, beauty products, health products and others. As of the Latest Practicable Date, our terms of cooperation with brand partners ranged from one month to ten years, and we had cooperated with 40 brands for more than three years, primarily including the brands of Unicharm, Shiseido, Kose, Sunstar and Kobayashi. Our top five brand partners in terms of revenue generation attributable to sales of their respective branded products in 2020 include Unicharm, Shiseido, Kobayashi, Kose and Sunstar, with whom we had cooperated for six years, nine years, ten years, eight years and nine years as of the Latest Practicable Date, respectively. In 2018, 2019 and 2020, we generated 89.1%, 87.3% and 86.5% of our total revenue from the sales of the products of such top five brand partners, respectively. See "Business – Our Brand Partners – Established Brand Partners." See "Risk Factors – Risks Relating to Our Business and Industry – If we fail to retain or maintain stable cooperation with our existing brand partners, especially certain major brand partners from whom we generate a large portion of our revenue, or we are unable to attract new brand partners, our results of operation and prospects might be materially and adversely affected" and "Risk Factors – Risks Relating to Our Business and Industry – We are subject to concentration risks as a material part of our purchase was made from and revenue was generated from sales of products of a limited number of brand partners."

		Year ended December 31,					
		2018		2019		2020	
	Years of cooperation as of the Latest Practicable Date	Revenue generation attributable to sales of branded products	% of total revenue	Revenue generation attributable to sales of branded products	% of total revenue	Revenue generation attributable to sales of branded products	% of total revenue
	(years)	*(RMB in millions except for percentages)*					
Unicharm	six	1,195.0	47.0	1,213.2	43.6	1,111.2	39.6
Shiseido	nine	707.4	27.8	864.8	31.1	963.2	34.4
Kobayashi	ten	86.3	3.4	130.1	4.7	143	5.1
Kose	eight	179.6	7.1	125.3	4.5	108.5	3.9
Sunstar	nine	96.3	3.8	95.5	3.4	98.2	3.5
Total		**2,264.6**	**89.1**	**2,428.9**	**87.3**	**2,424.1**	**86.5**

Our experienced product selection team and strong execution capability also enable us to identify potential top-selling products and successfully incubate new brands. See "Business – Our Brand Partners."

The following table sets forth a breakdown of our revenue by product category for the periods indicated:

	Year ended December 31,					
	2018		2019		2020	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB in thousands except for percentages)					
Personal care products for adults	1,066,262	42.0	1,390,815	50.0	1,757,741	62.8
Personal care products for babies	821,549	32.3	778,915	28.0	425,895	15.2
Beauty products	481,343	18.9	396,012	14.2	338,323	12.1
Health products	86,641	3.4	137,982	5.0	191,541	6.8
Others[(1)]	85,166	3.4	77,995	2.8	87,346	3.1
Total	**2,540,961**	**100.0**	**2,781,719**	**100.0**	**2,800,846**	**100.0**

Note:
(1) Others mainly include household necessities and watches.

In 2018, 2019 and 2020, we generated 98.0%, 97.9% and 97.3%, respectively, of total revenue from sales of products procured from, and 1.9%, 1.8% and 1.0%, respectively, of total revenue from provision of services to, Japanese brand partners. In 2018, 2019 and 2020, we generated 97.1%, 96.8% and 96.0%, respectively, of our total gross profit from sales of products procured from, and 3.0%, 3.2% and 1.7%, respectively, of our total gross profit from provision of services to, Japanese brand partners. In 2018, 2019 and 2020, the gross margin of our sales of products procured from Japanese brand partners was 24.0%, 28.6% and 31.3%, respectively, and the gross margin of our provision of services to Japanese brand partners was 38.7%, 53.6% and 56.7%, respectively.

E-COMMERCE PLATFORMS

We primarily generate our revenue from selling the products to consumers through online marketplace stores operated by us on e-commerce platforms under the B2C model, or to e-commerce platforms under the B2B model. We have strategically cooperated with both established e-commerce platforms such as Tmall Platforms, JD Platforms and Kaola Platforms, and emerging social e-commerce platforms such as Pinduoduo Platforms and Xiaohongshu Platforms. We have also expanded into other e-commerce platforms in recent years to reach a large and diversified consumer base. As of the Latest Practicable Date, we operated 88 online stores on Principal E-commerce Platforms and nine stores on other e-commerce platforms under the B2C model. As of the same date, we sold products sourced from brand partners to nine e-commerce platforms under the B2B model. See "Business – E-commerce Platforms" for more information.

Relationship with E-Commerce Platforms under the B2C Model

Under the B2C model, pursuant to the agreements we entered into with brand partners, we are typically authorized to sell the brand partners' products on a non-exclusive basis. We cooperate with e-commerce platforms to set up and operate marketplace stores, and revenue is generated primarily from the sales of products on these stores.

The table below sets forth the number of stores operated by us on Principal E-commerce Platforms under general trade and cross-border e-commerce as of the dates indicated.

	As of December 31,			As of the Latest Practicable Date
	2018	2019	2020	
Stores for general trade	36	38	42	42
Stores for cross-border e-commerce	30	45	54	46
Total	66	83	96	88

The number of our self-operated stores on Principal E-commerce Platforms under general trade and cross-border e-commerce business decreased from 96 as of December 31, 2020 to 88 as of the Latest Practicable Date, primarily as a result of our decision to close 11 stores with weak sales performance at the beginning of 2021. See "Business – E-commerce Platforms – Store Performance – Number of Stores."

The table below sets forth the revenue for stores operated by us on Principal E-commerce Platforms for general trade and cross-border e-commerce during the Track Record Period.

	Year ended December 31,		
	2018	2019	2020
		(RMB in thousands)	
Stores for general trade	640,260	591,666	710,829
Stores for cross-border e-commerce	445,249	745,691	805,225
Total	1,085,509	1,337,357	1,516,053

Our total revenue for stores operated on Principal E-commerce Platforms increased from RMB1,085.5 million in 2018 to RMB1,516.1 million in 2020, primarily due to the increase of revenue generated from cross-border e-commerce for stores operated on Principal E-commerce Platforms. In 2019 and 2020, we had a net increase of 15 stores and nine stores on Principal E-commerce Platforms under cross-border e-commerce, respectively.

We recorded a decrease in the revenue generated from stores for general trade on Principal E-commerce Platforms from RMB640.3 million in 2018 to RMB591.7 million in 2019, primarily because we ceased to provide services to brand B, a beauty product brand, which achieved significant growth in sales in 2018, the revenue generated from sales of which was RMB133.7 million and RMB11.8 million, respectively, in 2018 and 2019, representing 5.3% and 0.4% of our total revenue of the corresponding year. The brand partner decided not to renew the cooperation agreement with us regarding this brand B in 2019, primarily because it made some adjustment to the cooperation with its e-commerce service providers and decided to cooperate with another e-commerce service provider over such brand B instead, based on our belief, as a part of the change of its overall operating strategies that year. Our Directors are of the view that the brand partner's cessation of cooperation with us over such brand B was purely a commercial decision made in the ordinary course of business, and it was neither due to dissatisfaction with e-commerce solutions provided by us, nor due to any dispute between the brand partner and us. See "Business – Our Brand Partners – Brand Partner Development and Services" and "Risk Factors – Risks Relating to Our Business and Industry – If any of our brand partners decide to develop their in-house e-commerce operating capability as an alternative to our solutions, to cooperate with e-commerce platforms directly, or to replace us with other brand e-commerce solutions providers, demand for our solutions could be adversely affected, and our business could be materially and adversely affected." The decrease in the revenue caused by our cessation of cooperation with such brand was partially offset by the increase in the revenue contributed by the increase in the number of stores for general trade on Principal E-commerce Platforms in 2019. See "Business – E-commerce Platforms – Store Performance – Number of Stores."

Relationship with E-Commerce Platforms under the B2B Model

Based on the agreements with our brand partners, we are typically authorized to sell, on a non-exclusive basis, the products sourced from brand partners to various e-commerce platforms which have access to a large consumer base to increase the sales volume and the

coverage of products. We enter into distribution or consignment arrangements with these e-commerce platforms, utilizing their established sales network for sale of products. These e-commerce platforms may then sell the products to end-consumers through their self-operated stores.

PRICING STRATEGY

Our brand partners typically set uniform recommended retail prices for their products. We purchase products from them on a wholesale basis at a discount to such recommended retail prices, and then generally sell products to individual consumers and e-commerce platforms. We generally sell goods to individual consumers and e-commerce platforms at a price in line with general market practice, and take various factors into consideration, including cost of goods sold, warehousing and logistics expenses, selling and marketing expenses, other expenses related to operations, and our desired level of profits. When selling products to individual consumers, we also consider service fees and commission fees charged by the e-commerce platforms. We adjust the retail price in accordance with the changes in our cost of goods sold, and selling and marketing expenses from time to time. In the case of promotional events, we have the discretion to adjust the price based on our marketing and sales strategies under the B2C model. When selling products through cross-border e-commerce, we also consider exchange rate fluctuations when deciding the price.

OUR CUSTOMERS AND SUPPLIERS

Under the distribution method, our major customers are individual consumers under B2C model, and e-commerce platforms and other distributors under B2B model. Under the service fee method, our customers mainly include brand partners while our suppliers are marketing service vendors. Our five largest customers were primarily e-commerce platforms. For 2018, 2019 and 2020, revenue generated from our five largest customers accounted for 47.4%, 43.8% and 38.9%, respectively, of our total revenue for the relevant period. Our largest customer accounted for 36.2%, 35.3% and 28.3% of our revenue for the same periods, respectively. Our major suppliers are primarily brand partners. For 2018, 2019 and 2020, our five largest suppliers contributed a total of 91.7%, 87.8% and 87.3% of our total purchases for the same periods, respectively. Our largest supplier accounted for 33.2%, 32.5% and 41.1% of our total purchases for the same periods, respectively. As of December 31, 2020, we had maintained business relationships with our five largest suppliers for five to ten years.

During the Track Record Period, five of our major suppliers, namely Shiseido, Unicharm, TCI Group, Kobayashi and Sunstar were also our customers, because we provided them with brand e-commerce solutions or marketing services under the service fee method in one or more than one years during the Track Record Period. This arrangement is in line with industry practice. For 2018, 2019 and 2020, our revenue generated from these groups under the service fee method accounted for approximately 1.0%, 1.5% and 0.8%, respectively, of our total revenue for the relevant period. During the same periods, our purchases from these groups accounted for 88.9%, 86.5% and 87.3%, respectively, of our total purchases.

To the knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in 2018, 2019 and 2020 are Independent Third Parties, and none of our Directors, their close associates or any Shareholders, which to the knowledge of our Directors owns more than 5% of our Shares, has any interest in any of them, and all of our five largest suppliers in 2018, 2019 and 2020 are Independent Third Parties except for TCI Group. For details of our relationship with TCI Group, see "Relationship with Our Controlling Shareholders."

OUR STRENGTHS

- Leading brand e-commerce retail and wholesale solutions provider in China strategically focused on Japanese-branded FMCG
- Strong data-driven digital marketing and content-generating capabilities
- Well-established cross-border supply chain management operations that solidify our first-mover advantage in cross-border e-commerce
- Strong capabilities and proven track record in identifying, incubating, promoting and expanding brands and products with high potential
- Experienced core management team with sharp business sense and acumen to discover and timely react to latest market and industry trends

OUR STRATEGIES

- Strengthen our leading position by broadening and diversifying our brand portfolio
- Expand our product lineup beyond beauty and personal care categories
- Optimize our business mix and add more value to the services we provide to the brand partners
- Continue to invest in technology infrastructure and data analytics

- Further enhance our digital marketing, logistics management and customer service capabilities to provide services to third party brands
- Selectively pursue strategic alliance and acquisition opportunities

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Consolidated Statements of Comprehensive Income

	Year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Revenue	2,540,961	2,781,719	2,800,846
Cost of revenue	(1,924,616)	(1,978,257)	(1,912,732)
Gross profit	616,345	803,462	888,114
Selling and marketing expenses	(395,024)	(533,307)	(640,568)
General and administrative expenses	(70,811)	(106,129)	(97,859)
Research and development expenses	–	(1,590)	(8,761)
Net impairment losses on financial assets	(2,154)	(942)	(5,914)
Other income	6,349	7,538	12,635
Other (losses)/gains – net	(84)	2,273	(3,106)
Operating profit	154,621	171,305	144,541
Finance income	947	621	565
Finance costs	(17,852)	(18,608)	(22,761)
Dividends on preferred shares	–	(8,471)	–
Fair value changes from preferred shares	(100,687)	(190,543)	(88,634)
Share of net profit of associates and joint ventures accounted for using the equity method	4,357	6,321	9,286
Profit/(loss) before income tax	41,386	(39,375)	42,997
Income tax expenses	(41,329)	(46,364)	(44,911)
Profit/(loss) for the year/period	57	(85,739)	(1,914)
Attributable to:			
– Owners of the Company	53	(85,466)	(1,088)
– Non-controlling interests	4	(273)	(826)
	57	(85,739)	(1,914)
Other comprehensive (losses)/income			
Items that may be reclassified to profit or loss			
Share of other comprehensive (losses)/income of associates and joint ventures accounted for using the equity method	188	337	(893)
Exchange differences on translation of foreign operations	8,136	5,607	(14,181)
Items that will not be reclassified to profit or loss			
Change in fair value of preferred shares from own credit risk	388	27	–
Total other comprehensive (losses)/income	8,712	5,971	(15,074)
Total comprehensive (losses)/income for the year	8,769	(79,768)	(16,988)
Attributable to:			
– Owners of the Company	8,765	(79,495)	(16,162)
– Non-controlling interests	4	(273)	(826)
	8,769	(79,768)	(16,988)
Adjusted net profit (Non-IFRS measure) (unaudited)[1]	112,281	139,374	106,717

Note:

(1) We define "adjusted net profit (Non-IFRS measure)" as loss or profit for the year/period by excluding impacts of (i) fair value changes from preferred shares, (ii) dividends on preferred shares, (iii) gains from extinguishment of preferred shares, (iv) share-based compensation expenses, and (v) listing expenses. Adjusted net profit (Non-IFRS measure) is not a measure required by, or presented in accordance with IFRS. The use of adjusted net profit (Non-IFRS measure) has limitation as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. See "Financial Information – Principal Components of Consolidated Statements of Comprehensive Income – Adjusted Net Profit (Non-IFRS Measure)."

Non-IFRS Measures

To supplement our consolidated results, which are prepared and presented in accordance with IFRS, we use adjusted net profit (Non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that the presentation of non-IFRS measures, when shown in conjunction with the corresponding IFRS measures, provides useful information to investors and management regarding financial and business trends in relation to our financial condition and results of operations, by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance.

We define adjusted net profit (Non-IFRS measure) as profit for the period adjusted by adding back fair value changes from preferred shares, dividends on preferred shares, share-based compensation and listing expenses, and removing gains from extinguishment of preferred shares. We eliminate the potential impacts of these items that our management does not consider to be indicative of our operating performance. In particular, fair value changes from preferred shares, dividends on preferred shares and gains from extinguishment from preferred shares will not recur for the year ending December 31, 2021 and thereafter as all special rights attached to certain shares (the "**Preferred Shares**") held by TCI in UNQ Supply Chain had been terminated on June 10, 2020 during the Reorganization when TCI swapped its equity interests in UNQ Supply Chain to our Company's Shares proportionately. Dividends on preferred shares refer to the dividend payment in the amount of RMB8.5 million with respect to the Preferred Shares in 2019, which we recognized as expenses. Given that we will not record any Preferred Share in 2021 and thereafter, we added back such expenses incurred in 2019 in relation to dividends on the Preferred Shares, as dividends in relation to such part of shares will charge to our equity account in line with the accounting treatment of dividends on ordinary shares after 2021. Please refer to Note 24 and Note 31 to the Accountant's Report included in Appendix I to this prospectus for more information. Share-based compensation is of a non-cash nature and not considered by our management to be indicative of our results of operation. Please refer to Note 25 to the Accountant's Report included in Appendix I to this prospectus for more information. During the Track Record Period, our one-off listing expenses referred to expenses we incurred in connection with the Global Offering and are not indicators of our operational performance.

The following tables set forth the reconciliations of our non-IFRS measures for 2018, 2019 and 2020 with the nearest measures prepared in accordance with IFRS:

	Year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Reconciliation of net profit/(loss) to adjusted net profit/(loss)			
Profit/(loss) for the period	57	(85,739)	(1,914)
Add:			
Fair value changes from preferred shares	100,687	190,543	88,634
Dividends on preferred shares	–	8,471	–
Share-based compensation	11,537	18,236	–
Listing expenses	–	7,863	23,051
Minus:			
Gains from extinguishment of preferred shares	–	–	3,054
Adjusted net profit	112,281	139,374	106,717

Our adjusted net profit decreased from RMB139.4 million in 2019 to RMB106.7 million in 2020, primarily due to (i) slower-than-expected growth of revenue as a result of the impact of the COVID-19 outbreak in 2020 as well as the decrease in revenue of Moony products through cross-border e-commerce, and (ii) an increase in selling and marketing expenses, mainly because we conducted more intensified marketing and promoting activities in 2020 for certain brands, particularly for Shiseido's products, to offset the impact of the COVID-19 outbreak. See "Financial Information – Results of Operations."

Discussion on Certain Principal Components of Consolidated Statements of Comprehensive Income

In 2018, 2019 and 2020, we experienced losses from the fair value changes from the preferred shares were RMB100.7 million, RMB190.5 million and RMB88.6 million, respectively, which have a material impact on our profitability during the same period. See "– Historical Net Losses and Net Liabilities" for more information.

We incurred research and development expenses of RMB1.6 million in 2019 in relation to the development and maintenance of an online-to-offline platform of one of our brand partners. We recorded research and development expenses of RMB8.8 million in 2020 in relation to employee benefit expenses of our increasing number of research and development staff for improvement of our data analytics capabilities.

In 2018, 2019 and 2020, our net impairment losses on financial assets were RMB2.2 million, RMB0.9 million and RMB5.9 million, respectively, mainly relating to changes in our allowance over trade and other receivables based on expected credit loss. As of December 31, 2018, 2019 and 2020, allowance for impairment of trade receivables were RMB4.1 million, RMB2.3 million and RMB7.6 million, respectively, which were generally in line with changes in the balance of trade receivables during the Track Record Period. In addition, the decrease in allowance for impairment of trade receivables from December 31, 2018 to December 31, 2019 was mainly due to the increased sales to clients with better quality in 2019; and the increase in such amount as of December 31, 2020 compared with as of December 31, 2019 was primarily in relation to unsettled payments from certain customers with whom we are in the process of checking accounts.

During 2018, 2019 and 2020, our allowance for impairment of other receivables were RMB0.7 million, RMB3.4 million and RMB3.2 million, respectively, which were generally in line with changes in the balance of other receivables during the Track Record Period. In addition, the increases of our allowance for impairment of other receivables from RMB0.7 million as of December 31, 2018 to RMB3.4 million as of December 31, 2019 was primarily due to the increase in allowance in relation to loans made to Shanghai Xuyi. While we recorded an increase in other receivables as of December 31, 2020 compared to December 2019, our impairment for other receivables remained relatively stable at the amount of RMB3.2 million as of December 31, 2020, as such increase was primarily attributable to increases in guarantee for borrowings and rebate receivables to which we apply lower expected loss rates.

During 2018, 2019 and 2020, we recorded other income of RMB6.3 million, RMB7.5 million and RMB12.6 million, respectively, mainly relating to the government subsidies we received which were non-recurring in nature and the interests on loans to Shanghai Xuyi. The increase in our other income to RMB7.5 million in 2019 from RMB6.3 million in 2018, and further increase to RMB12.6 million in 2020, were primarily due to increases in interests on loans to related parties corresponding to the increasing amount of loans made to Shanghai Xuyi.

For details, see "Financial Information – Results of Operations."

The following table summarizes our gross profit and gross margin for the periods indicated:

	Year ended December 31,					
	2018		2019		2020	
	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)
	(RMB in thousands except for percentages)					
Distribution method						
B2B model	139,272	9.9	131,725	9.5	167,860	13.7
General trade	82,274	8.4	97,193	9.6	120,245	14.3
Cross-border e-commerce	56,998	13.3	34,532	9.5	47,615	12.4
B2C model	458,800	42.1	645,653	47.7	702,170	45.6
General trade	218,554	33.9	235,670	39.3	346,494	47.3
Cross-border e-commerce	240,246	54.0	409,983	54.4	355,676	44.1
Service fee method						
Provision of services	18,273	38.7	26,084	53.6	18,084	52.3
Total	616,345	24.3	803,462	28.9	888,114	31.7

Gross margin of our business under the B2C model is generally higher than that of the business under the B2B model, mainly because we provided more value-added services under the B2C model such as delivery of products to consumers, enhanced marketing activities and customer services. Gross margin of our B2B business increased from 9.5% in 2019 to 13.7% in 2020, primarily due to an increase in volume rebates granted by our brand partners to compensate us as we carried out more frequent marketing and promoting activities in 2020 to mitigate the impact of the COVID-19 outbreak.

In 2018 and 2019, gross margin of products sold through cross-border e-commerce was generally higher than that of products sold through general trade. However, in 2020, the gross margin of sales through cross-border e-commerce channels was lower than that through general trade channels for both B2C and B2B businesses due to certain factors of nonrecurring nature in 2020. From 2019 to 2020, the gross margin of B2C sales through cross-border e-commerce decreased from 54.4% to 44.1%, primarily as a result of the discounting activities we carried out to promote sales for certain brands, especially Shiseido, during the first half of 2020 in response to the impact of COVID-19; during the same period, the gross margin of B2C sales through general trade increased from 39.3% to 47.3%, primarily due to (i) the increases in both the sales of and the gross margin of Sofy because of the strong demand for its products primarily due to (a) the stockpiling of sanitary napkin products by consumers during the first quarter of 2020 because of COVID-19 outbreak; and (b) more marketing and promoting activities, especially live streaming events, were conducted to stimulate its sales, and (ii) an increase in the sales of Moony products, which enjoy high gross margin, as a result of its change of sales strategy of shifting sales of certain products from cross-border e-commerce to general trade.

In 2019, the gross margin of B2B sales through cross-border e-commerce was lower than that of general trade, primarily due to the decrease in gross margin of B2B sales through cross-border e-commerce in 2019 because Unicharm promoted the sale of a new product series with lower margin, which, based on our belief, did not reach expected sale performance and such new product was suspended from selling in 2020. In 2020, while the gross margin of B2B sales through cross-border e-commerce went back to normal level, the gross margin of B2B sales through cross-border e-commerce was lower than that of general trade, primarily because gross margin of B2B sales through general trade increased from 9.6% in 2019 to 14.3% in 2020, primarily due to the increase in the sales of and the gross margin of Sofy products because of the strong demand for sanitary napkin products in 2020 due to the impact of COVID-19 outbreak.

The gross margin of our provision of services business during the Track Record Period was primarily affected by the varying proportions of revenue generated from our online operating services and digital marketing services. The gross margin of provision of services business is relatively lower in 2018, primarily due to the smaller contribution of revenue from providing online operating services to TCC, which enjoys a higher gross margin than that of digital marketing service. While we stopped providing online operating services to TCC in 2020, the gross margin of our provision of services business remains stable in 2020, mainly due to the increase in the gross margin of our digital marketing business because, due to the impact of the COVID-19 outbreak, we stopped carrying out certain digital marketing projects requiring on-site activities with lower margin.

The following table summarizes our gross profit and gross margin in respect of our sales of goods revenue by product categories for the periods indicated:

	Year ended December 31,					
	2018		2019		2020	
	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)
	(RMB in thousands except for percentages)					
Personal care products for adults	254,111	24.1	392,669	28.3	499,556	28.5
Personal care products for babies	162,546	19.9	189,061	24.9	149,779	35.8
Beauty products	137,909	28.7	134,485	34.0	127,898	38.1
Health products	26,123	33.6	37,893	32.3	51,923	29.9
Others[1]	17,383	26.7	23,270	32.5	40,874	49.2
Total	598,072	24.0	777,378	28.4	870,030	31.5

Note:
(1) Others mainly include household necessities and watches.

During 2018, 2019 and 2020, the gross margins of all product categories are generally on a growing trend because, during the same periods, we experienced an increasing amount of sales through the B2C model and cross-border e-commerce, which generally enjoy higher gross margin than the B2B model and general trade, respectively. The fluctuations of gross margins of certain product categories were mainly due to the varying revenue contribution from various branded products with different gross margins during the Track Record Period. In particular, while gross profit from personal care products for babies decreased in 2020 compared with 2019, we recorded an increase in gross margin of such product category because we stopped selling products of brand A in 2020 whose gross margin is lower than the average margin of our personal care products for babies. The gross margins of our health products remained generally stable, with a slight decrease from 2018 to 2020, primarily because we conducted frequent promoting and discounting activities to take more market share in this emerging market.

Summary of Consolidated Statements of Financial Position

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

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Current assets	1,144,000	1,514,279	1,706,831
Current liabilities	725,553	991,801	1,118,500
Net current assets	418,447	522,478	588,331
Net assets/(liabilities)	(273,286)	(346,147)	617,687
Non-current assets	27,530	50,823	86,644
Non-current liabilities	719,263	919,448	57,288
Non-controlling interests	–	(73)	(1,044)

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Current assets			
Inventories	412,059	400,317	659,361
Trade and other receivables	407,993	365,378	526,959
Other current assets	123,542	161,192	264,977
Financial assets measured at fair value through profit or loss	–	44,000	–
Restricted cash	44,247	4,831	3,200
Cash and cash equivalents	156,159	538,561	252,334
Current liabilities			
Contract liabilities	6,716	3,913	3,425
Trade and other payables	354,441	616,032	489,620
Lease liabilities	6,782	8,110	9,722
Current tax liabilities	39,040	31,362	35,094
Borrowings	318,574	332,384	580,639

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Cash outflow from operating activities before movements in working capital	197,680	220,476	189,543
Changes in working capital	(218,175)	190,662	(490,124)
Interest received	1,076	3,675	565
Income tax paid	(36,511)	(67,975)	(68,400)
Net cash (used in)/generated from operating activities	(55,930)	346,838	(368,416)
Net cash (used in)/generated from investing activities	(6,862)	(104,808)	35,916
Net cash generated from financing activities	11,929	128,259	64,216

	Year ended December 31,		
	2018	2019	2020
	(RMB in thousands)		
Net increase/(decrease) in cash and cash equivalents	(50,863)	370,289	(268,284)
Cash and cash equivalents at beginning of the year	191,675	156,159	538,561
Effect on exchange rate difference	15,347	12,113	(17,943)
Cash and cash equivalents at end of the year	156,159	538,561	252,334

In 2020, we had net cash used in operating activities mainly attributable to: (i) an increase in inventories primarily due to the increase in our purchases from brand partners to maintain a sufficient level of inventory to mitigate the potential impact of the outbreak of COVID-19 in 2021; (ii) an increase in trade and other receivables because (a) our trade receivables increased in 2020 in relation to purchase from Shanghai Xuyi, and (b) rebates receivables increased due to increases in purchases from brand partners for Singles Day Promotion and maintaining a higher level of inventories in 2020; and (iii) an increase in other current assets, mainly due to increases in prepayment to third parties and consumption tax refund, after adjusting non-cash and non-operating items for profit before income tax.

In 2018, we had net cash used in operating activities mainly attributable to: (i) an increase in inventories, which was generally in line with the growth of our business under the B2B and B2C models; and (ii) an increase in trade and other receivables, mainly due to the growth of the sales under our B2B model, after adjusting non-cash and non-operating items for profit before income tax.

We intend to improve our net operating cash outflows position through (i) improving our inventory management efficiency and increasing the turnover rate of inventories; (ii) actively negotiating with suppliers for more favourable credit terms; and (iii) increasing turnover rate of trade receivables by collecting payments from B2B customers more efficiently.

We intend to improve our inventory management efficiency by applying the following measures: (i) monitoring our inventory level on a regular basis and placing orders based on our sales forecast; (ii) ensuring the accuracy of inventory data provided by third-party warehouses; (iii) deploying various methods to more accurately track and predict the inventory level of the products sold to e-commerce platforms under the B2B model; (iv) frequently communicating with e-commerce platforms in respect of the unsold inventory of the products purchased from us; (v) using and upgrading the warehouse management system and the enterprise resource planning system to better capture inventory data, including sales revenue and product expiry date; (vi) monitoring and analyzing the relevant data to restock in a timely manner and respond to any change in market trends and consumers' preferences promptly; and (vii) closely monitoring inventory with weak sales performance and planning marketing and promotion activities accordingly to reduce their inventories to a reasonable level.

We have adopted various measures to accelerate our collection of trade receivables, including, but not limited to; (i) reviewing aging analysis of the trade receivables on a monthly basis; (ii) following up with the parties with outstanding balance of trade receivables; (iii) improving the effectiveness of our collection methods of trade receivables and discussing and implementing any additional measures to further improve our collection rate; and (iv) collecting and retaining relevant supporting documents (including demand notes and reminder letters) to provide support for chasing payments and enforcing our rights under those documents.

For details, see "Financial Information – Liquidity and Capital Resources – Cash Flows."

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the years indicated.

	As of or for the year ended December 31,		
	2018	2019	2020
Operating profit margin[1] *(%)*	6.1	6.2	5.2
Net profit margin[2] *(%)*	–	(3.1)	(0.1)
Adjusted net profit margin (Non-IFRS measure)[2] *(%)*	4.4	5.0	3.8
Current ratio[3]	1.6	1.5	1.5
Quick ratio[4]	1.0	1.1	0.9

(1) Operating profit margin equals operating profit divided by revenue for the respective period.
(2) Net profit margin equals net profit divided by revenue for the respective period. Adjusted net profit margin (Non-IFRS measure) equals adjusted net profit (Non-IFRS measure) divided by revenues for the period and multiplied by 100%. For the reconciliation from (loss)/profit to adjusted net profit (Non-IFRS measure), see "Financial Information – Principal Components of Consolidated Statements of Comprehensive Income – Adjusted Net Profit (Non-IFRS Measure)."
(3) Current ratio equals current assets divided by current liabilities as of the respective dates.
(4) Quick ratio equals total current assets less inventories divided by total current liabilities as of the respective dates.

See "Financial Information – Key Financial Ratios" for more information, including the calculation methods for these financial ratios.

HISTORICAL NET LOSSES AND NET LIABILITIES

We had a profit of approximately RMB57,000 in 2018, a loss of RMB85.7 million in 2019, and we had a loss of RMB1.9 million in 2020 respectively, mainly due to the impacts of the accounting treatment of the shares, together with certain special rights attached thereto, acquired by TCI through a series of agreements entered into between, among others, TCI, Mr. WANG and UNQ Supply Chain in 2014, 2016 and 2017. All special rights attached to the Preferred Shares had been terminated on June 10, 2020 during the Reorganization when TCI swapped its equity interests in UNQ Supply Chain to our Company's Shares proportionately. See "History, Reorganization and Corporate Structure – UNQ Supply Chain – TCI Investments" and "Financial Information – Overview."

As of December 31, 2018 and 2019, we recorded total deficits of RMB273.3 million and RMB346.1 million respectively; and as of December 31, 2018, 2019 and 2020, we had accumulated losses of RMB123.7 million, RMB220.7 million and RMB217.9 million, respectively, primarily because we recorded the Preferred Shares as non-current liabilities. As all special rights attached to the Preferred Shares had been terminated prior to December 31, 2020, the liabilities of the Preferred Shares were derecognized and transferred to equity. As a result, the total deficit has been changed to be positive position as of December 31, 2020. See "Financial Information – Overview" for details.

OUR CONTROLLING SHAREHOLDERS

Each of Mr. Wang, Wisdom Oasis and TCI is a Controlling Shareholder of the Company. Mr. Wang, through Wisdom Oasis, and TCI will be interested in approximately 38.82% and 34.52% of our issued share capital, respectively, assuming the Over-allotment Option is not exercised (or approximately 37.77% and 33.59% of our issued share capital, respectively, assuming the Over-allotment Option is fully exercised). Despite TCI has certain operation in China, our Directors believe that there is no conflict of interest issues given effective conflict management measures have been put in place. See "Relationship with Our Controlling Shareholders – Our Relationship with TCI" for further details.

We have entered into a products procurement framework agreement with the TCI Group for the purchase of products by us from the TCI Group. We are of the view that these transactions will not give rise to any concerns on reliance issues upon Listing. See "Relationship with Our Controlling Shareholders – Independence from Controlling Shareholders – Operational Independence" for further details.

On June 5, 2020, Mr. Wang and Wisdom Oasis executed a deed of undertaking in favor of TCI, as amended and restated on June 23, 2021, pursuant to which each of Mr. Wang and Wisdom Oasis undertook to vote, at board meetings (provided that Mr. Wang may ignore this undertaking when voting at board meetings if complying with it would constitute a breach of his fiduciary duties as a director of the Company) and general meetings of the Company, in favor of any director candidate nominated by TCI in accordance with the articles of association of the Company as long as TCI holds at least 20% of the Shares.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We estimate that our listing expenses to be approximately RMB74.0 million (assuming an Offer Price of HK$13.61 per Offer Share (being the mid-point of the indicative Offer Price range) and no exercise of the Over-allotment Option), accounting for approximately 17.7% of the gross proceeds from the Global Offering (based on the mid-point of the indicative Offer Price range, before the exercise of the Over-allotment Option). In 2019 and 2020, we incurred listing expenses in the aggregate amount of approximately RMB39.1 million, out of which RMB30.9 million was expensed and RMB8.2 million was recorded as prepayment and will be capitalized upon the completion of

the Global Offering. We expect to further incur approximately RMB34.9 million of listing expenses after 2020 upon the completion of the Global Offering, of which approximately RMB15.2 million is expected to be expensed and the remaining RMB19.7 million is directly attributable to our issue of Offer Shares and will be capitalized.

OFFERING STATISTICS

	Based on an Offer Price of HK$11.86 per Offer Share[1]	Based on an Offer Price of HK$15.35 per Offer Share[1]
Our Company's market capitalization upon completion of the Capitalization Issue and the Global Offering[2]	HK$1,967.51 million	HK$2,546.48 million
Unaudited pro forma adjusted net tangible asset per Share[3]	HK$6.38	HK$7.03

Notes:

(1) All statistics in the table are based on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization is based on 30,690,600 Shares expected to be in issue immediately upon completion of the Capitalization Issue and the Global Offering assuming the Over-allotment Option is not exercised.

(3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to "Unaudited Pro Forma Financial Information" set forth in Appendix II to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$13.61 per Offer Share (being the mid-end of the Offer Price range stated in this prospectus), will be approximately HK$383.97 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised; or HK$446.62 million if the Over-allotment Option were exercised in full. We intend to use the net proceeds of the Global Offering for the following purposes:

- Approximately 54.4%, or HK$208.7 million, for investing in social media marketing and advertising, growing proprietary brands, diversifying brand portfolios and strengthening supply chain management.
- Approximately 15.7%, or HK$60.1 million, for diversifying our brand and product offerings for health products, in particular OTC drugs.
- Approximately 7.0%, or HK$27.0 million, for enhancing our technology systems and data analytics capabilities.
- Approximately 13.0%, or HK$49.8 million, for pursuing strategic investments in technology companies and O2O service providers.
- Approximately 10.0%, or HK$38.4 million, for working capital and general corporate uses.

For more details on our plans for using the proceeds of the Global Offering, see "Future Plans and Use of Proceeds."

DIVIDEND POLICY

Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all.

As advised by our Cayman legal adviser, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits 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. In light of our accumulated losses as disclosed in this prospectus, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

RISK FACTORS

The major risks relating to an investment in the Shares are as follows: (i) If we fail to predict the evolving market trends and consumer preferences correctly or in a timely manner, we may fail to successfully market and sell the products of our brand partners and our results of operation may be materially and adversely impacted; (ii) If we fail to retain or maintain stable cooperation with our existing brand partners, especially certain major brand partners from which we generated a large portion of our revenue, or we are unable to attract new brand partners, our results of operation and prospects might be materially and adversely affected; (iii)

We are subject to concentration risks as a material part of our purchase was made from and revenue was generated from sales of products of a limited number of brand partners; (iv)If the e-commerce market in China does not grow, or grows slower than we expect, demand for our services could be adversely affected; (v) Historically, we focused on Japanese-branded FMCG. Anything that may affect Chinese consumers' preference for Japanese products may have a material and adverse impact on our business; (vi) If e-commerce platforms decide to offer e-commerce services in the future, our services might be less attractive to our brand partners and our business and results of operation will be materially and adversely affected; (vii) We may face challenges in expanding our cross-border e-commerce businesses and operations; and (viii) Failure in identifying and incubating new brands may have an adverse effect on our business and results of operations.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Impact of COVID-19 Outbreak on Our Business Operations and Financial Performance

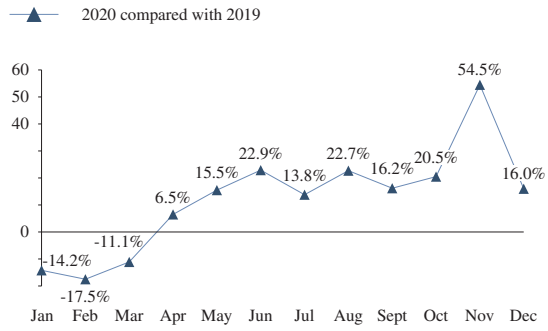
Since early 2020, a growing number of countries and regions around the world have encountered an outbreak of the COVID-19, a contagious disease known to cause respiratory illness. The outbreak of COVID-19 has materially and adversely affected the global economy. The outbreak of COVID-19 negatively impacted the beauty products industry, particularly in the first quarter of 2020. According to the CIC Report, productivity for Japanese beauty and personal care products was also negatively affected resulting from the declaration of a nationwide state of emergency by the Japanese government on April 16, 2020, which called for the suspension or closure of certain businesses in the country. According to the same source, such negative impacts on the productivity for Japanese beauty and personal care products last for no longer than six months since April 2020.

In the long term, our Directors are of the view that the outbreak would not result in a material disruption to our business operations and financial performance, largely due to the fact that both the industry as a whole and us as a market player have already resumed normal operation. Specifically, nationwide beauty product retail value has recovered since the second quarter of 2020, as its year-on-year growth returned to positive and reached 6.5% in April 2020, and further reached 54.5% in November 2020, as reported by National Bureau of Statistics. In addition, according to the State Post Bureau of the PRC, the express delivery service in China recovered nationwide in April 2020, with the volume and service revenue reaching RMB6.5 billion and RMB72.1 billion, respectively, both surpassing those of 2019. Cargo flights between Japan and China have gradually resumed since April 2020 and the frequency of passenger flights has resumed to approximately 20 per week during the same period, according to the Embassy of the PRC in Japan.

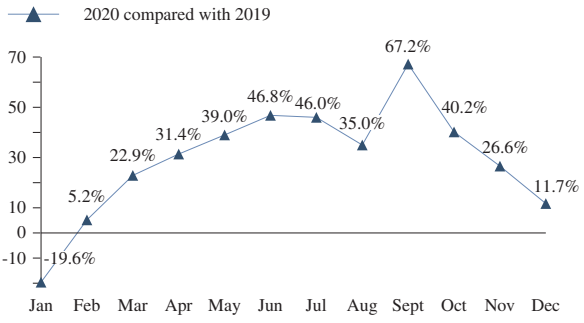
The following charts set forth the year-on-year growth of nationwide beauty product retail value and growth of beauty product sales on Alibaba's e-commerce platforms:

Demand recovery after the COVID-19 outbreak

Year-on-year growth of nationwide beauty product retail value



Year-on-year growth of beauty product sales on Alibaba's e-commerce platforms



Source: National Bureau of Statistics; CIC Report

Our transportation capacity has returned to the normal level since March 2020 and the monthly logistics costs we incurred has not shown any significant changes since February 2020 when compared to the corresponding periods in 2019. Our procurement of products from brand partners has not been negatively impacted in a material way since the outbreak, and since March 2020, procurement of products from all of our brand partners have been resumed. Besides, to counter the risks of disruptions to our supply chain and to manage our inventory

with more certainty, compared with the practice prior to the outbreak of the COVID-19, we stored materially more inventories in warehouses in China than in Japan and communicated with certain of our brand partners around two months in advance to confirm the forecast of orders.

As of the Latest Practicable Date, the COVID-19 outbreak in China had been largely tamed. However, the potential impact brought by and the duration of the COVID-19 outbreak is difficult to assess or predict and the full impact of the virus on our operations will depend on many factors beyond our control. See "Risk Factors – Risks Relating to Our Business and Industry – The outbreak of COVID-19 may adversely affect our business, financial condition, results of operations and prospects."

Even if in the worst case scenario, assuming that (i) we will not generate any revenue since March 1, 2021, and will not purchase any other inventories from then on; (ii) trade and other payables as at February 28, 2021 will be paid as usual; (iii) trade and other receivables as at February 28, 2021 will be settled as the historical settlement pattern; (iv) we are estimated to go listing in July 2021 with net proceeds of around HK$384 million and use 10% of the net proceeds from the Global Offering as our working capital; and (v) we will not lay off employees and will continue to rent current properties, the Directors estimate that we will be able to maintain our financial viability for approximately 20 months from February 2021.

Recent Developments

Since the end of the Track Record Period and up to the date of this document, we experienced stable revenue growth. From January 1, 2021 and to the Latest Practicable Date, we started to cooperate with three new brands and operate six new online stores on Principal E-commerce Platforms. For the same period, we ceased to cooperate with nine brands and closed 14 online stores on Principal E-commerce Platforms primarily due to the weak sales performance of the relevant brands or online stores. We believe the adjustment of brand portfolios and online stores from time to time is not uncommon in the beauty and personal care products industry in order to meet the evolving needs of consumers and to continue identifying products with sales potential. After the Track Record Period and up to the Latest Practicable Date, the number of e-commerce platforms we cooperated with under the B2B model remained stable.

No Material Adverse Change

Our Directors confirm that, as of the date of this prospectus, other than disclosed in "– Recent Developments and No Material Adverse Change," there has been no material adverse change in our financial or trading position, taking into account various factors, including our business models, suppliers, customers, consumer demands, logistics, inventory level and the resilience of China's economic growth, and there has been no event since December 31, 2020 that would materially affect the information as set out in Appendix I to this prospectus.

"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Alibaba"	Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company incorporated in the Cayman Islands with limited liability on June 28, 1999
"AQSIQ"	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中國國家質量監督檢驗檢疫總局)
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, conditionally adopted on June 22, 2021 with effect from the Listing Date, and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Athena Land I"	Athena Land I Holdings Limited, a company incorporated under the laws of BVI on September 26, 2019 and a Shareholder of our Company
"Athena Land II"	Athena Land II Holdings Limited, a company incorporated under the laws of BVI on September 26, 2019 and a Shareholder of our Company
"Athena Land III"	Athena Land III Holdings Limited, a company incorporated under the laws of BVI on September 26, 2019 and a Shareholder of our Company
"Athena Land IV"	Athena Land IV Holdings Limited, a company incorporated under the laws of BVI on September 26, 2019 and a Shareholder of our Company
"Athena Land V"	Athena Land V Holdings Limited, a company incorporated under the laws of BVI on April 14, 2020 and one of our Shareholders

"Attenir"	Attenir Corporation, a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Attenir
"Audited Financial Statements"	the audited consolidated financial statements of our Group for the financial years ended December 31, 2018, 2019 and 2020 as included in "Appendix I – Accountant's Report" in this prospectus
"Bioeffect"	ORF Genetics, a company based in Iceland, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Bioeffect
"Board"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Cainiao Network"	Cainiao Smart Logistics Network Limited, a company incorporated under the laws of the Cayman Islands and a subsidiary of Alibaba
"Cankaoxian"	Cankaoxian (Hangzhou) Culture Media Co., Ltd. (參考線(杭州)文化傳媒有限公司), a limited liability company incorporated under the laws of the PRC on June 24, 2019 and an indirect non-wholly-owned subsidiary of UNQ Supply Chain
"Capitalization Issue"	the issuance of Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of our Company, as further described in "Statutory and General Information – A. Further Information about our Group – 4. Resolutions of the Shareholders of Our Company dated June 22, 2021" in Appendix IV to this prospectus
"Cayman Companies Act" or "Companies Act"	the Companies Act (As Revised) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time

"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chengwang E-commerce"	Bengbu Chengwang E-commerce Co., Ltd. (蚌埠橙往電子商務有限公司), a limited liability company incorporated under the laws of the PRC on November 19, 2019 and a wholly-owned subsidiary of Hangzhou SPT
"China Insights Consultancy" or "CIC"	China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), an independent market research and consulting company
"CIC Report"	the industry report prepared by China Insights Consultancy and commissioned by our Company regarding China brand e-commerce service market for the period from 2014 to 2024, as referred to in the section headed "Industry Overview" in this prospectus
"Combi"	Combi Corporation, a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Combi
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company", "our Company" or "the Company"	UNQ Holdings Limited (优趣汇控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on October 31, 2019
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, collectively refers to Mr. Wang, Wisdom Oasis and TCI
"Cow Brand Soap Kyoshinsha"	COW BRAND SOAP KYOSHINSHA CO., LTD., a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Cow Brand Soap Kyoshinsha
"cross-border e-commerce"	the sales of products via online retail platforms across national Borders to the PRC when the buyer and seller are located in different jurisdictions
"cross-border import"	As a type of brand e-commerce services, entails the sales of products via online retail platforms across national borders to the PRC when the buyer and seller are located in different jurisdictions
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"distribution method"	deriving price spread from procurement from brand partners and sales to customers
"Douyin"	Douyin (抖音), a social media short-form video app for creating and sharing short lip-sync, comedy, and talent videos
"E-Bloom Holdings"	E-Bloom Holdings Limited, a company incorporated under the laws of BVI on November 5, 2019 and a direct wholly-owned subsidiary of our Company

"Earth"	Earth Corporation, a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time
"Eisenberg"	José Eisenberg S.A., a company headquartered in Monaco, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Eisenberg
"Extreme Conditions"	any extreme conditions or events, the occurrence of which causes interruption to the ordinary and usual course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date
"FANCL"	FANCL CORPORATION, a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time
"Freshippo"	Freshippo (盒馬), also known as "Hema" in Chinese, a Chinese new retail platform which is driven by data and technology and belongs to Alibaba group
"GACC"	the General Administration of Customs of the People's Republic of China (中華人民共和國海關總署)
"general trade"	As a type of brand e-commerce services, entails the sales of products via online retail platforms with both the buyer and seller being in Mainland China
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form"	the application form to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "the Group", "we", "us" or "our"	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

"Hangzhou SPT"	Hangzhou Spot E-commerce Co., Ltd. (杭州思珀特電子商務有限公司), a limited liability company incorporated under the laws of the PRC on November 19, 2014 and a direct wholly-owned subsidiary of UNQ Supply Chain
"Hangzhou UNQ E-Commerce"	Hangzhou UNQ E-Commerce Co., Ltd. (杭州優趣匯電子商務有限公司), a limited liability company established under the laws of the PRC on March 2, 2011 and deregistered on September 26, 2017
"Hangzhou Xunala"	Hangzhou Xunala E-commerce Co., Ltd. (杭州徐娜拉電子商務有限公司), a limited liability company established under the laws of the PRC on November 16, 2010
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominee"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Offer Shares"	the 3,069,200 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed "The Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation as described in the section headed "The Structure of the Global Offering"), on the terms and subject to conditions set out in this prospectus
"Hong Kong Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited

"Hong Kong Underwriter(s)"	the underwriter(s) of the Hong Kong Public Offering as listed in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 25, 2021, relating to the Hong Kong Public Offering, entered into among China International Capital Corporation Hong Kong Securities Limited, Nomura International (Hong Kong) Limited, the Hong Kong Underwriters, our Company and the Controlling Shareholders, as further described in the section headed "Underwriting" in this prospectus
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity or person who, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
"International Offer Shares"	the 27,621,400 new Shares initially offered by our Company for subscription at the Offer Price under the International Offering (subject to reallocation as described in the section headed "The Structure of the Global Offering" in this prospectus) together with (unless the context otherwise requires) any Shares issued pursuant to any exercise of the Over-allotment Option
"International Offering"	the conditional offering of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in the section headed "The Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international purchase agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Sole Representative and the International Underwriters

"JD" or "JD.com"	jd.com (京東商城), also known as Jingdong, a Chinese e-commerce platform which offers a wide range of products including, among others, household appliances, digital products, clothing, shoes and toys
"JD Platforms"	consisting of e-commerce platforms related to JD.com, Inc. featuring different business models, including JD thirty-party platform featuring general trade under B2C model, JD self-operated platform featuring general trade under the B2B model, and JD Worldwide featuring cross-border e-commerce under both B2C and B2B models
"JD Worldwide"	jd.hk (京東國際), a cross-border e-commerce platform of JD.com, which enables Chinese customers to purchase products from other countries
"Joint Bookrunners"	China International Capital Corporation Hong Kong Securities Limited, Nomura International (Hong Kong) Limited, BOCI Asia Limited, BOCOM International Securities Limited, Futu Securities International (Hong Kong) Limited, Haitong International Securities Company Limited, Sunfund Securities Limited and Zhongtai International Securities Limited
"Joint Global Coordinators"	China International Capital Corporation Hong Kong Securities Limited and Nomura International (Hong Kong) Limited
"Joint Lead Managers"	China International Capital Corporation Hong Kong Securities Limited, Nomura International (Hong Kong) Limited, BOCI Asia Limited, BOCOM International Securities Limited, Futu Securities International (Hong Kong) Limited, Haitong International Securities Company Limited, Livermore Holdings Limited, Sunfund Securities Limited and Zhongtai International Securities Limited
"JPY"	Japanese Yen, the lawful currency of Japan
"Jumei"	Jumei.com (聚美優品), a Chinese e-commerce platform which provides customers with a wide selection of beauty products

"KA"	Key Account (重要客戶)
"Kaola"	kaola.com (考拉海購), an import e-commerce platform in China, set up by NetEase, Inc. in 2015 and then acquired by Alibaba in September 2019
"Kaola Offshore"	kaola.com.hk (考拉海購海外站), the offshore website of Kaola
"Kaola Platforms"	consisting of Kaola featuring general trade and cross-border e-commerce under B2B and B2C models
"Kingdom Bridge"	Kingdom Bridge Holdings Limited, a company incorporated under the laws of BVI on September 26, 2019 and one of the Shareholders of our Company
"Kobayashi"	KOBAYASHI PHARMACEUTICAL CO., LTD., a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Kobayashi
"Koh Gen Do"	Koh Gen Do Co., Ltd., a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the Koh Gen Do brand
"Kose"	KOSÉ Corporation, a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time
"Langyu Partnership"	Langyu (Shanghai) Enterprise Management Consulting Center (Limited Partnership) (琅瑜(上海)企業管理諮詢中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on June 3, 2016
"Langyue Partnership"	Ningbo Meishan Bonded Port Area Langyue Investment Management Partnership Enterprise (Limited Partnership) (寧波梅山保税港區琅玥投資管理合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on June 22, 2017

"Latest Practicable Date"	June 18, 2021, being the latest practicable date for ascertaining certain information in this prospectus before its publication
"Lion"	Lion Corporation, a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Lion
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about July 12, 2021, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Litun Culture"	Shanghai Litun Culture Media Co., Ltd. (上海栗豚文化傳媒有限公司), a limited liability company established under the laws of the PRC on August 23, 2019 and an indirect non-wholly owned subsidiary of Shanghai Fuli
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Mandom"	Mandom Corporation, a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Mandom
"Matrix II"	Matrix Partners China II Hong Kong Limited, a company incorporated under the laws of Hong Kong on April 14, 2011 and a Shareholder of our Company
"Memorandum" or "Memorandum of Associations"	the amended and restated memorandum of association of our Company, conditionally adopted on June 22, 2021, with effect from the Listing Date, and as amended from time to time

"MIIT"	Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部)
"MOF"	Ministry of Finance of the People's Republic of China (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the People's Republic of China (中華人民共和國商務部)
"Mr. Wang"	WANG Yong (王勇), our founder, chairman, executive Director and chief executive officer of the Company and one of our Controlling Shareholders
"NDRC"	National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會)
"Nichiban"	Nichiban Co., Ltd., a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Nichiban
"Ningbo SPT"	Ningbo Spot International Trading Co., Ltd. (寧波思珀特國際貿易有限公司), a limited liability company established under the laws of the PRC on December 26, 2017 and a direct wholly-owned subsidiary of UNQ Supply Chain
"Noevir"	Noevir Holdings Co., Ltd., a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Noevir
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Oasis Street I"	Oasis Street I Holdings Limited, a company incorporated under the laws of BVI on September 26, 2019 and a Shareholder of our Company
"Oasis Street II"	Oasis Street II Holdings Limited, a company incorporated under the laws of BVI on October 8, 2019 and a Shareholder of our Company

"OEM"	Original Equipment Manufacturer, a third party company that manufactures products for us to resell to customers under our proprietary brand name
"Offer Price"	the final price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, of not more than HK$15.35 and expected to be not less than HK$11.86, such price, to be agreed upon by our Company and the Sole Representative (for itself and on behalf of the other Underwriters) on or around the Price Determination Date
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be sold by our Company pursuant to the exercise of the Over-allotment Option
"Onshore" or "Offshore"	onshore or offshore of the PRC
"Onshore Individuals"	33 individuals, namely, WANG Yong (王勇), NING Jing (寧靜), YANG Sijie (楊思潔), HAN Tongpin (韓彤蘋), LAI Juncheng (賴俊成), CHEN Weiwei (陳偉偉), SHEN Yu (沈宇), XU Fei (徐斐), SONG Wei (宋瑋), SHEN Hao (沈皓), CHE Yan (車彥), XU Dongming (徐東明), ZHANG Kaixuan (張凱旋), WEI Xiaoliang (魏曉亮), QIN Jiaowei (覃嬌薇), LU Dian'an (路殿安), YIN Zhenyu (尹臻彧), ZHU Mimi (朱咪咪), LI Jiangpeng (李江鵬), WANG Yibing (王義兵), YUAN Youlan (袁幼蘭), ZHENG Shixiong (鄭世雄), LI Fen (李芬), FANG Fang (方芳), CHENG Jianjing (程建靜), WU Yuehua (吳閱華), CHEN Chun (陳醇), ZHANG Jing (張晶), YU Kefei (俞可飛), ZENG Yan (曾雁), CHEN Erhan (陳爾罕), LIU Yongming (劉勇明) and CHEN Ruigui (陳瑞貴)

"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Representative (for itself and on behalf of the International Underwriters) for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 4,603,400 additional new Shares (representing in aggregate of approximately 15.0% of the initial Offer Shares) to cover over-allocations in the International Offering, if any, details of which are described in the section headed "The Structure of the Global Offering – Over-allotment Option" in this prospectus
"PBOC"	People's Bank Of China (中國人民銀行)
"Pinduoduo"	pinduoduo.com (拼多多), an e-commerce platform that provides buyers with value-for-money merchandise and a fun and interactive shopping experience
"Pinduoduo Platforms"	consisting of Pinduoduo featuring general trade and cross-border e-commerce under B2B and B2C models
"Ping An Health"	Pin An Health (平安健康), one of the leading one-stop healthcare ecosystem platforms in China
"PRC" or "China"	The People's Republic of China; for the purposes of this prospectus only and except where the context requires otherwise, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"PRC Legal Advisor"	AllBright Law Offices, the PRC legal advisor to our Company
"Price Determination Date"	the date on which the Offer Price is to be determined
"Principal E-commerce Platforms"	consisting of Tmall Platforms, JD Platforms, Kaola Platforms, Xiaohongshu Platforms and Pinduoduo Platforms for purpose of this prospectus
"Principal Share Registrar and Transfer Office"	Campbells Corporate Services Limited

"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Province" or "province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC Government
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the offshore and onshore reorganization as set out in section headed "History, Reorganization and Corporate Structure – Reorganization"
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Route Technology"	Route (Shanghai) Information Technology Co., Ltd. (容異(上海)信息科技有限公司), a limited liability company established under the laws of the PRC on September 19, 2018 and a direct non-wholly owned subsidiary of UNQ Supply Chain
"SAFE"	State Administration of Foreign Exchange (國家外匯管理局)
"SAIC"	State Administration for Industry & Commerce of the People's Republic of China (中華人民共和國國家工商行政管理總局) which is the predecessor of SAMR
"SAMR"	State Administration for Market Regulation (國家市場監督管理總局)
"SCNPC"	the Standing Committee of the National People's Congress of the People's Republic of China (全國人民代表大會常務委員會)
"SEC"	the Securities and Exchange Commission of the United States
"service fee method"	charging service fees to brand partners for services provided
"SFC"	The Securities and Futures Commission of Hong Kong

"Shanghai Fuli"	Shanghai Fuli Culture Media Co., Ltd. (上海芙立文化傳媒有限公司), a limited liability company established under the laws of the PRC on November 28, 2016 and a direct wholly-owned subsidiary of UNQ Supply Chain
"Shanghai SPT"	Shanghai Spot E-Commerce Co., Ltd. (上海思珀特電子商務有限公司), a limited liability company established under the laws of the PRC on June 4, 2013 and a direct wholly-owned subsidiary of UNQ Supply Chain
"Shanghai Xuyi"	Shanghai Xuyi Industry Co., Ltd. (上海旭一實業有限公司), a limited liability company established under the laws of the PRC on April 30, 2015
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of HK$0.0001 each
"Shareholder(s)"	holder(s) of our Shares
"Shiseido"	Shiseido Company, Limited, a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time
"Sole Sponsor" or "Sole Representative"	China International Capital Corporation Hong Kong Securities Limited
"STA"	State Taxation Administration (國家税務總局)
"State Council"	the State Council of the People's Republic of China (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement, which may be entered into between Wisdom Oasis as the lender and the Stabilizing Manager as the borrower on or around the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance, except with respect to TCI, means any entity (i) whose share capital is held as to more than 50% by TCI; and (ii) which is accounted for and consolidated in the audited consolidated accounts of TCI as a subsidiary pursuant to the Japanese generally accepted accounting principles
"Substantial Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Sunstar"	Sunstar Inc., and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time
"Taisho"	Taisho Pharmaceutical Holdings Co., Ltd., and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time, or, as the context requires, the brand Taisho
"Taobao"	taobao.com (淘寶網), one of the largest online retail platforms in Asia Pacific, headquartered in Hangzhou and owned by Alibaba
"TCC"	Shanghai Transcosmos Marketing Service Co., Ltd., (上海特思爾大宇宙商務諮詢有限公司), a company established under the laws of the PRC with limited liability on September 12, 2006 and a wholly-owned subsidiary of TCI
"TCI"	Transcosmos Inc. (大宇宙株式會社), a company incorporated under the laws of Japan, whose shares are listed on the Tokyo Stock Exchange under the stock code of 9715, and one of the Controlling Shareholders of our Company
"TCI Group"	TCI and its subsidiaries from time to time
"Tmall"	tmall.com (天貓), the largest business-to-consumer retail platform in Asia enabling businesses to sell directly to millions of consumers throughout China
"Tmall Direct Import"	a direct import model where fast moving products are sold through direct import stores on Tmall Global

"Tmall Global"	tmall.hk (天貓國際), a cross-border e-commerce platform which offers various directly imported overseas products to domestic consumers
"Tmall Platforms"	consisting of e-commerce platforms related to Alibaba featuring different business models, including Tmall featuring general trade under B2C model, Tmall Global featuring cross-border e-commerce under B2C model, Tmall Direct Import featuring cross-border e-commerce under B2B model and Tmall Supermarket featuring general trade under B2B model
"Tmall Supermarket"	chaoshi.tmall.com (天貓超市), a proprietary sector of Tmall that mainly engaged in direct sales of grocery and daily consumption products
"Track Record Period"	the period comprising three financial years of our Company ended December 31, 2020
"U.SUN HK"	U.SUN (HONG KONG) TRADING CO., LIMITED (妍晟(香港)貿易有限公司), a company incorporated under the laws of Hong Kong with limited liability on September 24, 2018 and a direct wholly-owned subsidiary of U.SUN Trading
"U.SUN Trading"	U.SUN Trading (Shanghai) Co., Ltd. (妍晟貿易(上海)有限公司), a limited liability company incorporated under the laws of the PRC on June 8, 2017 and a direct wholly-owned subsidiary of UNQ Supply Chain
"Underwriter(s)"	the Hong Kong Underwriter(s) and the International Underwriter(s)
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Unicharm"	Unicharm Corporation, a company headquartered in Japan, and its subsidiaries, consolidated affiliated entities and/or authorized distributors from time to time
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"UNQ Business Consulting"	Shanghai UNQ Business Consulting Co., Ltd. (上海普卉商務諮詢有限公司, formerly known as 上海優趣匯商務諮詢有限公司), a company established under the laws of the PRC on August 5, 2010 and deregistered on July 25, 2018
"UNQ HK"	UNQ Hong Kong Limited (優趣匯香港有限公司), a company incorporated under the laws of Hong Kong with limited liability on August 27, 2015 and a direct wholly-owned subsidiary of UNQ Supply Chain
"UNQ Hong Kong Holdings"	UNQ Holdings (HK) Limited, a company incorporated under the laws of Hong Kong with limited liability on November 19, 2019 and an indirect wholly-owned subsidiary of our Company
"UNQ Japan"	UNQ Japan Co., Ltd. (UNQジャパン株式会社), a company incorporated under the laws of Japan on October 2, 2014 and a direct wholly-owned subsidiary of UNQ Supply Chain
"UNQ Medical Appliance"	UNQ (Shanghai) Medical Appliance Co., Ltd. (優趣匯(上海)醫療器械有限公司), a limited liability company established under the laws of the PRC on November 29, 2019 and a direct wholly-owned subsidiary of UNQ Supply Chain
"UNQ Supply Chain"	UNQ (Shanghai) Supply Chain Management Co., Ltd. (優趣匯(上海)供應鏈管理有限公司), a company established under the laws of the PRC on October 17, 2014 and an indirect wholly-owned subsidiary of our Company
"UNQ Trading"	UNQ (Shanghai) International Trading Co., Ltd. (優趣匯(上海)國際貿易有限公司), a limited liability company established under the laws of the PRC on July 20, 2016 and a direct wholly-owned subsidiary of UNQ Supply Chain
"USD" or "US$"	United States Dollars, the lawful currency of the United States
"Weibo"	Weibo (微博), a leading social media platform for people to create, distribute, and discover content

"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the www.eipo.com.hk
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Wisdom Oasis"	Wisdom Oasis Holdings Limited, a company incorporated under the laws of BVI on September 26, 2019 and one of the Controlling Shareholders of our Company
"Xiaohongshu"	xiaohongshu.com, also known as "RED" (小紅書), a thriving lifestyle community platform which tailors content recommendations to individual users and incubates new consumer trends
"Xiaohongshu Platforms"	consisting of Xiaohongshu featuring general trade and cross-border e-commerce under B2B and B2C models
"Yihaodian"	yhd.com (1號店), an online grocery sales platform, acquired by JD.com, Inc. in 2016
"YKM Business Consulting"	Shanghai Yikemai Business Consulting Co., Ltd. (上海意可邁商務諮詢有限公司), a limited liability company incorporated under the laws of the PRC on July 26, 2012 and a direct wholly-owned subsidiary of UNQ Supply Chain
"Yuyi Trading"	Shanghai Yuyi Trading Co., Ltd. (上海好驛貿易有限公司), a limited liability company established under the laws of the PRC on April 10, 2019 and a direct wholly-owned subsidiary of UNQ Supply Chain
"%"	per cent

"AI"	artificial intelligence
"AIPL"	awareness, interest, purchase and loyalty, a marketing model used to analyze consumer behavior to figure out marketing strategies
"B2B"	business to business, a commerce transaction conducted between one business and another, in which businesses directly sell products or services to various e-commerce platforms and other distributors, rather than to consumers
"B2C"	business to consumer, a type of commerce transaction in which businesses sell products or services directly to consumers
"big data analytics"	the use of advanced analytic techniques against very large, diverse data sets to uncover hidden patterns, unknown correlations, market trends, consumer preferences, and other useful information that can help make more informed business decisions
"bonded warehouses"	domestic warehouses in FTZs where goods are temporarily stored, and customs clearance and goods delivery would take place after consumers place their orders
"brand"	a brand owned by the brand partner
"brand partner"	the proprietor and/or registered owner in the relevant jurisdiction(s) of the brand and/or trademark(s), which is also a business entity that maintains a business relationship with the Group
"CAGR"	compound annual growth rate
"cross-buying rate"	percentage of consumers purchasing more than one product or type of service from a store in a certain period
"Databank"	Brand Databank (品牌數據銀行), a consumer data asset management center developed by Alibaba
"Diamond Show"	a marketing tool for promotion based on image display, with precise orientation as the core and real-time bidding for precise users throughout the network

"e-commerce"	electronic commerce, refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions
"ECRP"	Enterprise Customer Resource Plan, a business process management system used to organize and analyze data which could efficiently handle complex computing tasks of billions of data instances from diversified dimensions
"FAST"	Fertility-Advancing-Superiority-Thriving, a marketing model developed by Alibaba measuring the brand's consumer operation
"flagship store"	a store being registered with an e-commerce platform with a proprietary brand or with a brand which has been exclusively authorized by a trademark owner
"FMCG"	fast-moving consumer goods, consisting of beauty products, personal care products, packaged foods and beverages
"FTZs"	Free Trade Zones, areas within which goods may be landed, handled, manufactured or reconfigured, and reexported without the intervention of the customs authorities
"Generation Z"	the demographic cohort with the starting birth years of mid-to-late 1990s and the ending birth years of early 2010s
"GMV"	gross merchandise volume, which is (i) the full value of all purchases transacted and settled on the stores operated by the Company, and (ii) the full value of all purchases transacted and settled between other businesses and the Company
"GTA"	GMV to AIPL, a marketing model used to track consumer management to realize the maximization of the GMV
"health product(s)"	including OTC drugs, dietary supplements and other products which aim to maintain and improve health
"IT"	information technology

"K/3 system"	a business process management software that allows an organization to use a system of integrated applications to manage the business and automate back-office functions relating to technology, services, and human resources
"KOL"	key opinion leader, a person or organization who has expert product knowledge and influence in a particular field, trusted by relevant interest groups while having significant effects on consumer behavior
"MCN"	multi-channel network, a company or entity that works with multiple channels to offer assistance to a channel owner so as to realize the stable monetization of business
"O2O"	online-to-offline and offline-to-online commerce
"OA system"	office automation system
"OTC drug"	over-the-counter drug, refers to medicines sold directly to consumers without a prescription from a healthcare professional, as opposed to prescription drugs, which may be sold only to consumers possessing a valid prescription
"PaaS"	platform-as-a-service, a complete development and deployment environment in the cloud, with resources that enable users to deliver everything from simple cloud-based apps to sophisticated, cloud-enabled enterprise applications
"paying consumers"	consumers who purchase from stores operated by us; when calculating the number of paying consumers, a consumer who made multiple purchases from stores operated by us on the same e-commerce platform within the same calendar year was counted once
"Pinxiaobao"	Pinxiaobao (品銷寶), a marketing tool to increase traffic to stores, which displays promoted products on the search results page when consumers input their keywords for brands and search for the results
"purchase amount"	refers to the amount of purchases made by buyers before any return of goods or any refunds, excluding any transportation costs

"reverse customization"	a business model in which consumers create value by writing reviews or giving useful ideas for new product development, and businesses realize that value by delivering customized products or services for these unmet demands
"RFM"	Recency – Frequency – Monetary Value, a model developed by Alibaba measuring consumer lifetime value
"Singles Day"	November 11 of a year
"Singles Day Promotion"	an annual online shopping promotion event in China on or around November 11
"SKU"	stock keeping unit, a distinct type of item for sale, such as a product or service, and all attributes associated with the item type that distinguish it from other item types
"square meter"	a unit of area measurement equal to a square measuring one meter on each side
"Taobao Train"	a pay-per-click effect accurate promotion marketing tool for full-time Taobao and Tmall sellers
"Taobaoke"	Taobaoke (淘寶客), a marketing tool paid by sellers for displaying the marketing information to facilitate them to market and transact
"tier 1 cities"	Beijing, Shanghai, Guangzhou and Shenzhen
"tier 2 cities"	all the provincial cities in Mainland China except for tier 1 cities, and some prefecture-level cities namely Tianjin, Chongqing, Xiamen, Wuxi, Suzhou, Ningbo, Tangshan, Dalian, Qingdao, Yantai, Foshan, Dongguan, Quanzhou, Wenzhou
"traffic"	the flow of audience
"618 Promotion"	an annual online shopping promotional event in China on or around June 18

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management, as such they are by their nature subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals;
- the nature of, and potential for, future development of our business;
- various business opportunities that we may pursue;
- changes in competitive conditions and our ability to compete under this conditions;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory qualifications required to operate our business;
- future developments, trends and conditions in the industry and markets in which we operate;
- our future debt levels and capital needs;
- our financial conditions and performance; and
- our dividend.

The words "aim", "anticipate", "believe", "can", "could", "expect", "going forward", "intend", "may", "might", "plan", "project", "seek", "should", "will", "would" and the negative forms of these words with similar expressions, as they relate to us, are intended to identify a number of these forward looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in the section headed "Risk Factors" in this prospectus. One or more of these risks or uncertainties may materialize.

Subject to the requirements of the Listing Rules, our Company does not have any obligation and does not undertake to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Hence, should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our financial condition

may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statement set out in this section.

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

You should carefully read and consider all of the information in this prospectus, including the risks and uncertainties described below, before deciding to make any investment in our Shares. Our business, financial condition or results of operations could be materially adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties. As a result, you may lose part or all 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 "Forward-looking Statements."

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be categorized into: (i) risks related to our business and industry; (ii) risks related to conducting business in the PRC; and (iii) risks related to the Global Offering. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If we fail to predict the evolving market trends and consumer preferences correctly or in a timely manner, we may fail to successfully market and sell the products of our brand partners and our results of operation may be materially and adversely impacted.

We are a leading brand e-commerce retail and wholesale solutions provider in China, strategically focused on Japanese-branded fast-moving consumer goods or FMCG, consisting of, among others, beauty products and personal care products according to the CIC Report. We ranked first among brand e-commerce solutions providers in China in terms of GMV for Japanese-branded FMCG, sold through e-commerce channels in China in 2019, with a market share of 5.5%, according to the CIC Report. We purchase products from selected brand partners, manage domestic and cross-border supply chains, identify and reach target consumers through omnichannel marketing, and sell products to consumers through online marketplace stores operated by us, which we refer to as our business-to-consumer or B2C model, or to e-commerce platforms or other distributors which in turn sell to consumers, which we refer to as our business-to-business or B2B model. In operating our B2C and B2B businesses, we assist our brand partners in developing their e-commerce strategies and offer integrated solutions encompassing various operations in the e-commerce value chain, including brand analysis, online store operations, digital marketing, customer services, and logistics management. As a result, we believe that the success of our business largely relies on our ability to effectively identify, predict and respond to consumers' evolving needs and preferences and the general market trends in the FMCG market in China and our other targeted markets, which could be affected by various factors, including but not limited to:

- the development of the Chinese economy, and the level of individual disposable income in China;

- the market size of the e-commerce market for FMCG in China and consumers' awareness of FMCG;
- evolving preferences of consumers and the market trend for imported consumer products; and
- the development of domestic brands of consumer products and their potential competition with our brand partners.

The landscape of beauty and personal care markets changes rapidly in ways that are often difficult to predict. Consequently, we must stay abreast of emerging consumer preferences, anticipate product trends that will appeal to existing and potential consumers, and take them into account during our product selection and marketing process. This requires a combination of various elements, including, but not limited to, in-depth understanding and accurate analysis of market trends, timely collection of consumer feedback, strong data analytics capability, and connections with a wide variety of brand owners. In addition, we intend to continue to capitalize on market opportunities for introducing new brands to Chinese consumers and diversifying our product portfolio. However, we may not always be able to introduce suitable product offerings to address consumers' demands and preferences and our previous experience may not be adaptable to the new product offerings.

If we are unable to accurately predict or cater to such evolving preferences of consumers or trends, we may fail to continue to retain existing customers and/or further expand our customer base, and our business and results of operations could be materially and adversely affected.

If we fail to retain or maintain stable cooperation with our existing brand partners, especially certain major brand partners from whom we generate a large portion of our revenue, or we are unable to attract new brand partners, our results of operation and prospects might be materially and adversely affected.

It is crucial for our business to retain existing brand partners. Typically, we enter into annual contractual arrangements with our brand partners in relation to our services and solutions. We cannot assure you that these contracts, especially those with major brands which have strong bargaining power in the market, will be renewed on the same or more favorable terms for us or in a timely manner. In addition, our cooperation with certain brand partners may be adversely affected by their adjustment of business or marketing strategies, or product focus, which could result in a decrease in their demand for our services. There is also no guarantee that we could develop any suitable brand partners in the future. We expect to continue to face challenges and intense competition for the business of our brand partners from other Chinese brand e-commerce solutions providers. Our brand partners generally deal with us on a non-exclusive basis, and a certain number of them have started to cooperate with us in recent years. If we fail to predict or respond timely to the current or future demands for brand partners in the changing FMCG market, our existing brand partners, or potential new brand partners, may turn to those of our competitors that might be capable of providing better services at a

lower cost. Moreover, during the Track Record Period, we made procurements through TCI from certain brand partners including Combi, Nichiban, Taisho, Lion and another two Japanese OTC brands. We cannot assure you that we will be able to purchase directly from such brand partners without the assistance provided by TCI. See "Connected Transactions – Non-Exempt Continuing Connected Transactions – Products Procurement Framework Agreement – Reasons for the transactions." Any of these above factors may cause our services to be less attractive to our existing brand partners, and impair our ability to acquire new brand partners, which will harm our reputation, decrease our market share, and result in our loss of certain brand partners.

For our business under the B2B model and B2C model, we purchase products from brand partners on a wholesale basis at a discount for resale. Therefore, our profitability is partially dependent on the terms and conditions of our purchase agreements with brand partners, in particular, the wholesale prices at which we purchase from our brand partners and the range of recommended retail prices to our customers, which are at the discretion of brand partners. If our brand partners decide to increase the wholesale prices offered to us, and if we cannot transfer the price increase to our customers, our profitability would be impaired and we may not be able to compete effectively with our competitors.

We are subject to concentration risks as a material part of our purchase was made from and revenue was generated from sales of products of a limited number of brand partners.

During the Track Record Period, we made a significant amount of purchases from certain of our brand partners, especially Unicharm and Shiseido. In 2018, 2019 and 2020, our purchases from Unicharm accounted for 33.2%, 32.5% and 31.0% of our total purchases, respectively; during the same period, our purchases from Shiseido accounted for 29.2%, 31.3% and 41.1% of our total purchases, respectively. With respect to our revenue generation, our top five brand partners in terms of revenue generation attributable to sales of their respective branded products in 2020 include Unicharm, Shiseido, Kobayashi, Kose and Sunstar. In 2018, 2019 and 2020, we generated 89.1%, 87.3% and 86.5% of our total revenue from the sales of the products of such top five brand partners, respectively. During the year ended December 31, 2020, we generated 39.6%, 34.4%, 5.1% 3.9% and 3.5% of our total revenue from the sales of the products of Unicharm, Shiseido, Kobayashi, Kose and Sunstar, respectively. We have maintained long-term cooperation with such five brand partners and, as of the Latest Practicable Date, our terms of cooperation with them ranged from six years to ten years. See "Business – Our Brand Partners – Established Brand Partners." We are subject to the concentration risk of making most of the purchases from and generating most of our revenue attributable to the sales of products of the top brand partners. Our failure to provide satisfactory services to any of these brand partners may adversely affect our business relationships with them. If any of these key brand partners decides to decrease or terminate their cooperation with us in the future, it may result in a material and adverse effect on our business, financial conditions and results of operations.

According to public information, Shiseido has entered into an agreement with a private equity fund, under which Shiseido agreed to transfer its global personal care business to a joint venture (the "**New Company**") to be established and held by Shiseido with a 35% stake and the private equity fund with a 65% stake. The New Company will obtain Shiseido's global personal care business, including, but not limited to, the business of certain cosmetics brands of Shiseido currently served by us (the "**Personal Care Business**"). See "Business – Our Customers and Suppliers – Our Suppliers".

We cannot predict whether such transaction between Shiseido and the equity fund will be completed successfully, and if such transaction is completed successfully, whether the operations or business strategies of the Personal Care Business will be changed after completion of the aforesaid transaction, and whether any changes brought by the transaction will affect our cooperation with the New Company in respect of the Personal Care Business. There is no guarantee that we will not be replaced as a brand e-commerce retail and wholesale solutions provider to the Personal Care Business of the New Company. We cannot guarantee that the New Company will not reduce its supply to us or terminate its business relationship with us in the future due to any change of its business strategies and needs, which could materially affect the scale of our business and performance of our operation. We cannot assure that we will be able to find substitute brands or adequately diversify our revenue sources in a timely manner or on commercially reasonable terms to mitigate any loss of revenue attributed to our sales of the brands under the Personal Care Business. As such, if there is any adverse development related to the Personal Care Business after completion of the transaction, or any other reasons resulting in the deterioration in, or termination of, our business relationship with the New Company in respect of the Personal Care Business, it may cause a significant adverse effect to our business, financial condition and results of operation. Termination of business relationship with the Personal Care Business may also hurt our reputation in the industry. Even if we manage to identify other reputable brand partners and brands, we would need to invest time and resources to develop the relationship with the new brand partners, including the reallocation of the human resources (such as relocating and training staff to cope with the requirements of new brand partners or be familiar with them) and adapting the systems and procedures to meet the requirements of the new brand partners. If we cannot secure other reputable brand partners, our business performance and financial results will be adversely affected.

If any of our other major brand partners were to substantially reduce the supply and/or the value of their businesses with us or to cease to conduct business with us and we were unable to expand our business with existing brand partners or attract new brand partners at desired levels, we may experience slower or no growth at all or decrease in our revenue, and our business, financial condition and results of operations would be materially and adversely affected. In light of the aforesaid, the mix and identity of our largest brand partners may vary from year to year. If we fail to adjust our business strategies accordingly if needed, our performance will be adversely affected.

If the e-commerce market in China does not grow, or grows slower than we expect, demand for our services could be adversely affected.

The sustainable growth of our business and revenue in the future is dependent on the development of the e-commerce market in China in the future. Despite the rapid development of the e-commerce industry in China and the increase in the number of people adapted to online shopping in recent years, there is no guarantee that the e-commerce market will continue to grow at the same pace as we expect in the future. The long-term development and prospects of the e-commerce business in China are affected by numerous factors, which may be beyond our control. These factors include, but are not limited to:

- the growth of penetration rates of internet access and personal computer and mobile devices in China;
- the changes in the demographics of consumers in China;
- the general quality of products and services offered in e-commerce business and the trust and confidence level of Chinese consumers in e-commerce platforms and online stores;
- the change of the competitive landscape of the e-commerce industry in China;
- user experience of shopping online compared to shopping offline;
- the development of fulfillment, payment and other supplemental services associated with online business transactions;
- the development of social media and other social networking applications; and
- the regulatory environment of the e-commerce industry in China.

As a result, if the e-commerce market in China does not develop as we expect, our business, results of operation and financial conditions might be materially and adversely affected.

Historically, we focused on Japanese-branded FMCG. Anything that may affect Chinese consumers' preference for Japanese products may have a material and adverse impact on our business.

As of the Latest Practicable Date, we provided brand e-commerce solutions to 28 brand partners with 66 brands, among which 58 brands were from Japan. We strategically focus on Japanese-branded FMCG because we believe Japanese brands are widely recognized by consumers in China and their products are considered to be of high quality and good value, and seen as reliable and trustworthy. Our future success will continue to depend on the success of our Japanese brand partners and their products. However, the market trend in the FMCG

industry, in particular beauty and personal care products, shifts rapidly and we cannot assure you that Chinese consumers will continue to have strong interest and confidence in Japanese FMCG brands. The political relationship between Chinese and Japanese governments could also affect the images of Japanese brands in the Chinese market and may lead to boycotts of Japanese-branded products among Chinese people. If Japanese FMCG brands cease to be attractive to Chinese consumers, or the reputation or popularity of the Japanese brands we collaborate with is harmed for any of the above reasons, the sales of the brands we offer will decrease, and our business operations and profitability could be materially and adversely affected.

If e-commerce platforms decide to offer e-commerce services in the future, our services might be less attractive to our brand partners and our business and results of operation will be materially and adversely affected.

We primarily generate our revenue from selling the products to consumers through online marketplace stores operated by us on e-commerce platforms under the B2C model, or to e-commerce platforms under the B2B model and provide brand e-commerce solutions to our brand partners during the process. Being the bridge between brand partners, e-commerce platforms and consumers, we believe that our stable cooperation with e-commerce platforms will play an important role in our sustainable development in the future.

Compared with us, e-commerce platforms may have some advantages in providing brand-commerce solutions, including without limitation, better traffic resource, broader brand recognition, advanced information technology infrastructure, deeper industry insights, greater financial, technical and marketing resources. If E-commerce platforms decide to provide brand e-commerce solutions to brand partners directly, companies like us may be less competitive. E-commerce platforms may be able to devote greater resources to marketing and promotional campaigns on their own platforms, adopt aggressive pricing or inventory policies and devote substantially more resources to develop their relationship with brand partners. In addition, if e-commerce platforms provide brand e-commerce solutions to brand partners directly, our cooperation with e-commerce platforms may be negatively impacted. The e-commerce platforms may no longer offer us as favorable terms as we currently enjoy and may choose not to collaborate with us, or deny our access to their platforms. We cannot assure you that we will be able to effectively maintain our relationship with the e-commerce platforms to avoid the occurrence of the foregoing.

If any of the e-commerce platforms provide e-commerce services going forward, our services may become less appealing to our brand partners and companies like us may be replaced by such e-commerce platforms. As a result, we may experience slower growth in the future or decrease in our revenue, and our business, financial condition and results of operations would be materially and adversely affected.

We may face challenges in expanding our cross-border e-commerce businesses and operations.

We launched our cross-border e-commerce solutions in 2015, and according to the CIC Report, we were among the first to commence a cross-border import brand e-commerce service business shortly after Tmall Global was established. UNQ Japan and UNQ HK, our wholly-owned subsidiaries, began to provide fully integrated cross-border brand e-commerce solutions from 2014 and 2015, respectively. During the Track Record Period, the increase in the sales of products sourced through cross-border e-commerce contributed substantially to the growth of our revenue. In 2018, 2019 and 2020, our revenues derived from sales of products through cross-border e-commerce were RMB874.6 million, RMB1,118.6 million and RMB1,192.3 million, accounting for 34.4%, 40.1% and 42.7% of our total revenue, respectively; and our revenues derived from sales of products and provision of services through general trade were RMB1,666.4 million, RMB1,663.1 million and RMB1,605.5 million, accounting for 65.6%, 59.9% and 57.2% of our total revenue, respectively. However, we cannot assure you that we will continue to achieve growth in the transaction volume through cross-border e-commerce at a similar pace in the future. In addition, we are subject to certain laws and regulations with respect to the operations of UNQ Japan and UNQ HK. See "Regulatory Overview – Japan Laws and Regulations" and "Regulatory Overview – Hong Kong Laws and Regulations" for more information. We may incur extra costs to ensure our compliance with laws and regulations in Hong Kong and Japan and the failure to comply with any of those laws and regulations may lead to penalties, suspensions or other measures from local authorities, which may disrupt our business in those jurisdictions.

We have been expanding, and will continue to expand, our business internationally, which may cause our business to be susceptible to a whole range of international business risks and challenges.

International operations are subject to inherent risks and challenges that could adversely affect our business, including, but not limited to:

- the evolving demands and preference of Chinese consumers for products produced and sold in their countries of origin;

- the regulatory environment of cross-border e-commerce business in China and overseas;

- challenges in replicating or adapting our company policies and procedures to operating environments different from that of China, including technology and logistics infrastructure;

- cost structures and cultural and language factors associated with managing and coordinating our international operations;

- challenges of maintaining efficient and consolidated internal systems, including information technology infrastructure, and of achieving customization and integration of these systems with the other parts of our digital economy;

- the need for increased resources and cost to manage compliance with a wide range of regulatory requirements, laws and tax policies of foreign jurisdictions across our international operations;

- the ability to attract and retain capable talent with international perspectives who can effectively manage and operate local businesses;

- heightened restrictions and barriers on the transfer of data between different jurisdictions;

- differing, complex and potentially adverse customs, import/export laws, tax rules and regulations or other trade barriers or restrictions which may be applicable to transactions conducted through our international and cross-border platforms, related compliance obligations and consequences of non-compliance, and any new developments in these areas;

- availability, reliability and security of international and cross-border payment systems and logistics infrastructure;

- exchange rate fluctuations; and

- changes in the geopolitical landscape, particularly the international relationship between China and Japan, political instability and general economic or political conditions in particular countries or regions, including territorial or trade disputes, war and terrorism.

The constantly changing dynamics of the international markets and any failure to manage these risks and challenges could negatively affect our ability to expand our international and cross-border businesses and operations as well as materially and adversely affect our business, financial conditions and results of operations.

Failure in identifying and incubating new brands may have an adverse effect on our business and results of operations.

Leveraging our expertise in the e-commerce service industry and understanding of the FMCG retail market, we are able to identify quality products of new brands to fulfill the evolving needs of consumers in China. Our strong execution capability and rich supply chain management experience enable us to identify top-selling products and successfully incubate these new brands and their products. During the Track Record Period, we have entered into cooperation with some new overseas brands, which we believe has formed an important part of our brand portfolio. However, there is no guarantee that we will be able to continue to

successfully identify new brands and products for consumers in China, or formulate and implement effective incubation strategies. We also cannot guarantee that the sales of new brands could grow at our expected pace. Any of those above failures may materially and adversely affect our prospects, business and results of operations.

We rely on e-commerce platforms to conduct our business. If we fail to maintain our relationships with such major e-commerce platforms, or if e-commerce platforms otherwise curtail or inhibit our ability to provide e-commerce retail and wholesale solutions with their platforms, our solutions would be less appealing to existing and potential brand partners.

We generate a substantial majority of our revenues from selling the products of our brand partners directly to consumers through online stores on e-commerce platforms, especially Principal E-commerce Platforms, under the B2C model and to such e-commerce platforms under the B2B model. The stores we operated on Principal E-commerce Platforms generated 99.6%, 98.8% and 98.5% of our B2C revenue in 2018, 2019 and 2020, respectively, and Principal E-commerce Platforms contributed to 71.8%, 80.7% and 78.8% of our B2B revenue in 2018, 2019 and 2020, respectively. If our relationship with any of those Principal E-commerce Platforms deteriorates in the future, these platforms may decline to cooperate with us, or significantly curtail or inhibit our ability to provide e-commerce retail and wholesale solutions on their e-commerce platforms, or reduce their purchases from us. Under the B2B model, if certain e-commerce platforms with strong bargaining power ask us for lower purchase prices, for which we may not be able to obtain the same discounts or reimbursements from our brand partners, our profitability could be adversely affected. In addition, given the fierce competition among several Chinese e-commerce platforms, some platforms may require our exclusive cooperation with them in the sales of certain products as a precondition for using their platforms, which would restrict our capacity to reach consumers through multiple platforms.

We were a Tmall Global five-star service provider in 2018 and 2019 and a Tmall Global purple-star service provider from July to December 2020, a Tmall five-star service provider in 2018, 2019 and 2020, and a Tmall Global Ecosystem-Partnership five-star service provider from January to March 2020. These enable us to enjoy benefits from Tmall, such as increased exposure of our products, professional training sessions and premium service support. However, there is no guarantee that we will continue to obtain such recognition in the future, without which, our sales on Tmall could be adversely affected and, as a result, our solutions may be less appealing to brand partners.

We also need to comply with various rules made by those major e-commerce platforms for online store operators using their platforms, the failure of which may result in punitive measures on us. Moreover, these platforms may decide to make significant changes to their respective business models, policies, systems or plans, and those changes could increase our difficulties of complying with their rules and impair or inhibit our brand partners' ability to use our solutions to sell their products on those channels, or may adversely affect GMV that our brand partners can sell on those channels or reduce the desirability of selling on those channels.

In addition, if these e-commerce platforms are not successful in attracting consumers or in competing effectively with innovative or alternative sales channels, or if certain e-commerce platforms fail to retain sufficient traffic in the competitive e-commerce market, or their reputations are adversely affected, for whatever reasons, there would be an adverse impact on our GMVs and revenue, and our brand partners may cease to sell their products to, or on, these platforms for any of those reasons above, resulting in a decrease in the demands for our services.

If we fail to manage our inventories effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

Our business under B2B and B2C models requires us to maintain a certain level of inventory and to manage it effectively to ensure timely deliveries upon receiving orders from consumers. As of December 31, 2018, 2019 and 2020, our inventories were RMB412.1 million, RMB400.3 million and RMB659.4 million, respectively. We decide the procurement amount of product from suppliers, and the level of inventory, in accordance with the demand forecasts made in reference to our sales statistics in the past.

Demand forecasts, however, are inherently uncertain due to a number of factors, such as seasonality, launch of new products, pricing, changes in consumer spending patterns and evolving preferences and tastes of consumers, each of which may affect the accuracy of any forecast. When we begin selling a new product, it may be difficult to predict the demand in the market due to lack of experience. We normally do not have the right to return unsold quality products to our brand partners, other than within a permitted range of rate of return, or in a limited range of circumstances as set out in our supply agreements. In addition, with respect to our business under the B2B model, e-commerce platforms are typically allowed to return products purchased from us, without a cap on the return amount and a limitation to a period of return, usually triggered by the circumstance of high inventory stocks not resolved in a timely manner, which would increase the difficulties in our inventory management.

If we, or our third-party warehousing service providers, fail to manage our increasing inventory effectively, we may experience a decline in inventory values and significant inventory write-downs or write-offs due to short product shelf life and poor inventory management. We have recorded inventory impairment expenses in the amount of RMB21.7 million, RMB22.1 million and RMB31.8 million in 2018, 2019 and 2020, respectively.

In light of the above, we may be exposed to increased inventory risks due to accumulated excess inventory. Prolonged periods of excess inventory may lead to pressures on our warehousing system and fulfillment capabilities, increases in inventory holding costs, and the risk of inventory obsolescence. Moreover, we may choose to lower sale prices of products with a short shelf-life, which may lead to lower gross margins. Conversely, if we underestimate demand for our products, or if our brand partners fail to supply quality products in a timely manner, we may experience inventory shortages, which might result in decline in revenues, diminished consumer satisfaction and shrinking market share, which could harm our business and reputation.

We have incurred losses and had a net liability position in the past. We may continue to incur losses and may not be able to declare or pay dividends in the future.

We had losses of RMB85.7 million in 2019, mainly due to the impacts of fair value changes of the shares, together with certain special rights attached thereto, held by TCI during the Track Record Period, and dividends on such shares. Those shares, together with special rights held by TCI, are regarded as preferred shares. For more details of such preferred shares, see "History, Reorganization and Corporate Structure – UNQ Supply Chain – TCI Investments" and "Financial Information – Overview". While we generated a net profit in 2018 and 2020, we cannot assure you that we will be able to generate profits in the future.

As of December 31, 2019, we recorded total deficits of RMB346.1 million and an accumulated loss of RMB220.7 million, primarily because we recorded the Preferred Shares as non-current liabilities. As all special rights attached to the Preferred Shares had been terminated prior to December 31, 2020, the liabilities of the Preferred Shares were derecognized and transferred to equity. As a result, the total deficit has been changed to be a positive position as of December 31, 2020. See "Financial Information – Overview" for details. However, we may still retain accumulated losses due to the fair value loss of preferred shares prior to December 31, 2020. Such accumulated losses may adversely affect our overall ability to declare and pay dividends after the Listing by reducing our sources for potential dividend declaration and payment.

We are subject to the risks related to the changing regulatory environment of e-commerce business for health products.

While we focus on beauty and personal care products, we have expanded into other high-growth categories, such as Japanese health products, in particular OTC drugs, in recent years. We have assisted four Japanese health product brand partners in establishing their e-commerce presence in China during the Track Record Period, and in March 2019 we opened the Taisho flagship store on Tmall Global, which was the first cross-border import OTC drug online retail store on Tmall Global that specifically sells OTC drugs, according to the CIC Report. We have built up a professional pharmacist and customer service team, and accumulated abundant operation experiences for the sale of Japanese health products. We plan to further expand our brand and product offerings in this area. However, due to the inherent risk with health products, in particular pharmaceutical products, there is no guarantee that the regulatory authorities will not promulgate stricter rules and regulations on sales of health products, especially OTC drugs, on e-commerce platforms, which may require us to obtain additional approvals or permits to procure and sell those products or comply with extra requirements. Any failure to comply with the new rules and regulations, or incurrence of material compliance costs, may adversely affect the development of our health product business and our results of operations.

Any material decrease in the rebates from our brand partners may have an adverse impact on our financial condition.

In operating our businesses under B2B and B2C models, we primarily procure products from our brand partners directly. In line with the industry practice, our brand partners normally agree to offer us rebates as procurement, promotion and/or marketing incentives for us. As of December 31, 2018, 2019 and 2020, our rebate receivables amounted to RMB134.4 million, RMB62.5 million and RMB127.8 million. The amounts of rebates are closely connected to the rebate policies and budgets of our brand partners and there can be no assurance we will receive rebates from our brand partners at the same level in the future, or at all. If our brand partners amend their rebate policies, significantly reduce their budgets for rebates, change the settlement frequencies of rebates or otherwise greatly decrease the rebates available to us, our profitability, results of operations and financial conditions will be materially and adversely affected.

We may not be able to manage new challenges and risks associated with our expansion into new product categories and cooperation with brand partners in new geographical areas.

During the Track Record Period, we primarily served Japanese brand partners in the FMCG categories. In the future, we plan to provide solutions to brand partners in other product categories. In addition, we also intend to explore business opportunities with, and apply our successful experience to, potential brand partners in Europe, the U.S. and Southeast Asia that focus on the beauty and personal care product areas, particularly those with enhanced needs for highly visible marketing campaigns and e-commerce strategies in China. We will continue to expand our fulfillment capabilities, mainly through expanding our access to warehouses, both in China and overseas markets. However, expansion into new geographical areas and new product categories comes with new risks, including, but not limited to, the lack of experiences and expertise in operating new products and/or in new geographical areas, compliance with new rules and regulations of new jurisdictions, obtaining necessary approvals and certificates for operating new categories of products and recruiting qualified staff in adequate number for the new markets and businesses. If we cannot successfully address new challenges and compete effectively, we may not be able to recover costs of our investments to achieve ultimate profitability, and our future results of operations and growth prospects may be materially and adversely affected. In addition, our expansion plans may cause more uncertainties over predicting our future results of operations than there might otherwise have existed. Therefore, our past results of operations are not and should not be taken as indicative of our future performance.

If we fail to provide products and/or services of satisfactory quality to consumers, our business and reputation would be materially and adversely affected.

We believe that consumers' shopping experiences with us are critical to the development and prospects of our business. Products of unsatisfactory quality, or defective products, may undermine the trust and confidence of our consumers in us. In addition, if our supply chain cannot ensure efficient and reliable logistics arrangements for our consumers, consumers might gradually turn to other online stores. Last, but not least, if our customer service team is not able to address consumers' requests in a timely manner, or at all, consumers may file complaints against us on e-commerce platforms, or even post negative comments online about us. Any of those above could harm our reputation among consumers and cause a decrease in the sales of the products we offer. We may lose existing brand partners and fail to attract new brand partners in the future, which could have a material and adverse effect on our business, financial conditions and results of operations.

The industry in which our business operates is highly competitive. If we fail to compete effectively with current and future competitors, our business will suffer.

The Japanese FMCG brand e-commerce service market in China is highly competitive. The top-five service providers in which China's market collectively held a market share of approximately 20% of the market in terms of GMV in 2019, according to the CIC report. We face intense competition in the areas in which we operate, and we expect competition to continue to intensify in the future. We face competition in a number of areas. To attract, engage and retain consumers, we compete with our competitors in areas such as the variety, value and personalization of the products and services we offer, and overall user experience and convenience; to attract and retain brand partners, we compete with our competitors in areas such as the knowledge and understanding of the industry, scale of operation and the capability of engaging consumers, the sales and growth solutions offered to brand partners derived from our consumer and industry analysis, and the efficiency of our logistics infrastructure in facilitating the delivery of our brand partners' products to consumers. We also compete for experienced and effective talent and personnel, who serve critical functions in the development of our solutions and our ecosystem. Our ability to compete effectively depends on a number of factors, some of which may be beyond our control, including offline competitors with a broader product range, and e-commerce platforms deciding to enter into the brand e-commerce service industry in China, which may result in increased competition.

Some of our current or future competitors may have, or may develop, greater brand recognition, better supplier relationships, larger consumer bases or greater financial, technical or marketing resources than us. Any smaller companies or potential new entrants may be acquired by, receive investment from or enter into strategic relationships with well-established and well-financed companies or investors which may enhance their competitive positions. Some of our competitors may be able to secure more favorable terms from brand partners, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies and devote substantially more resources to their technology and infrastructure systems than us. We cannot guarantee that we will be able to compete successfully against any current or future competitors, and competitive pressures may mean

that we incur more operation expenses, which may distract our management team in carrying out existing plans. If we are not able to compete effectively, we may lose market share and face a decrease in sales, which could materially and adversely affect our business, financial condition and results of operations, as well as our reputation.

We may not be able to conduct our marketing activities effectively, properly, or at reasonable costs.

During the Track Record Period, we entered into marketing and promotional arrangements with e-commerce platforms to increase the exposure of the products on stores operated by us. We also carry out various online marketing activities on social media platforms to develop consumer interest in brands, we operate, enhance recognition and loyalty of these brands and ultimately increase sales of products in our online stores. We expect to rely on these arrangements as significant sources of traffic to our online stores, and to enhance the value of our services to attract new brand partners. However, our brand promotion and marketing activities may not be well received and may not result in the levels of sales that we anticipate. In addition, China's online retail market has experienced rapid growth over the past years which has attracted a number of domestic and cross-border e-commerce operation solutions providers. Increasing competition for online traffic may drive up our marketing and promotional expenses since marketing approaches and tools in the beauty and personal care product market in China are continually evolving, which may further require us to experiment with new marketing methods to keep pace with industry developments. We may incur incremental costs to apply innovative marketing and promoting methods, such as live streaming media and KOL endorsements, to capture online traffic, which could have an adverse effect on our overall profitability if such marketing efforts were not as effective as expected. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner, may materially and adversely affect our financial condition and results of operations.

Our business and results of operations are subject to the risks related to third-party warehousing and logistics service providers.

The smooth operation of our supply chain relies on the services provided by third-party warehousing and logistics service providers. We have gained access to a robust logistics network in mainland China, Hong Kong and Japan, and built strong warehousing capacity through cooperation with established warehousing and logistics service providers. Any major interruptions to, or failures in, the services of these service providers could have material and adverse effect on our daily inventory management, turnover rate of inventories, fulfillment of orders and timely or successful delivery of products. These interruptions may be due to the causes of such third-party services providers or unforeseen events that are beyond our control, or the control of these third-party service providers, such as inclement weather, natural disasters, transportation interruptions or labor unrest or shortage. With respect to the damages caused by the acts of third-party service providers, while we may claim compensation for our losses under our agreements with them, such claims are subject to lengthy and complicated legal proceedings and we cannot provide assurance that any compensation payments would

make up for lost consumer goodwill. Failure to provide reliable logistics services may also adversely impact consumer confidence in our services, harm our reputation, reduce repeat orders and damage our trust relationship with brand partners.

During the Track Record Period, we relied on a limited number of third-party service providers, such as Cainiao Network and Hitachi Transport System (China), Ltd., to provide us logistics and warehousing services. Due to our extensive cooperation with such major warehousing and logistic partners, it would be difficult for us to replace any of them and rebuild our logistics networks, which would be expensive and time-consuming. If we fail to find other reliable third-party logistics service providers at commercially acceptable terms in a timely method, our business operations would be interrupted, and profitability may be harmed. Furthermore, any significant increase in service fees charged by these third parties may result in significant increase in our operating expenses, which may erode our profit margin.

Competition from offline sales channels may adversely affect our business and results of operations.

We act as the bridge between brand partners, e-commerce platforms and consumers in China and mainly operate our business through e-commerce platforms. While we believe that the e-commerce sales channels offer our consumers a rich and pleasant shopping experience, we cannot assure you that consumer behaviour and preferences will not change over time to favor shopping from offline sales channels. In addition, offline marketplaces may be able to provide broader product offerings, more engaging shopping experiences, more effective communications and better after-sales services than online sales channels, which may drive consumer traffic away from our online e-commerce sales channels. Furthermore, as PRC laws and regulations concerning the e-commerce industry are developing and rapidly evolving, we may incur additional compliance costs, which may further restrict our ability to compete with the offline competitors effectively. If there is a shift from online to offline shopping among our consumers, we may face a decrease in sales of our online stores which could adversely affect our business and results of operations.

If any of our brand partners decide to develop their in-house e-commerce operating capability as an alternative to our solutions, to cooperate with e-commerce platforms directly, or to replace us with other brand e-commerce solutions providers, demand for our solutions could be adversely affected, and our business could be materially and adversely affected.

We provide brand e-commerce services to our brand partners to help address the complexities and difficulties they may face in the e-commerce market in China. If the level of such complexities and difficulties declines as a result of changes in the e-commerce landscape or our brand partners' increasing familiarity with the Chinese e-commerce market over the time or otherwise, or if our services are not deemed cost-effective by our customers, our brand partners may decide to establish their in-house capabilities to operate their brands in Chinese e-commerce market. If our solutions and services become replaceable with the in-house e-commerce operation team of our brand partners, we may lose our customers, and our business and results of operations will be adversely affected. In addition, if our brand partners become more familiar with the Chinese e-commerce market and Chinese consumers' preference, our

services may be less appealing to them and they may choose to cooperate with e-commerce platforms for sales of their products without engaging us. As our brand partners become more familiar with the Chinese e-commerce market, they may become less dependent on our services and may replace us with other brand e-commerce solutions providers. As a result, the demand for our services, our results of operations and financial conditions might be adversely and materially affected.

Our business depends on a number of key employees, including our executive officers and other employees with key skills and knowledge. If we fail to hire, retain, or motivate our key employees, our business and operating results may be materially and adversely affected.

Our future success is significantly dependent upon the continued service of our key executives and other key employees, especially each member of our senior management team, namely, Mr. Wang Yong, Mr. Shen Yu, Mr. Lai Juncheng and Ms. Chen Weiwei, our executive Director and general manager of overseas business department, namely, Matsumoto Ryoji, general manager of business department, namely, Mr. Zhang Kaixuan, director of our finance department, namely, Mr. Yu Kefei and general manager of mother and infant product business department, namely, Mubuchi Yoshiharu. If we lose the services of any member of our management team, or such key personnel, we may not be able to locate suitable or qualified replacements in a timely manner, and may incur additional expenses to recruit and train new staff, which could result in disruption of our business and inefficiency in execution of development strategies.

Competition for talent in the e-commerce industry in China is intense, and the availability of suitable and qualified candidates in China is limited, particularly technical, marketing, fulfillment, customer service and other operational personnel with adequate experience in the e-commerce industry. Labor costs in China have increased with China's economic development, particularly in the large cities where our principal offices are located. The increasing labor costs may erode some of our competitive advantages and may reduce our profit margin. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. Even if we were to offer higher compensation and other benefits, there is no assurance that these individuals will choose to join, or continue to work for, us. Any failure to attract or retain key management and personnel could severely disrupt our business and growth. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth in a timely manner, or at all, and rapid expansion may impair our ability to maintain our corporate culture.

We may be subject to liabilities for selling defective or unqualified products on our online stores, and our business and reputation could be materially and adversely affected.

We represent reputable brands, and we primarily source goods from our brand partners directly. However, their measures of safeguarding against defective or unqualified products sold through e-commerce platforms may not be adequate. In addition, we engage third-party warehousing and logistics service providers to conduct product fulfillment, and we may not be able to detect and prevent all potential instances of misconduct or negligence committed by them or by our employees involved in the fulfillment process.

While we have not encountered any material quality issues with respect to the products sold through online stores that we operate, we cannot ensure that our quality control mechanism is able to identify all defective or unqualified products, which may pose safety risks to consumers. If any product that we distribute were to cause personal injury or injury to property, the injured party or parties could file a claim against us. We could also be subject to claims that consumers were harmed due to their reliance on our promotion of third-party-branded products. If a successful claim were brought against us, it could adversely affect our business. We may have the right under contracts or applicable laws, rules and regulations to recover from the relevant brand partners or manufacturers compensation that we are required to make to consumers in connection with a product liability, personal injury or a similar claim, if such relevant party is found responsible. However, there can be no assurance that we will be able to recover all or any amounts from these parties. Any product liability claim, regardless of its merit or success, could have a negative impact on our reputation, and result in the expenditures and diversion of management's attention.

Our success is tied to the success of our existing and future brand partners in China to which we provide brand e-commerce services.

As a brand e-commerce retail and wholesale solutions provider in China, our business is more or less affected by the performance of our brand partners to which we provide services. The continuing development of our brand companies depends on a variety of factors which are out of our control, such as the loss of popularity of their products in China, internal management issues and financial difficulties. Any of those factors above could adversely reduce the market shares and sales of our brand partners, which would have an adverse influence on our business under either B2B or B2C model. In addition, loss of market shares and shrinking scales of operations of our brand partners in China may also impair their desirability for carrying out large-scale marketing and promotional activities in China, which in turn would materially and adversely affect our business and financial conditions in the future.

Our endeavors to develop our proprietary brands may not be successful.

While our main business remains providing brand e-commerce solutions to our brand partners, we have made efforts to develop our proprietary brands with small-scale investments, which we believe can create strong synergies with our business of providing brand e-commerce solutions in various aspects, including investment in hiring marketing talents, conducting market analysis and capabilities in incubating new brands, and can benefit our development in the long run. Our HADANE brand, which was launched in June 2020, is a newly established brand specially designed for the female market for beauty and personal care products. As we have not previously had any experience in developing a cosmetic brand, there can be no assurance that our HADANE brand will grow as our Directors expect. Development of proprietary brands may require substantial time and resources and profitability targets may not be achieved. We may face inherent risks and uncertainties such as misjudgment of levels of demand and/or the prices to be charged for products under our proprietary brands. We may also lack enough experience in the management of products under our proprietary brands as they

may face different market challenges, such as those relating to manufacturing, marketing and sales. We believe the success of our proprietary brands depends on our ability to anticipate, identify and interpret the habits of, tastes of and trends among our targeted customers and to offer our products that are adjusted to their preferences. We cannot assure you that we possess, or may acquire, enough capabilities in the design and development of our proprietary brands. There is no assurance that products to be launched under our proprietary brands will become popular in the market. We may not be able to attract enough demand for our HADANE products. If our HADANE products fail to effectively meet the market demand and thus fail to generate our target growth in profit in a timely manner, our Directors' expectation that the sales of products from our HADANE brand will reach break-even point and/or investment payback point in 2022 may not be realized.

We may need to raise additional capital to fund our business, but may not be able to obtain it on acceptable terms, or at all.

The scale of our business and our business model require us to maintain a significant amount of working capital to fund our cost of purchase and operating expenses. Our liquidity position is also affected by the turnover rates of inventories and accounts receivables. During the Track Record Period, the turnover days of our inventories increased from 67.1 days in 2018 to 75.8 days in 2019 and further to 102.3 days in 2020 as the share of revenue from sale of products under the B2C model, especially those procured through cross-border e-commerce increases which typically have longer inventory turnover days due to longer shipment process and complex custom clearance. Our turnover rates of trade receivables are largely affected by our ability to collect payments from our customers under the B2B model. In addition, if our suppliers decide to shorten the credit periods granted to us, we may be required to settle payments with our suppliers more frequently than before, which may adversely affect our liquidity position. During the Track Record Period, we had funded our working capital primarily from borrowings and equity contributions from our shareholders. To maintain a healthy level of liquidity, we may seek to obtain additional credit facilities from banks, or issue debt securities.

Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial conditions, results of operations, cash flows, share price performance, liquidity of international capital and lending markets, and the PRC governmental regulations on foreign investment and the health and wellness industry. Any debt financing, if available, may involve restrictive covenants, and could restrict our operational flexibility and reduce our profitability. In addition, incurring indebtedness would subject us to increased debt service obligations. If we are not able to obtain adequate additional capital in a timely manner or on terms acceptable to us, our liquidity might be adversely restricted, and we may not have sufficient cash flow to procure products from our brand partners and/or meet our repayment obligations under existing debts. As a result, our business and financial condition would be materially and adversely affected.

Our negative net cash flows from our operating activities may expose us to certain liquidity risks and may constrain our operational flexibility as well as adversely affect our financial condition.

In 2018 and 2020, the net cash we used in operating activities was RMB55.9 million and RMB368.4 million, respectively. While we generated net cash from operating activities in 2019, we cannot assure you that we will be able to continue to do so in the future or the amounts of cash used in operating activities may not increase due to the expansion of our business, and the corresponding increases in the level of inventories and in trade and other receivables. See "– If we fail to manage our inventories effectively, our results of operations, financial condition and liquidity may be materially and adversely affected." If we record net operating cash outflows in the future, our working capital may be constrained which may adversely affect our financial condition. Our future liquidity, payment of trade payables, and bank and other borrowings primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. If we are unable to maintain our sources of funding in a timely manner and on reasonable terms, or at all, we may face liquidity issues and our business, financial condition and results of operations may be materially and adversely affected.

We have limited control over the operations of our downstream distributors and we may be subject to risks relating to the acts of our distributors.

Our agreements with brand partners set out our rights and obligations in dealing with their products, such as the types of products we are allowed to sell, the range of recommended retail price for each type of product, and the permitted e-commerce platforms on which we are allowed to sell such products. We need to abide by our agreements with brand partners in operating our business under both B2C and B2B models. To ensure our distributors under the B2B model comply with the policies of our brand partners as we do, we typically require our downstream distributors to carry out their business by following policies in respect of the designated sales channels, marketing activities, recommended retail price and customer service that are pre-determined by our brand partners. However, given that we cannot control the acts of third-party distributors, there is no guarantee that our downstream retailers will carry out their business in full compliance with both our and our brand partners' policies and standards. Any of such unauthorized activities by our distributors may subject us to a breach of contract liability. For example, our downstream distributors may use unauthorized discounts to liquidate excessive inventories, which may damage the image and the value of the products and brands we offer. In the event of such circumstances, our reputation and relationship with brand partners may be harmed, which in turn could adversely affect our business, results of operations and financial condition. The remedies available to us upon a breach by our downstream retailers under the relevant distribution agreements may not be sufficient to cover all losses we may incur. Furthermore, our downstream retailers' operation of stores or other sales channels must comply with the relevant PRC laws and regulations. If any of our downstream retailers is required to suspend or cease its operations as a result of non-compliance with the relevant PRC laws and regulations, our results of operations, market share, geographical coverage and brand image may be adversely affected.

We may be subject to penalties levied by the PRC government for loans to related parties/a third party during the Track Record Period.

During the Track Record Period, we made private loans to certain related parties or a third party. According to the General Lending Provisions (《貸款通則》), only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender equivalent to one to five times of the illegal income generated from loan advancing activities. See "Financial Information – Current Assets and Liabilities – Trade and Other Receivables – Other Receivables" for more information. As of the Latest Practicable Date, we had not received any PBOC's decision of administrative fine relating to the private loans advanced by us. However, we cannot assure you that we will not be subject to any fines set by the competent authority.

We may be subject to risks related to our trade and other receivables.

We generally grant a credit period of up to 90 days to our customers under the B2B model, and under provision of services to our clients. As of December 31, 2018, 2019 and 2020, our trade and other receivables amounted to RMB408.0 million, RMB365.4 million and RMB527.0 million, respectively, which include, among others, accounts receivables from Shanghai Xuyi amounted to RMB0.1 million, RMB17.0 million and RMB51.0 million, and loans made to Shanghai Xuyi of RMB9.0 million, RMB63.2 million and RMB63.2 million. We cannot assure you that our customers or related parties could make payments to us in a timely manner. Prolonged process of payment of such entities may cause an adverse effect on our liquidity position and working capital efficiency, which may in turn increase our finance costs and adversely affect our business operation and financial performance.

Our trade receivables turnover days were 29.9 days, 29.9 days and 29.6 days for 2018, 2019 and 2020, respectively. While the turnover days of trade receivables remained relatively stable in 2018, 2019 and 2020, as we plan to continue expanding the scale of our business, we cannot guarantee that they will not increase in the future, which will make it more challenging for us to manage our working capital effectively, and our results of operations, financial condition and liquidity may be materially and adversely affected.

In addition, our brand partners also grant us rebates as procurement, promotion and/or marketing incentives. As of December 31, 2018, 2019 and 2020, our rebate receivables amounted to RMB134.4 million, RMB62.5 million and RMB127.8 million, respectively. We cannot assure you that we will be able to collect all rebates receivables in a timely manner in the future. If we fail to collect a substantial portion of our rebates receivables or we cannot collect them timely, our results of operations and financial condition would be materially and adversely affected.

Our liquidity position and financial conditions may be subject to risks related to the recoverability of value-added tax recoverable and consumption tax refund.

As of December 31, 2018, 2019 and 2020, we recorded VAT recoverable in the amounts of RMB98.6 million, RMB89.9 million and RMB101.5 million, respectively. As of December 31, 2018, 2019 and 2020, we recorded consumption tax refund in the amounts of RMB4.9 million, RMB43.4 million and RMB62.0 million, respectively, which refer to receivable balances of Japan Consumption Tax refund entitled to but not yet received by us. See "Financial Information – Current Assets and Liabilities – Other Current Assets" for more information. The utilization of our VAT recoverable and the recoverability of Japanese Consumption Tax refund may affect our liquidity position, working capital efficiency and financial conditions. We cannot guarantee you that we could receive VAT recoverable amounts and Japan Consumption Tax refund in a timely manner as expected as our application for such tax returns involve review procedures of tax authorities, which is beyond the control of us, which may adversely affect our liquidity position, financing plans and financial conditions.

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

We are required to make judgments, estimates and assumptions about the carrying amounts of our deferred tax assets. As of December 31, 2018, 2019 and 2020, we had deferred tax assets of RMB5.2 million, RMB10.1 million and RMB25.8 million, respectively. For details of the movements of our deferred tax assets during the Track Record Period, please refer to Note 29 of the Accountant's Report set out in Appendix I to this prospectus. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and tax losses. This requires significant judgment on the tax treatments of certain transactions and also an assessment on the probability, timing and adequacy of future taxable profits available for the deferred tax to be recovered. The estimates and associated assumptions are based on historical experience and other relevant factors. As a result, actual results may differ from these accounting estimates. The realization of deferred income tax assets depends primarily on our estimate of whether sufficient future profits will be available. If sufficient future taxable profits are not expected to be generated or if taxable profits are lower than expected, we may fail to recover our deferred tax assets, which may have a material adverse effect on our financial condition in the future.

The outbreak of COVID-19 may adversely affect our business, financial condition, results of operations and prospects.

Since early 2020, a growing number of countries and regions around the world have encountered an outbreak of the COVID-19, a contagious disease known to cause respiratory illness. In January 2020, the PRC government announced the lock-down of Wuhan city in an attempt to contain the spread of COVID-19. In February and March 2020, the PRC government implemented numerous measures, including quarantine of infected and suspect cases, lockdown of cities with high risks of infection, cancellation of trains and flights, and other travel restrictions. The World Health Organization declared the outbreak of COVID-19 a Public Health Emergency of International Concern on January 30, 2020, and on March 11, 2020, characterized COVID-19 as a pandemic. The fatalities resulting from COVID-19 and the restrictive measures adopted to contain it, are likely to have an adverse effect on the livelihood of people and the economic conditions of the regions affected. As of the Latest Practicable Date, the outbreak of COVID-19 had spread to over 200 countries and districts around the world, and had not been fully contained.

In response to the COVID-19 outbreak in China, the PRC government introduced a series of measures in February and March 2020, including, but not limited to, restrictions on resumption of business and traffic control between cities and provinces, resulting in disruptions of the business and production of our brand partners' factories in China and operations of third-party logistics and fulfillment service providers, which in turn adversely affected the smooth operation of our supply chain and timely delivery of products. The spread of COVID-19 in Japan also had an adverse impact on the production and delivery of products by our brand partners in the country. Although industries and enterprises across the PRC have gradually resumed operations and production since March 2020, the number of confirmed COVID-19 cases continued to grow globally. Although several COVID-19 vaccines have been developed and manufactured, there is no guarantee that the vaccines would be made available to the public on a timely basis with enough manufacturing capacity. The demand for beauty products decreased due to the decreased frequency of social activity and wearing of masks. In addition, the outbreak of COVID-19 also resulted in less frequent flights between China and Japan, causing a negative impact on the timely delivery of products from Japan. See "Summary – Recent Developments and No Material Adverse Change." The spread of COVID-19 on a global scale could further affect investment sentiment, and result in sporadic volatility in global capital markets. In addition, such outbreaks may result in prolonged restrictions on travel and public transport and closures of workplaces which may have a material adverse effect on the global economy. As a result, to achieve their overall performance objectives, our brand partners may adjust their sales strategies and raise sales targets for China market. There is no guarantee that we will be able to meet such newly set sales targets by our brand partners; and the incremental costs we incurred to increase our sales of the products of the relevant brand partners may impair our profitability.

Our Directors and management team have been closely monitoring the outbreak of COVID-19, and are constantly assessing its actual and potential impact on our business and results of operations. The Group has been adopting countermeasures to mitigate the impact of the COVID-19 outbreak to the Group's operation, including, but not limited to, flexible work-from-home practices and procurement of supplies for pandemic prevention and control for our employees.

The extent to which COVID-19 may further impact our results of operation in future will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions to contain or treat its impact, among others. In addition, our operation and financial position could be materially affected to the extent that a health epidemic or any other outbreak harms China and the global economy in general.

Material disruption of e-commerce channels could prevent us from providing services to our brand partners, and reduce sales in online stores operated by us.

E-commerce channels could cease operations unexpectedly due to a number of events, including interruptions in telecommunication services, computer viruses and unlawful access of e-commerce channels. Any material channel downtime or disruption could prevent us from providing services to our brand partners, and reduce sales in online stores operated by us. The risks of these events occurring are even higher during certain periods of peak usage and activity, such as on or around the Singles Day Promotion or other promotional events, when user activity and transactions are significantly higher on our online stores compared to other days of the year. As our GMVs are concentrated on a limited number of e-commerce platforms, the adverse effects of such downtime and disruption could be significant to our operations as a whole. This instability and susceptibility could create serious challenges to the uninterrupted services of our online stores, which might materially and adversely affect our business and operation.

If E-commerce platforms increase their fees and charges, our profitability might be adversely affected.

E-commerce platforms typically charge us a certain percentage of our GMVs as fees for using their platforms. Major e-commerce platforms we cooperate with have a large market share, and the fees they charge us for using their platforms cannot be negotiated. See "Business – E-commerce Platforms" for details. They may also decide to increase the fees and other charges for transactions on their platforms. We may not be able to pass on such additional fees charged by e-commerce platforms to our customers, which may adversely affect our profitability. As a result, our profitability might be impaired, which may have an adverse effect on the results of operations and financial conditions.

We experienced rapid growth during the Track Record Period, but we may not be able to adequately manage our growth and expansion.

Our rapid growth may place significant strain on our management and resources. To drive our continuous growth, we expect that we will need to execute a number of business strategies, including diversifying our brand portfolio and enriching our product line-ups, and upgrading our operational and financial systems, procedures and controls. We will also need to continue to expand, train, manage and motivate our workforce and manage our relationships with our brand partners, suppliers and other business partners. All of these endeavors involve risks and will require substantial management effort and additional expenditures. We cannot assure you that we will be able to manage our growth or execute our growth strategies effectively, and any failure to do so may materially and adversely affect our business, financial condition and results of operations.

Our historical growth rates may not be indicative of our future growth, and, if we are unable to execute our strategies effectively, our business and prospects may be materially and adversely affected.

We experienced growth in our business size during the Track Record Period. Our revenue increased from RMB2,541.0 million in 2018 to RMB2,781.7 million in 2019, and further to RMB2,800.8 million in 2020. Our gross profit increased from RMB616.3 million in 2018 to RMB803.5 million in 2019, and further to RMB888.1 million in 2020. While our business has grown stably in the past, we cannot assure you that we are able to sustain our historical growth rates for various reasons, including uncertainty of our incubation of new brands and successful identification of popular products for consumers in China. Our revenue, expenses and operating results may vary from period to period due to factors beyond our control. As a result of these, and other factors, we cannot assure you that our future revenues will increase or that we will continue to be profitable. Accordingly, investors should not rely on our historical results as an indication of our future financial or operating performance.

We are exposed to fair value change for financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs.

As of December 31, 2018, 2019 and 2020, our financial assets at fair value through profit or loss were nil, RMB44 million and nil, respectively. Our financial assets are measured at fair value, and the changes in their fair values are recorded under other gains or losses in the consolidated statements of comprehensive income, which will directly affect our profit and results of operations. In 2018, 2019 and 2020, we recognized a fair value gain on financial assets at fair value through profit or loss of RMB0.8 million, RMB0.7 million and RMB0.4 million, respectively. We cannot assure you that we will continue to generate such fair value gain in the future. If our investments incur a fair value loss, our results of operations and financial condition may be adversely affected.

During the Track Record Period, the fair value of our financial assets at fair value through profit or loss was determined by reference to unobservable inputs to the price of the underlying investments using a valuation pricing model and is classified as a Level 3 fair value measurement. Changes in these unobservable inputs will affect the estimated fair value of our financial assets at the end of each financial reporting period. Given the inherent uncertainty in the fair value of financial assets at fair value through profit or loss, any significant and adverse changes in fair value could have an adverse effect on our financial position and results of operations.

If our investments in other entities are not profitable, we may incur significant losses as a result.

During the Track Record Period, we invested in joint venture companies and made minority investments in companies, which are recorded as investments accounted for using an equity method in our financial statements. As of December 31, 2018, 2019 and 2020, our investments accounted for using the equity method were RMB8.9 million, RMB15.6 million and RMB24.0 million, respectively. We are subject to the risk that the companies in which we invest may make business, financial or management decisions with which we do not agree, and over which we do not have control, or that the majority shareholders, or the management, of the companies may take risks or otherwise act in a manner that does not serve our interests. In particular, the carrying value of our investments, accounted for using the equity method, may be affected by a number of factors such as share of results, impairment, dilution, issuance of equity securities, and currency translation differences. Any of those above may adversely affect our business and results of operations.

In addition, our investment in joint venture companies are subject to liquidity risk. Our investments in joint venture companies are not as liquid as other investment products as there is no cash flow until dividends are received, even if our joint venture companies reported profits under the equity accounting. Furthermore, our ability to promptly sell one or more of our interests in the joint venture companies in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control.

We may be subject to risks relating to strategic investments and acquisitions.

We may pursue strategic alliances or joint ventures and potential strategic acquisitions that are complementary to our business and operations, including opportunities that can help us expand our service offerings, and strengthen our technology capabilities. Strategic alliances or joint ventures with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance or default by counterparties, and increased expenses in establishing these new alliances, any of which may materially and

adversely affect our business. We may have little ability to control or monitor the actions of our strategic partners. To the extent a strategic partner suffers any negative publicity as a result of its business operations, our reputation may be negatively affected by virtue of our association with such party.

These transactions could require that our management develop expertise in new areas and manage new business relationships. We may also experience difficulties integrating any investments, acquisitions and/or partnerships into our existing business and operations, which would require significant attention from our management and could result in a diversion of resources from our existing business, which, in turn, could have an adverse effect on our business operations. In addition, acquired assets or businesses may not generate the financial results we expect and could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges and exposure to potential unknown liabilities of the acquired business, which may have a material and adverse effect on our business and financial conditions.

E-commerce industry is still a growth industry in China, and we are subject to evolving regulatory requirements in e-commerce industry, non-compliance with which, or changes in which, may adversely affect our business operations.

We are subject to legal and regulatory requirements applicable to multiple industries in the PRC, including, but not limited to, the e-commerce and FMCG industries. The regulations to which we are subject in this area are new and evolving. As a result, the interpretation of these laws, and the prediction of enforcement actions is often uncertain. Inaccurate interpretation of these laws and regulations and false prediction of enforcement action of the applicable regulations, may have an adverse impact on our business and operations. Additionally, any future changes in regulation may render our business non-compliant, or require changes to our business practices or licensing arrangements, to ensure compliance. These changes may involve significant costs, which, in turn, may adversely affect our business and prospects.

Our brand e-commerce retail and wholesale solutions cover a wide variety of products, principally including beauty and personal care products and health products, which may subject us to the regulations of several PRC regulatory authorities regulating cosmetics business, food business, online drug and medical device operations and online trading and e-commerce. Violations of any regulations may lead to the imposition of significant penalties, which may affect our business, operations, reputation and financial prospects. In addition, we also need to obtain certain licenses or permit from Japanese authorities with respect to UNQ Japan's procurement and sales of OTC drugs in Japan.

As we may introduce new products and services to consumers in the future, we will be required to comply with additional laws and regulations of relevant areas. To comply with such additional laws and regulations, we may be required to obtain necessary certificates, licenses or permits, as well as to expend additional resources to monitor regulatory and policy

developments. Our failure to adequately comply with such additional laws and regulations may prohibit our sales of relevant products, or even result in a suspension of our operation as a whole, which may have a material adverse effect on our business, financial condition and results of operations.

Our results of operations are subject to fluctuations due to the seasonality of our business and other events.

We have experienced, and we expect to continue to experience, seasonal fluctuations in our revenues, which have caused, and will continue to cause, fluctuations in our results of operations. Historically, we have experienced a relatively lower level of sales activity in the first quarter due to the Chinese New Year holiday, during which time consumers generally spend less online, and some businesses in China are closed. On the contrary, we generally have stronger performance in the second and fourth quarter due to the various major promotion events, such as the 618 Promotion and Singles Day Promotion. Our results of operations will likely fluctuate due to these and other factors, some of which are beyond our control. To the extent our results of operations are below the expectations of public market analysts and investors in the future, or if there are significant fluctuations in our financial results, the market price of our Shares could fluctuate significantly.

Changes in cross-border trade policies and international trade barriers, or the escalation of trade tensions, may adversely affect our business.

Recent international trade disputes and the uncertainties created by such disputes may disrupt the transnational flow of goods and significantly undermine the stability of the global and Chinese economy, thereby harming our business.

Changes to trade policies, treaties and tariffs in the jurisdictions in which we operate, in particular Japan and China, or are contemplating operating, or the perception that these changes could occur, could adversely affect the financial and economic conditions in such jurisdictions, as well as our international and cross-border operations, our financial condition and results of operations. Trade disputes, increased tariffs or other restrictive trade policies between Japan and China may inhibit our ability to import and trade goods, and could materially impact our business, as most of our brand partners are from Japan. As a result, we may face an inability to meet the demands of the consumers who purchase from us, or an increase in our operating costs, resulting in a decrease in our profits.

There is currently significant uncertainty about the future relationship between the United States and various other countries, most significantly China, with respect to trade policies, treaties, government regulations and tariffs. The continued threats of tariffs, trade restrictions and trade barriers could have a generally disruptive impact on the global economy and, therefore, negatively impact our sales. Given uncertainty regarding how the U.S. or foreign governments will act with respect to tariffs and international trade agreements, a trade war,

further governmental action related to tariffs or international trade policies, or additional tax or other regulatory changes of international trade industry in the future could occur and could directly and adversely impact our prospects, financial results and results of operations.

A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business and our financial condition.

Our revenue is impacted to a significant extent by economic conditions in China and globally, as well as by economic conditions specific to our business. The global economy, markets and levels of spending by businesses and consumers are influenced by many factors beyond our control.

The growth of the PRC economy has slowed in recent years compared to prior years. According to the National Bureau of Statistics of China, China's real GDP growth rate was 6.6% in 2018 and slowed to 6.1% in 2019. According to the estimation of the National Bureau of Statistics of China, China's GDP growth rate was 2.3% in 2020. There is no guarantee that the PRC economy will continue to grow at the same pace as before, which may affect the income level of Chinese people and their demand for the products we offer. There remain uncertainties over geopolitics issues, such as the trade disputes between China and the United States and the disputes over the South China Sea, as well as the relationship between the United States and certain Asian countries, such as North Korea, which may result in or intensify potential conflicts in relation to territorial, regional security and trade disputes. An economic downturn, whether actual or perceived, a further decrease in economic growth rates or an otherwise uncertain economic outlook in China or worldwide could have a material adverse effect on business and consumer spending and, as a result, adversely affect our business, financial condition and results of operations.

Negative publicity, including negative internet postings, about us, our UNQ brand name, management, brand partners and product offerings may have a material adverse effect on our business and reputation.

Negative comments about the online stores operated by us, products offered in such stores, the brand partners we work with, our business operation and management may appear in internet postings and other media sources from time to time, and we cannot assure you that other types of negative publicity of a more serious nature will not arise in the future. For example, our customer service representatives fail to satisfy the individual needs of our consumers, who may become disgruntled and disseminate negative comments about our product offerings and services. In addition, our brand partners may also be subject to negative publicity for various reasons, such as consumers' complaints about the quality of their products and related services or other public relation incidents of such brand partners, which may adversely affect the sales of products of these brand partners in the stores operated by us and indirectly affect our reputation. Moreover, negative publicity about other online retailers or brand e-commerce solution providers in China may arise from time to time and cause

consumers to lose confidence in the products and services we offer. Any such negative publicity, regardless of veracity, may have a material adverse effect on our business, our reputation and the trading price of our Shares.

We are subject to payment processing related risks.

We settle payments with our customers in a variety of methods, including online payments with credit cards and debit cards issued by major banks in China, and payment through third-party online payment platforms such as Alipay and Weixin Pay. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profitability.

We rely on payment processing service providers to provide payment processing services to our customers, which may subject us to payment collection issues beyond our control, or even fraud and other illegal activities in connection with these payment methods. Interruption in the ability of our customers to use these payment channels could adversely affect our payment collection, and in turn, our revenue.

We are also subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers, which could change or be re-interpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from consumers, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

The proper functioning of our IT system and servers is essential to our business. We may fail to maintain the satisfactory performance of our system, which could materially and adversely affect our business and reputation.

The satisfactory performance, reliability and carrying capacity of our IT system and servers are critical to our success and our ability to provide quality services. System interruptions or failures may be caused by natural disasters, telecommunications failures, errors encountered during system upgrades or system expansions, computer viruses, security breaches, cyber-attacks or other attempts to harm our systems. Such interruptions or failures may result in the unavailability or slowdown of our technology system, degraded order fulfillment performance, or additional shipping and handling costs, which may, individually or collectively, materially and adversely affect our business, reputation, financial condition and results of operations. If too many consumers access the online stores operated by us within a short period of time, due to increased promotions or other demand surges, we may experience system interruptions that make such online stores unavailable or prevent us from transmitting orders to our fulfillment operations, which may reduce the volume of transactions in the stores that we operate as well as the attractiveness of such online stores to consumers.

Additionally, we must continue to upgrade and improve our technology system to support our business growth, and failure to do so could impede our growth. However, we cannot assure you that we will be successful in executing these system upgrades and improvement strategies. In particular, our systems may experience interruptions during upgrades, and the new technologies or infrastructures may not be fully integrated with the existing systems on a timely basis, or at all. If our existing or future technology system does not function properly, it could cause system disruptions and slow response times, affecting data transmission, which, in turn, could materially and adversely affect our business, financial condition and results of operations.

We may not be able to respond to, or adopt, evolving technologies on a timely and cost-effective basis.

The e-commerce market is characterized by rapid technological changes and frequent changes in rules, specifications and other requirements for selling our brand partners' products on particular platforms. Our ability to retain existing brand partners and attract new brand partners depends in large part on our ability to enhance and improve our existing solutions and introduce new solutions that can adapt quickly to these technological changes on the part of major e-commerce platforms. To achieve market acceptance for our solutions, we must effectively anticipate and offer solutions that meet frequently changing requirements in a timely manner. If our solutions fail to do so, our ability to renew our contracts with existing brand partners, and our ability to create or increase demand for our solutions, will be impaired.

Our business collects and processes a large amount of consumer data, and any improper use or disclosure of or unauthorized access to such data may harm our business and reputation and may result in threats of lawsuits, administrative penalty and related liabilities.

Our business collects and processes a large quantity of personal, transaction and behavioral data. We face risks in the handling and securing of these large volumes of data. In particular, we face a number of challenges relating to data from transactions and other activities on our online stores, including:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties or fraudulent behavior by our employees;

- addressing concerns related to privacy and sharing of data, safety, security and other factors;

- complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data; and

- ensuring the compliance of third-party service providers with the data protection related clauses in agreements with us.

Any security breach that results in the release of user data could harm our reputation and brand and, consequently, our business and results of operations, in addition to exposing us to potential legal liability. We have experienced in the past, and may experience in the future, such security breaches. During the Track Record Period, we experienced a data leakage incident due to theft conducted by one of our employees, whose employment with us has been terminated. After the occurrence of the incident, we have taken remedial measures in relation to our internal control. See "Business – Internal Control and Risk Management – Data Privacy." While we continue to enhance our security measures to protect our system and data from similar breaches, we cannot assure you that our current measures will be sufficient to prevent all third-party intrusions, cyber-attacks, information or data theft, or data leakage due to the wrongful acts of service providers, or other similar activities.

We are subject to laws and regulations of the PRC and other countries and regions relating to the collection, use, retention, security and transfer of personally identifiable information with respect to our customers and employees. For example, both the Law of the PRC on the Protection of Rights and Interests of Consumers and the E-Commerce Law of the PRC provide detailed provisions for data protection and data handling. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop, and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause us to incur substantial costs, or require us to change our business practices during the process of our business expansion process. Any failure, actual or perceived, by us to comply with any regulatory requirements or privacy protection-related laws, rules and regulations could result in proceedings or actions against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity and require us to change our business practices. Any such occurrence could increase our costs and materially and adversely affect our reputation, financial condition and results of operations. See "Regulatory Overview – PRC Laws and Regulations Relating to Internet Information Security and Privacy Protection."

Any deficiencies in China's telecommunication infrastructure could impair our ability to provide brand e-commerce retail and wholesale solutions to our brand partners and thus materially and adversely affect our results of operations.

Our business depends on the performance and reliability of the telecommunication infrastructure in China. The availability of our online stores on e-commerce platforms, and our transactions and communications with consumers, depend on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. Almost all access to the internet and mobile network is maintained through state-owned telecommunication carriers under administrative control, and we obtain access to end-user networks operated by such telecommunications carriers and service providers to present our internet platform to consumers. Although we have not experienced any material service interruptions in the Track Record Period, any such

interruptions may prevent brand partners from utilizing our technology system, and frequent interruptions could frustrate consumers and discourage them from attempting to place orders, which could cause us and our brand partners to lose consumers and adversely affect our results of operations.

We may not be able to adequately protect our intellectual property rights. We may also be subject to intellectual property infringement lawsuits, which could be expensive to defend and may result in our payment of substantial damages or licensing fees and reputational harm.

We rely on local laws in China and other jurisdictions, as well as contractual provisions, to protect our intellectual property rights. Intellectual property protection may not be sufficient in China or other countries in which we operate. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China or elsewhere. In addition, policing any unauthorized use of our intellectual property is difficult, time-consuming and costly, and the measures we have taken may be inadequate to prevent the misappropriation of our intellectual property. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

On the other hand, third parties may claim that the technology or content used in our operation of online stores or our service offerings infringes upon their intellectual property rights. The possibility of intellectual property claims against us increases as we continue to grow, particularly internationally. Such claims, whether or not having merit, may result in our expenditure of significant financial and management resources, injunctions against us or payment of damages. We may need to obtain licenses from third parties who allege that we have infringed their rights, but such licenses may not be available on terms acceptable to us or at all. These risks have been amplified by the increase in the number of third parties whose sole or primary business is to assert such claims.

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

Mr. Wang Yong, one of our Controlling Shareholders, our founder and chief executive officer and chairman of the Board, has substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions.

Mr. Wang Yong and TCI will be able to exercise voting rights with respect to an aggregate of 64,392,700 Shares and 57,264,100 Shares respectively, representing 35.72% and 31.77% of our outstanding Shares following the Global Offering. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company, and might reduce the price of our Shares. These events may occur even if they are

opposed by our other Shareholders. In addition, the interests of Mr. Wang Yong and TCI may differ from the interests of our other Shareholders. We cannot assure you that when conflicts arise, either Mr. Wang Yong or TCI will act in the best interest of other shareholders or that conflicts will be resolved in the favor of other shareholders. It is possible that either of them may exercise his or its substantial interests over our Company and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

We may fail to renew our leases upon expiration, or to comply with relevant PRC laws that require registration of lease agreements as well as other title certificates, in which case we may have to relocate our offices.

As of the Latest Practicable Date, we did not own any property, and operated our businesses mainly through the properties we leased according to 11 property lease contracts we entered into in Shanghai, Hangzhou, Guangzhou, Beijing, Bengbu (蚌埠) and five work stations in one shared office in Shanghai. If we are not able to successfully renew our leases upon expiration of the current lease terms, we may have to relocate our offices, and our business operations may be temporarily interrupted. As of the Latest Practicable Date, a leased property of Shanghai Fuli is located on allocated land and the use of such leased property is not consistent with the designated use of land stated on the ownership certificate provided by the owner. There is a risk that Shanghai Fuli may not be able to continue to use such properties. See "Business – Properties." In addition, if lessors of any of our future leased properties cannot provide us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us, these leases may not be valid, and there are risks that we may not be able to continue to use such properties. In such case, if relocation is required, our operating costs may increase and our results of operations may be affected. If any of these above events occur, we may not be able to find desirable alternative sites for our offices under favorable terms in a timely manner, or at all.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban Development of the PRC. As of the Latest Practicable Date, we had not yet completed the registration of two property lease contracts that we entered into in the PRC within the prescribed time pursuant to the applicable PRC laws and regulations. Although we will take practical and reasonable steps to request the lessors of the aforementioned and future leased properties to cooperate with us to complete the registration in a timely manner, we cannot assure you that such lessors will agree to cooperate. As advised by our PRC Legal Advisor, failure to complete the lease registration will not affect the validity of the lease agreements according to PRC law, but we may have a maximum penalty of RMB10,000 imposed on us for each non-registered lease if we fail to complete the registration of any of our future lease agreements after we are requested to do so by the competent PRC government authorities.

We may not have sufficient insurance coverage.

We maintain accident and medical insurance for our employees, and our warehousing and logistics partners usually procure property insurance for our inventory stored in their warehouses. However, in line with general market practice, we do not maintain any other business interruption insurance, insurance policies covering damages to our network infrastructures or information technology systems or product liability insurance, which are not mandatory under PRC laws. This could leave us exposed to potential claims and losses. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. We cannot assure you that our insurance coverage is sufficient to prevent us from any losses, or that we will be able to successfully claim for losses under our current insurance policies on a timely basis, or at all. If we incur losses that are not covered by our insurance policies, or if the amount reimbursed is significantly less than our actual losses, our business, financial condition and results of operations could be materially and adversely affected.

Any occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. Our business could be adversely affected by outbreaks of epidemics. Outbreaks of contagious diseases and other adverse public health developments in China or any other market in which we operate and conduct business could severely damage our supply chain operation, or impair the productivity of our workforce. The outbreak of any severe epidemic disease, such as avian flu, H1N1 flu, SARS or, most recently, the novel coronavirus named COVID-19 by the World Health Organization, may disrepute our business operations, which could negatively affect our financial condition, operational results, supply chain management and future prospects.

RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in the economic, political and social conditions, as well as policies of the PRC government, could have a material adverse effect on our business and prospects.

During the Track Record Period, substantially all of our revenue was derived from our businesses in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls, and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for the past four decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may adversely affect us. For example, our financial condition and results of operations may be adversely affected by government policies on the e-commerce industry in China or changes in tax regulations applicable to us. If the business environment in the PRC deteriorates, our business in the PRC may also be materially and adversely affected.

We are subject to laws that are applicable to retailers, including advertising and promotion laws, pricing laws and consumer rights and interests protection laws, and other consumer protection laws that could subject us to penalties and other administrative actions.

Under PRC advertising laws and regulations, we are obligated to ensure that the contents of our advertisements are in full compliance with applicable laws and regulations. For example, the advertisements shall not present any false, inaccurate or misleading information, or omit any material information, of the products, services and gifts. Moreover, our provision of our digital marketing service business also needs us to comply with the advertising law and related laws in jurisdictions where it operates its business. In addition, our sales of products to consumers are subject to the provisions under PRC pricing laws, such as the Pricing Law of the PRC (《中華人民共和國價格法》) and the Provisions on Administrative Penalties Against Price-related Illegal Acts (《價格違法行為行政處罰規定》), and PRC consumer rights and interests protection laws, such as the Consumers Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》) and the Measures for Punishments against Infringements on Consumer Rights and Interests (《侵害消費者權益行為處罰辦法》). We have been subject to administrative penalties by PRC regulatory authorities in the past due to our failure to comply with their requirements, including without limitation, those in relation to publishing advertisements that did not comply with the relevant requirements of the PRC Advertising Law (《中華人民共和國廣告法》), the Pricing Law of the PRC (《中華人民共和國價格法》) and the Consumers Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》). See "Business – Legal Proceedings and Compliance – Non-Compliance." If we are found to be in violation of any of such laws and regulations in the future, we may face serious penalties, including fines, revocation of our business licenses and discontinuance of our advertising activities. Moreover, governmental actions and civil claims may be filed against us for misleading or inaccurate advertising or other illegal acts violating pricing laws or consumer rights. We may have to spend significant resources in defending against such actions, and these actions may damage our reputation, result in reduced revenue, and negatively affect our results of operations.

The legal system of the PRC continues to evolve, and inherent uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to our business and our shareholders.

The PRC legal system is based on written statutes. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and continue to evolve, these laws and regulations may be subject to different interpretation and inconsistently enforced. In addition, there is a limited volume of published court decisions, which may be cited for reference but is not binding on subsequent cases, and has limited precedential value unless the Supreme People's Court otherwise provides. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the investors.

PRC laws and regulations concerning the e-commerce industry are developing and rapidly evolving. Although we strive to comply with the laws and regulations that are applicable to our business operations, and to avoid conducting any potential non-compliant activities under the applicable laws and regulations, these laws and regulations are continually developing, and are not always clear, and the measures we take to comply with these laws, regulations and industry standards may not always be effective. We cannot assure you that our practice would not violate any new PRC laws or regulations relating to e-commerce, and, as a result, we may be subject to litigation or enforcement action or reduced demand for our solutions or services. Moreover, developments in the e-commerce industry may lead to changes in PRC laws, regulations and policies, or in the interpretation and application of existing laws, regulations and policies that may limit or restrict an e-commerce retail and wholesale solutions provider like us, which could materially and adversely affect our business and operations.

We may fail to obtain requisite approvals, licenses or permits applicable to our business or fail to comply with PRC laws and regulations.

Our business is subject to supervision and regulation by relevant PRC government authorities, including, without limitation the Ministry of Commerce, or MOFCOM, the Ministry of Industry and Information Technology, or MIIT, the National Development and Reform Commission, or NDRC, the State Administration for Market Regulation, or SAMR, the General Administration of Customs and State Administration of Foreign Exchange, or SAFE. These government authorities promulgate and enforce regulations that cover many aspects of operation of online retailing and distribution of products such as food and OTC drugs, including entry into these industries, scope of permitted business activities, licenses and permits requisite for business operation, and restriction on foreign investments. We are required to hold a number of licenses and permits in connection with our business operation, including food distribution permits, registration certificate of customs declaration unit, and approvals for outbound investment. While we currently hold all material licenses and permits required for our business operations, we cannot assure you that we will not be required to

renew these licenses and permits upon their expiration or to obtain new licenses or permits in the future as a result of our business expansion, change in our business operations or changes in laws and regulations applicable to us.

If we fail to adapt to any new regulatory requirement, or any competent government authority considers that we operate our business operation without any requisite license, permit or approval, or otherwise fails to comply with applicable regulatory requirements, we may be subject to administrative actions and penalties against us, including fines, confiscation of our incomes, revocation of our licenses or permits, or, in severe cases, cessation of certain parts of our business. In addition, if our brand partners are found by government authorities to have operated their business through us without requisite approvals, licenses or permits, or otherwise to be in violation of applicable laws and regulations, they may be ordered to take rectification actions. Any of these actions may have a material and adverse effect on our business, financial condition and results of operations.

We may be held liable for inappropriate comments or content made by third parties in carrying out our digital marketing activities.

Our operation of our digital marketing service may engage third-party individuals, such as spokespersons or KOLs, to perform live-show promotional activities. We are unable to always control the comments and content made by such persons despite the relevant protective clauses we have normally put into the agreements with them. Therefore, it is possible that certain spokesperson or KOL may engage in illegal, obscene or inflammatory conversations or activities, including posting inappropriate or illegal content that may harm the public interests or the national interests. In severe circumstances, such information or content may be deemed unlawful under applicable laws and regulations, and relevant government authorities may require us to discontinue or restrict operations or services that would have led, or may lead, to such events. We may incur significant costs in investigating and defending ourselves if we find ourselves subject to penalties or claims or proceedings based on the nature or content of comments made by third-party individuals, which may materially and adversely affect our reputation, business and prospects.

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 (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by six PRC regulatory agencies on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, and some other established regulations and rules concerning mergers and acquisitions, as well as additional procedures and requirements, could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements, in some instances, to notify the MOFCOM 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 requires that the MOFCOM shall be notified in advance of any

concentration of undertaking if certain thresholds are triggered. In addition, the Provisions of Ministry of Commerce on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM that became effective on September 1, 2011, specify that mergers and acquisitions by foreign investors that raise concerns of "national defense and security", and mergers and acquisitions through which foreign investors may acquire *de facto* control over domestic enterprises that raise concerns of "national security", are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review. In the future, we may grow our business by acquiring complementary businesses. The cost and effort to comply with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be substantial, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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 EIT 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 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 State Taxation Administration, or STA, issued the Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), 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 that are not controlled by PRC enterprises or PRC enterprise groups like us, the criteria set forth in the circular may reflect the STA'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, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

Further to Circular 82, STA issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) ("**Bulletin 45**"), which took effect on September 1, 2011 and was latest amended on June 15, 2018, with effect from the same day, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises." Bulletin 45 provides procedures and administrative details for the determination of resident status, and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect STA's criteria for determining the tax residence of foreign enterprises in general. If our global income were to be taxed under the EIT Law, our financial position and results of operations may be materially and adversely affected.

We believe none of our entities outside of the PRC is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term "*de facto* management body." As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply in our case. If the PRC tax authorities determine that our Company, or any of our subsidiaries outside of China, is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations.

Further, if, pursuant to the EIT Law and the EIT Regulation, the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, 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), if such 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.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The exchange rates among RMB, U.S. dollar, Japanese Yen and Hong Kong dollar is subject to changes resulting from the PRC government's policies, and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand of currencies in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate among RMB, U.S. dollar, Japanese Yen and

other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates, and to achieve policy goals. We are subject to the risk of volatility in future exchange rates and to the PRC government's controls on currency conversion. In 2018 and 2020, we recorded net foreign exchange losses of RMB1.2 million and RMB6.8 million, respectively, and we recorded net foreign exchange gains of RMB1.1 million in 2019. We cannot assure you that we will not incur material net foreign exchange losses in the future. If we recorded net foreign exchange losses, our results of operations and financial condition may be adversely affected.

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

You may be subject to Chinese income tax on dividends from us or on any gain realized on the transfer of our Shares.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, Chinese withholding tax at the rate of 10% is normally applicable to dividends from Chinese sources payable to investors that are resident enterprises outside of China, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) Chinese income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not residents in China, are generally subject to a Chinese withholding tax at a rate of 20%, and gains from Chinese sources realized by such investors on the transfer of shares are generally subject to 20% Chinese income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and Chinese laws.

Although substantially all of our business operations are in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within China and would, as a result, be subject to Chinese income tax. If Chinese income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your

investment in our Shares may be materially and adversely affected. Furthermore, those of our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

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

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan, or as an increase in registered capital, are subject to approval by, filing with, or registration with, relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the approval of, or filing with, the MOFCOM or its local branch, and registration with other governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches, 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 the foreign investment comprehensive management information system or, as an alternative, only procure loans for no more than 200% of its net assets. Any medium- or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by the NDRC and the SAFE or its local branches. In addition, pursuant to the Notice of PBOC on Matters Concerning Macro-prudential Management on All-Round Cross-Border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) promulgated by PBOC on January 12, 2017, and effective from the same day, any overseas loan to our PRC subsidiary cannot exceed its upper limit of the risk-weighted balance for cross-border financing, which shall be calculated by its capital or net assets, the leverage rate of cross-border financing, and macro-prudential adjustment parameters. Such loans must be registered or filed on record. We may not be able to complete such filing 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 filing or registration, our ability to use the proceeds of this offering, 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 (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19. 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 capitals of foreign-invested enterprises, which allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, but continues to prohibit foreign-invested enterprises from using the RMB fund converted from their foreign exchange capitals for expenditures beyond their business scopes. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange (《關於改革和規範資本

項目結匯管理政策的通知》), or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using RMB funds converted from their foreign exchange capitals for expenditure beyond their business scope, investment in securities or investments other than banks' principal-secured products, providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use, except for real estate enterprises. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer to, and use in, China the net proceeds from this offering, which may adversely affect our business, financial condition and results of operations.

On October 23, 2019, SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, according to which non-investment foreign-invested enterprises are permitted to make domestic equity investments with their capital funds, provided that such investments do not violate the Negative List, and the target investment projects are genuine and in compliance with laws. On April 10, 2020, SAFE promulgated the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》), or SAFE Circular 8, such that eligible enterprises are allowed to make domestic payments by using their capital funds, foreign loans and the income under capital accounts of overseas listing, without providing the evidentiary materials concerning authenticity of each expenditure, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. Considering that SAFE Circular 28 and SAFE Circular 8 are often principle-oriented and subject to the detailed interpretations by the enforcement bodies to further apply and enforce such laws and regulations in practice, it is unclear how they will be implemented, and there exist high uncertainties with respect to its interpretation and implementation by government authorities and banks.

There is uncertainty with respect to the indirect transfers of equity interests in our PRC resident enterprises through transfers made by our Shareholders or our non-PRC holding companies.

On February 3, 2015, the STA promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or Circular 7, which replaces certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Equity Transfers of Non-resident Enterprises (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or STA Circular 698. Circular 7 provides comprehensive guidelines relating to, and has also heightened the Chinese tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise, or Chinese Taxable Assets. For example, Circular 7 states that where a non-resident enterprise transfers Chinese Taxable Assets indirectly, by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, and such transfer is deemed to be, for the purpose of avoiding EIT payment obligations, and without any other bona fide commercial purpose, the transfer may be reclassified by the Chinese tax authorities as a direct transfer of Chinese Taxable Assets. On October 17, 2017, the STA

promulgated the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (《關於非居民企業所得稅源泉扣繳有關問題的公告》), or STA Circular 37, which came into force and replaced STA Circular 698 and certain other rules or regulations on December 1, 2017. STA Circular 37, among other things, simplifies the procedures of withholding and payment of income tax levied on non-resident enterprises.

Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares, such as purchasing our Shares in the open market, and selling them in a private transaction, or vice versa, or to any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities classify such transactions by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by those of our Shareholders that are non-resident enterprises, or any future acquisitions by us outside of China involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities. And, if we fail to comply with Circular 7 and STA Circular 37, the Chinese tax authorities may take action, including requesting us to provide assistance in their investigation, or may impose a penalty on us, which could have a negative impact on our financial condition and business operations.

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

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with, and obtain approval from, local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, was promulgated by the SAFE in July 2014, requiring PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing before contributing domestic and overseas lawful assets or interests to a Special Purpose Vehicles. These regulations apply to our shareholders who are PRC residents, and may apply to any offshore acquisitions that we make in the future.

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

with the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), the foreign exchange registration aforesaid has been directly reviewed and handled by banks since June 1, 2015, and the SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. If any PRC shareholder fails to make the required registration or to update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing its profits, and the proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal, and (ii) in circumstances involving serious violations, a fine of no less than 30% of, and up to, the total amount of remitted foreign exchange deemed evasive or illegal.

We are committed to complying with, and to ensuring that our shareholders who are subject to the regulations will comply with, the relevant SAFE rules and regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not always be practically available in all circumstances as prescribed in those regulations. In addition, we may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and we cannot assure you that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update, any applicable registrations, or comply with other requirements under SAFE Circular 37 or other related rules in a timely manner. We may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will release explicit requirements or interpret the relevant PRC laws and regulations otherwise. 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 our cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or make other payments to us, or affect our ownership structure, which could adversely affect our business and prospects.

According to the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of the Overseas Direct Investments (《國家外匯管理局關於發佈境內機構境外直接投資外匯管理規定的通知》), or SAFE Circular 30, and other regulations, if our Shareholders who are PRC entities do not complete their registration with the competent SAFE, NDRC or MOFCOM branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. In addition, our Shareholders may be required to

suspend or stop the investments, and to complete the registration within a specified time, and may be warned or prosecuted for relevant liability. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restriction.

More stringent restrictions on the remittance of Renminbi into and out of the PRC and governmental control over currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The Renminbi is not currently a freely convertible currency, as the PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. A substantial majority of our revenue is denominated in Renminbi, and we will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares, and to fund our business activities outside China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Approval from appropriate government authorities is required where Renminbi 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. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China. Any existing and future restrictions on currency exchange may limit our ability to operate our overseas business or otherwise fund any future business activities that are conducted in foreign currencies.

We rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements.

We are a holding company and rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries, for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt we may incur outside of China, and pay our expenses. When our principal operating subsidiaries incur additional debt, the instruments governing the debt may restrict their ability to pay dividends

or make other distributions or remittances to us. Furthermore, the laws, rules and regulations applicable to our PRC subsidiaries and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

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

You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in China, Hong Kong or any other jurisdictions where we operate based on foreign laws against us and our Directors and management.

Substantially all of our assets, and a substantial portion of the assets of our Directors, are located in China. It may not be possible for investors to effect service of process upon us or those persons in China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, the Government of Hong Kong and Supreme People's Court of China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"), which came into effect on August 1, 2008, pursuant to which any party concerned with an enforceable final judgment rendered by any designated people's court of the PRC, or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing, may apply to a relevant people's court of the PRC or a relevant court of Hong Kong for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the commencement date of the 2006 Arrangement, in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for resolving any dispute which has arisen or may arise in respect of a particular legal relationship. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

On January 18, 2019, the Government of Hong Kong and Supreme People's Court of China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special

Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"). The 2019 Arrangement, amongst others, sets forth the scope, applicable rulings, procedures and manners to apply for recognition and enforcement of judgments of the original court, conditions to refuse recognition and enforcement of the judgments of the original court, and remedial measures for reciprocal recognition and enforcement of judgments in civil and commercial matters. Following the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant procedures in Hong Kong, both sides shall announce a date on which the 2019 Arrangement shall commence. The 2019 Arrangement shall apply to judgments made by a PRC or Hong Kong court on or after the commencement of the 2019 Arrangement. When the 2019 Arrangement commences, the 2006 Arrangement shall be terminated. However, the 2006 Arrangement remains applicable to a "choice of court agreement in writing", within the meaning of the 2006 Arrangement signed before the commencement of the 2019 Arrangement. Therefore, although the 2019 Arrangement has been signed, it remains unclear when such agreement will come into effect, and effectiveness and outcome of any action brought under the 2019 Arrangement may still be uncertain.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares and an active trading market for the Shares may not develop. The liquidity and market price of our Shares may be volatile.

Prior to this Global Offering, there has been no public market for our Shares. The initial Offer Price for our Offer Shares was the result of negotiations between us and the Sole Representative (for itself and on behalf of the Underwriter), and the Offer Price may differ significantly from the market price for our Shares following this Global Offering. We have applied for listing of, and permission to deal in, our Offer Shares on the Stock Exchange. There is no assurance that this Global Offering will result in the development of an active, liquid public trading market for our Shares. In particular, we are issuing Offer Shares representing only 25% of our share capital in this Global Offering, assuming the over-allotment option is not exercised. This factor, as well as factors such as variations in our revenue, earnings and cash flows or any other developments in our operations may affect the volume and price at which our Offer Shares will be traded.

Furthermore, the price and trading volume of our Offer Shares may be volatile. The following factors, among others, may cause the market price of our Offer Shares after this Global Offering to vary significantly from the Offer Price:

- our financial results;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;

- changes in laws and regulations in China;
- our inability to compete effectively in the market;
- our inability to obtain or maintain regulatory approval for our operations;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance;
- political, economic, financial and social developments in China and Hong Kong and in the global economy; and
- involvement in material litigation.

In addition, shares of other companies listed on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. As a result, it is possible that our shares may be subject to changes in price not directly related to our performance and, as a result, investors in our shares may suffer substantial losses.

The trading volume and 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, especially those engaging in similar business to ours, that have listed their securities in Hong Kong, may affect the volatility of 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 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 performance.

You may incur immediate dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the consolidated net tangible assets per share immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible assets.

Our existing shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their holding. In addition, holders of our Shares may experience further dilution of their interest if we issue additional shares in the future to raise additional capital.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Controlling Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, or the perception or anticipation of such sales, could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate.

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

There may be dilution because of issuance of new Shares or equity securities of our Company.

We may require additional funds due to changes in business conditions or other future developments relating to, inter alia, our existing operations or any future expansions. The amount and timing of such additional financing needs will vary depending on the timing of investments in, and/or acquisitions of, new businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing or debt securities, or to obtain a credit facility through selling additional equity. The sale of additional equity securities could result in additional dilution to our Shareholders. If additional funds are raised by way of issuance of new shares, or equity linked securities other than on a pro rata basis, to existing shareholders, then the percentage of ownership by our existing shareholders in our Company, their earnings per share, and the net asset value per share, may be reduced.

As we do not have a formal dividend policy, you may need to rely on price appreciation of our Shares for a return on your investment.

We currently do not have a formal dividend policy or a fixed dividend distribution ration. Any future declarations and payments of dividends will be at the absolute discretion of our Directors. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board of Directors 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 a 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 of Directors 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 of Directors. Accordingly, the return on your investment in our Shares may depend upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after this offering, 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.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

A significant portion of the net proceeds of this offering is allocated for general corporate purposes, including diversifying our brand portfolios, expanding sales network, and strengthening supply chain management. See "Future Plans and Use of Proceeds – Use of Proceeds." Our management will have considerable discretion in the application of the net proceeds received by us. You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. The net proceeds may be used for corporate purposes that do not achieve or maintain profitability or increase our share price. The net proceeds from this offering may be placed in investments that do not produce income, or that lose value.

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

We are an exempted company incorporated under the laws of the Cayman Islands with limited liability. Our corporate affairs are governed by our memorandum and articles of association, the Companies Act and the common law of the Cayman Islands. The rights of shareholders to take action against our Directors, protection of our minority shareholders and the fiduciary duties 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 precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, in a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our Directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in other jurisdictions such as Hong Kong and the United States. In particular, the securities laws of the Cayman Islands are less developed than those of many other jurisdictions. There are differences between the level of regulation,

disclosure and monitoring of the Cayman Islands securities markets and the activities of investors, brokers and other participants in securities markets in more developed economies. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in Hong Kong.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our Directors have discretion under our post-IPO articles of association that will become effective immediately prior to completion of this offering to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board of Directors or Controlling Shareholders than they would as public shareholders of a company incorporated in other jurisdictions such as Hong Kong and the United States.

We cannot assure you 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," contains information and statistics relating to the brand e-commerce solutions market and FMCG market. 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 sources 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 Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given by us as to its accuracy. The e-commerce business industry represents relatively new economic trends in China, and, therefore, any information, statistics or forecasts from third-party or other publicly available sources on this industry might not be as accurate, reliable or trustworthy as those on other more traditional industries. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, and, as a result, the statistics included in this document may be inaccurate and 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 should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this document, there has been press and media coverage regarding us and the Global Offering. 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.

In preparation for the Listing, we have applied to the Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the Listing, which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent shareholders' approval requirements in respect of the transactions under Chapter 14A of the Listing Rules.

See "Connected Transactions" for details.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two of our executive directors must be ordinarily resident in Hong Kong. Given that (i) our core business operations are principally located, managed and conducted in the PRC and will continue to be based in the PRC; (ii) the Company's head office is situated in Shanghai, the PRC, most of our executive Directors and senior management team principally reside in the PRC and will continue to be based in the PRC after the Listing; and (iii) the management and operation of our Company have mainly been under the supervision of the executive Directors and senior management of our Company, who are principally responsible for the overall management, corporate strategy, planning, business development and control of our Company's business, and most of the executive Directors and senior management of our Company are PRC residents and it is important for them to remain in close proximity to the Company's operation located in the PRC, we consider that it would be more practical for most of our executive Directors and senior management to remain ordinarily resident in the PRC where the Company has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized representatives**: we have appointed Mr. SHEN Yu and Ms. SZETO Kar Yee Cynthia ("Ms. SZETO") as the authorized representatives (the "Authorized Representatives") for the purpose of Rules 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal

promptly with enquiries from the Stock Exchange. Although Mr. SHEN Yu resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See "Directors and Senior Management" for more information about Mr. SHEN Yu and Ms. SZETO.

2. **Directors**: to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details (such as mobile phone numbers, office phone numbers, email addresses and fax numbers) of each of our Directors. In the event that any Director expects to travel or otherwise be out of the office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. Accordingly, the Authorized Representatives have means for contacting all directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after being requested to do so by the Stock Exchange.

3. **Compliance adviser**: we have appointed Maxa Capital Limited as our compliance adviser (the "Compliance Adviser") in compliance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as an additional channel of communication of the Company with the Stock Exchange during the period from the Listing Date to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

4. **Joint company secretary**: we have appointed Ms. SZETO, who is a Hong Kong resident, as one of our joint company secretaries. Ms. SZETO will maintain constant contact with our Directors and senior management team members through various means.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, the Company must appoint an individual, who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles they played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. SHEN Yu as the one of the joint company secretaries of the Company. See "Directors and Senior Management" for further biographical details of Mr. SHEN Yu.

Mr. SHEN Yu joined the Group in September 2016 and has served a number of key positions since then, through which Mr. SHEN Yu has gained a thorough understanding of the management and business operation of our Group. He has been actively involved in the proposed Listing of the Company since its inception. As Mr. SHEN Yu has substantial experience in handling corporate, legal and regulatory, compliance and administrative matters relating to our Company, and is familiar with the Company's business operations, the Board believes that appointment of Mr. SHEN Yu as our company secretary would be beneficial for the Company. See "Directors and Senior Management" for further biographical details of Mr.

SHEN Yu. However, Mr. SHEN Yu personally does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, the Company has appointed Ms. SZETO, an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Mr. SHEN Yu for an initial period of three years from the Listing Date to enable Mr. SHEN Yu to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See "Directors and Senior Management" for further biographical details of Ms. SZETO which satisfy the requirements under Note 1(b) to Rule 3.28 of the Listing Rules.

The following arrangements have been, or will be, put in place to assist Mr. SHEN Yu in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

(a) Mr. SHEN Yu will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules, which will be organized by our Company's Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;

(b) Ms. SZETO will assist Mr. SHEN Yu to enable him to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of our Company;

(c) Ms. SZETO will communicate regularly with Mr. SHEN Yu on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. SZETO will work closely with, and provide assistance for, Mr. SHEN Yu in the discharge of his duties as a company secretary, including organizing our Company's Board meetings and Shareholders' general meetings; and

(d) Upon expiry of Mr. SHEN Yu's initial term of appointment as the joint company secretary of our Company, we will evaluate his experience in order to determine if he has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Mr. SHEN Yu's appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 3.28 and 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when Ms. SZETO ceases to provide assistance to

Mr. SHEN Yu or there are material breaches of the Listing Rules by the Company. Upon the expiry of the initial three-year period, the qualification of Mr. SHEN Yu will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied.

WAIVER IN RELATION TO THE AVAILABILITY OF COPIES OF THE PROSPECTUS IN PRINTED FORM

Pursuant to Rules 12.04(3), 12.07 and 12.11 of the Listing Rules, we are required to make available copies of our prospectus in printed form.

The waiver from the requirements to make available printed copies of the Prospectus is in line with recent amendments to the Listing Rules relating to paperless listing and environmental, social and governance ("**ESG**") matters. As the Stock Exchange noted on page 1 of its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019, such amendments relating to ESG matters "echo the increasing international focus on climate change and its impact on business." Electronic, instead of printed, prospectuses and application forms will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, air pollution, among others. In July 2020, the Stock Exchange published a consultation paper (the "**July Consultation**") in relation to the introduction of a paperless listing and subscription regime. Additionally, in December 2020, the Stock Exchange published conclusions to the July Consultation (the "**December Conclusions**") and decided that a mandatory paperless listing and subscription regime for new listings (as defined in the December Conclusions) will take effect starting from 5 July, 2021.

It is noted that in light of the severity of the ongoing COVID-19 pandemic, the provision and collection of printed prospectuses and printed white and yellow application forms will elevate the risk of COVID-19 due to potential investors gathering at branches of the receiving banks and other designated collection points of the prospectuses. As of the Latest Practicable Date, the government of Hong Kong continued to have in place social distancing measures to restrict public gatherings. While the government of Hong Kong may relax such restrictions as the local COVID-19 situation improves, it is possible that stricter social distancing measures may be necessary later if the number of cases of infection in the territory dramatically increases. In any event, it is impossible to accurately predict the development of the COVID-19 pandemic as of the Latest Practicable Date. In this uncertain environment, an electronic application process with a paperless prospectus will reduce the need for prospective investors to gather in public, including branches of the receiving bank and other designated points of collection, in connection with the Hong Kong Public Offering.

Our Company has adopted a fully electronic application process for the Hong Kong Public Offering and we will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. Our Company will adopt additional communication measures as we consider appropriate to inform the

potential investors that they can only subscribe for the Hong Kong Offer Shares electronically. Our Company has applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rules 12.04(3), 12.07 and 12.11 of the Hong Kong Listing Rules in respect of the availability of copies of the prospectus in printed form based on the specific and prevailing circumstances of the Company.

We will adopt additional communication measures to inform the potential investors that they can only subscribe for the Hong Kong Offer Shares electronically, including (i) publishing a formal notice of the Global Offering on our website describing the fully electronic application process including the available channels for share subscription; (ii) advertising through the White Form eIPO Service Provider the electronic methods for subscription of the Hong Kong Offer Shares; and (iii) the enhanced support provided by our Hong Kong Share Registrar and White Form eIPO Service Provider in relation to the Hong Kong Public Offering (including additional enquiry hotlines for questions about the application for the Hong Kong Offer Shares and increasing its server capacity).

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information with regard to our Group.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all materials respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus, and on the terms and subject to the conditions set out herein and therein. So far as the Global Offering is concerned, no person is authorized to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus set out the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the International Placing and the Hong Kong Public Offering, which are subject to, in each case, re-allocation described in the section headed "The Structure of the Global Offering" in this prospectus.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Global Coordinators. Subject to the terms of the Hong Kong Underwriting Agreement (including the determination of the Offer Price by agreement between the Sole Representative (for itself and on behalf of the Underwriters) and our Company on or around the Price Determination Date, which is expected to be July 5, 2021, but in any event no later than July 6, 2021), the Hong Kong Offer Shares are fully underwritten by the Hong Kong Underwriters and the International Placing Shares are expected to be fully underwritten by the International Underwriters. For more information about the Underwriters and the underwriting arrangements, see "Underwriting – Underwriting Arrangements and Expenses".

If, for any reason, the Offer Price is not agreed among us and the Sole Representative (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, see "Underwriting".

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this document, or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this document.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus.

THE STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering are set out in the section headed "The Structure of the Global Offering" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his, her or its acquisition of the Offer Shares to, confirm that he, she or it is aware of the restrictions on offers of the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Hong Kong Offer Shares or the general distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus pursuant to the Global Offering (including Shares to be issued pursuant to the Capitalization Issue and Shares which may fall to be issued upon the exercise of the Over-allotment Option).

No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on July 12, 2021. The Shares will be traded in board lots of 200 Shares each. The stock code of the Shares will be 2177.

Dealings in the Shares on the Stock Exchange will be effected by participants of the Stock Exchange whose bid and offer quotations will be available on the Stock Exchange's teletext page information system. Delivery and payment for Shares dealt on the Stock Exchange will be effected two trading days following the transaction date. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Only certificates for Shares registered in the branch register of members of our Company will be valid for delivery in respect of transactions effected on the Stock Exchange. If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisors.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal share register will be maintained by our principal share registrar, Campbells Corporate Services Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

All Offer Shares will be registered on the Hong Kong branch register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of our Group, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

Unless otherwise specified, all references to any shareholdings in our Company assume none of the Over-allotment Option is exercised.

LANGUAGE TRANSLATION

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall govern.

If there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations, natural persons or other entities (including certain of our subsidiaries) mentioned in this prospectus and their English translations, the Chinese names shall prevail.

CURRENCY TRANSLATIONS

Unless otherwise specified, translation of Renminbi into Hong Kong dollars, of US$ into HK$ in this prospectus, and vice versa in this prospectus are based on the exchange rate set out below (for the purpose of illustration only):

US$1.00: HK$7.76
RMB1.00: HK$1.20
JPY100: HK$7.16

For exchange rates translations through this prospectus (if any), no representation is made that any amount in RMB, US$, JPY and HK$ can be or could have been converted at the relevant dates at the above exchange rate or at any other rate.

For further information on our Directors, See "Directors and Senior Management".

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. WANG Yong (王勇)	Room 3101, No. 3 Lane 88, Yin Rong Road Pudong New Area Shanghai PRC	Chinese
Mr. SHEN Yu (沈宇)	Room 1401, Building 6 Haoxuefu Shangcheng District Hangzhou PRC	Chinese
Mr. MATSUMOTO Ryoji (松本良二)	Room 2503, Floor 25, NBF Ikebukuro East Building 23-22 Higashi-Ikebukuro Toshima-ku Tokyo Japan	Japanese
Non-executive Director		
Mr. NAKAYAMA Kokkei (中山國慶)	Takasu 3-25-10 Urayasushi Chiba-ken Japan	Japanese

Name	Address	Nationality
Independent non-executive Directors		
Mr. NG Kam Wah Webster (吳錦華)	Flat D, Floor 16, Block 8 Bauhinia Garden 11 Tong Chun Street, Tseung Kwan O New Territories Hong Kong	Chinese
Mr. WEI Hang (魏航)	Room 901 No. 8, Lane 65 Rende Road Yangpu District Shanghai PRC	Chinese
Ms. XIN Honghua (辛洪華)	Room 502, Unit 1, Building 3 No. 65 Jiaogong Road Xihu District Hangzhou, Zhejiang PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Global Coordinators	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Nomura International (Hong Kong) Limited 30/F, Two International Finance Centre 8 Finance Street Central Hong Kong

Joint Bookrunners

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Nomura International (Hong Kong) Limited
30/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited
11/F, Bangkok Bank Building
14-20 Bonham Strand West
Sheung Wan
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Sunfund Securities Limited
18/F, Hip Shing Hong Centre
55 Des Voeux Road Central
Central, Hong Kong

Zhongtai International Securities Limited
19th Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Joint Lead Managers

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Nomura International (Hong Kong) Limited
30/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited
11/F, Bangkok Bank Building
14-20 Bonham Strand West
Sheung Wan
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

	Sunfund Securities Limited 18/F, Hip Shing Hong Centre 55 Des Voeux Road Central Central, Hong Kong
	Zhongtai International Securities Limited 19th Floor, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Reporting Accountant and Independent Auditor	PricewaterhouseCoopers Certified Public Accountants Registered Public Interest Entity Auditor 22/F, Prince's Building Central Hong Kong
Legal Advisors to the Company	*As to Hong Kong and U.S. laws:* Clifford Chance 27/F, Jardine House One Connaught Place Central Hong Kong
	As to PRC law: AllBright Law Offices 9, 11, 12/F, Shanghai Tower No. 501, Yincheng Middle Road Pudong New Area Shanghai PRC
	As to Cayman Islands and BVI law: Campbells Floor 35, Room 3507 Edinburgh Tower, The Landmark 15 Queen's Road, Central Hong Kong
	As to Japanese law: Anderson Mori & Tomotsune Otemachi Park Building 1-1-1 Otemachi Chiyoda-ku, Tokyo 100-8136 Japan

Legal Advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong and U.S. laws:* Herbert Smith Freehills 23/F, Gloucester Tower 15 Queen's Road Central Hong Kong *As to PRC law:* Tian Yuan Law Firm 10/F, Tower B China Pacific Insurance Plaza 28 Fengsheng Hutong Xicheng District Beijing PRC
Industry Consultant	China Insights Industry Consultancy Limited 10F, Block B, Jing'an International Center 88 Puji Road Jing'an District Shanghai PRC
Receiving Bank	DBS Bank (Hong Kong) Limited 11/F The Center 99 Queen's Road Central Hong Kong

Registered Office	Campbells Corporate Services Limited Floor 4, Willow House, Cricket Square Grand Cayman KY1-9010 Cayman Islands
Head Office and Principal Place Of Business in China	17F, Tower C, LCM Square No. 4, Lane 2389, Zhangyang Road Pudong New Area Shanghai PRC
Principal Place of Business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's Website	http://www.youquhui.com *(The information on the website does not form part of this prospectus)*
Joint Company Secretaries	Mr. SHEN Yu 17F, Tower C, LCM Square No. 4, Lane 2389, Zhangyang Road Pudong New Area Shanghai PRC Ms. SZETO Kar Yee Cynthia *(ACG, ACS)* 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	Mr. SHEN Yu 17F, Tower C, LCM Square No. 4, Lane 2389, Zhangyang Road Pudong New Area Shanghai PRC Ms. SZETO Kar Yee Cynthia *(ACG, ACS)* 31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

Audit Committee	Mr. NG Kam Wah Webster *(Chairman)* Mr. WEI Hang Ms. XIN Honghua
Remuneration Committee	Mr. WEI Hang *(Chairman)* Ms. XIN Honghua Mr. WANG Yong
Nomination Committee	Mr. WANG Yong *(Chairman)* Mr. NG Kam Wah Webster Mr. WEI Hang
Compliance Adviser	Maxa Capital Limited Flat 08, 19/F, Harbour Centre 25 Harbour Road, Wanchai Hong Kong
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Principal Share Registrar and Transfer Office	Campbells Corporate Services Limited Floor 4, Willow House, Cricket Square Grand Cayman KY1-9010 Cayman Islands
Principal Banks	DBS (Hong Kong) Limited 11/F, The Center 99 Queen's Road Central Hong Kong SUMITOMO MITSUI BANKING CORPORATION, HONG KONG BRANCH 7/F-8/F, One International Finance Centre, 1 Harbour View Street, Central Hong Kong

Certain information and statistics set out in this section and elsewhere in the prospectus have been derived from various government publications, publicly available sources, and a market research report prepared by China Insights Consultancy and commissioned by our Group. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false and misleading. The information has not been independently verified by us, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering (excluding China Insights Consultancy) and no representation is given as to its accuracy.

SOURCE AND RELIABILITY OF INFORMATION

In connection with the Global Offering, we have commissioned China Insights Consultancy to conduct a detailed analysis and prepare an industry report on the China brand e-commerce service market (the "CIC Report"). China Insights Consultancy is an independent market research and consulting company which provides services including industry consulting, commercial due diligence and strategic consulting. We incurred a total consideration of RMB780,000 in fees and expenses for the preparation of the CIC Report. The payment of such amount was not contingent upon our successful Listing or on the results of the CIC Report. Except for the CIC Report, we did not commission any other industry report in connection with the Global Offering.

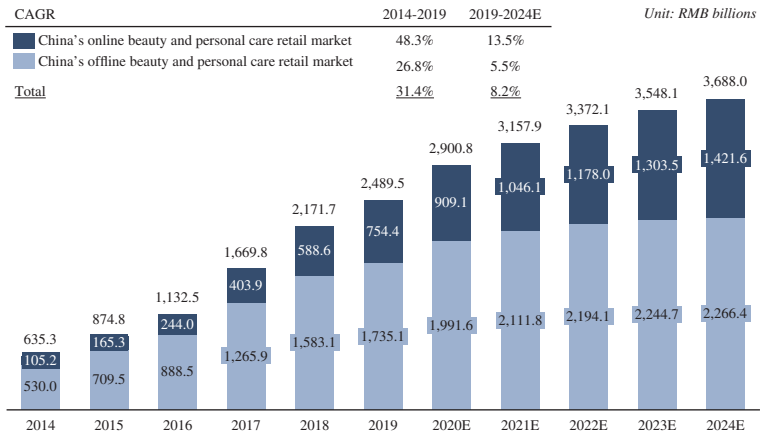
We have included certain information from the CIC Report in this prospectus because we believe such information facilitates an understanding of the China brand e-commerce service market for potential investors. China Insights Consultancy prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, China Insights Consultancy contacts companies operating in the industry to gather and synthesize information in relation to the market and other relevant information, as well as interviewing key industry experts and leading industry participants. China Insights Consultancy believes that the basic assumptions used in preparing the CIC Report, including those used to make future projections, are factual, correct and not misleading. China Insights Consultancy prepared the CIC report based on the key assumptions, including (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth trend over the next decade; (iii) related key industry drivers are likely to continue driving the growth of China brand e-commerce service market during the forecast period, such as the increasing online penetration of retail market, increasing customer needs for tailored and quality products, consumption upgrades, increasing purchasing power, supportive government programs and policies, etc; (iv) the negative impact caused by COVID-19 outbreak in 2020 on the industry is expected to be limited, taking into account the impact of the COVID-19 outbreak and estimating market growth for 2020 in a conservative manner based on the industry and economic recovery in China since the second quarter of 2020; and (v) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally. China Insights Consultancy has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. China Insights Consultancy's analysis and estimates may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

CHINA'S BEAUTY AND PERSONAL CARE RETAIL AND WHOLESALE MARKET

Overview of the China's beauty and personal care retail and wholesale market

Regarding the China's beauty and personal care retail and wholesale market, the beauty and personal care retail industry in China is large and rapidly growing, driven by a generational shift as technology enables new models of consumer engagement and product development. The market size of China's beauty and personal care retail market in terms of GMV reached RMB2,489.5 billion in 2019 and enjoyed a CAGR of 31.4% from 2014 to 2019. Over the next five years, China's beauty and personal care retail market in terms of GMV is expected to reach RMB3,688.0 billion by 2024, at a CAGR of 8.2% from 2019. The chart below presents the market size of China's beauty and personal care retail market in terms of GMV and breakdown by sales channels:

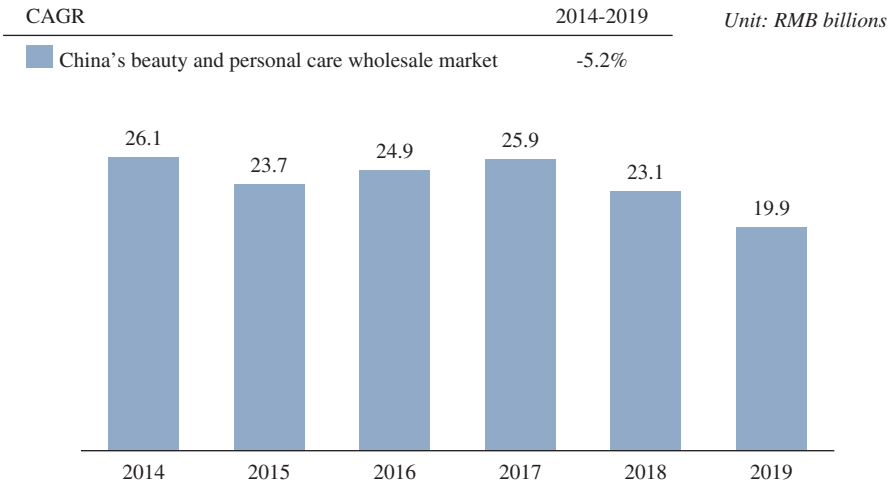
Market size of China's beauty and personal care retail market, in terms of GMV, 2014-2024E



Source: China Insights Consultancy

On the other hand, according to the National Bureau of Statistics, the beauty and personal care wholesale market in China in terms of gross merchandise turnover shifted from RMB26.1 billion in 2014 to RMB20.0 billion in 2019. The drop of China's beauty and personal care wholesale market is primarily owing to the shrink of small offline wholesale business, market shift to direct retail channels, emergence of self-operating marketplace of major e-commerce platforms. The chart below presents the market size of China's beauty and personal care wholesale market in terms of gross merchandise turnover:

Market size of China's beauty and personal care wholesale market, in terms of gross merchandise turnover, 2014-2019



Source: National Bureau of Statistics

The principal drivers of the growth of China's beauty and personal care retail and wholesale market include the increasing per capita spending, growing addressable market and consumer base for beauty and personal care products, growing purchasing frequencies, and the fact that China has developed advanced beauty and personal care manufacturing ecosystems and supply chains.

The online channels are becoming increasingly important with growing proportion in China's overall beauty and personal care market. To attract more consumers who long for beauty and personal care products, live-streaming marketing, cosmetics social e-commerce and other new online channels have accelerated their penetration among consumers during the COVID-19 outbreak and become the driving factors for the increasing online sales. The rise of online channels is also attributed to consumption upgrade, diverse e-commerce platforms for purchase activities, online precise marketing, and the growing popularity of e-commerce sales promotion campaigns. Compared with online channels, the authentic makeup try-on experience from the offline channels remain indispensable due to the wide variety of beauty and personal care products combined with the highly personalized consumers' preference. And with the accelerating fusion of online and offline channels, the companies with omnichannel layout will be more competitive in the beauty and personal care market.

Competitive Landscape of China's Beauty and Personal Care Retail and Wholesale Market

According to the CIC Report, China's beauty and personal care retail and wholesale market is highly competitive and fragmented. The participants of online beauty and personal care market in China mainly include comprehensive online stores like Tmall Supermarket, vertical beauty and personal care e-commerce platforms like Jumei, self-operating channels of brand partners, brand e-commerce services providers who conduct B2C and B2B business using distribution model, and other online shopkeepers or other operators who conduct online consumer-to-consumer, or C2C business. The participants of the offline beauty and personal care market mainly include offline supermarkets, multi-brand shops, department stores, specialty cosmetic chain stores, beauty and personal care counter, etc. Considering the huge market with numerous participants and fragmented competitive landscape, brand e-commerce solutions providers are typically not among the top five of the beauty and personal care retail and wholesale market in China. The Group's market share in China's beauty and personal care retail and wholesale market was less than 1% in 2019. The following table sets forth the top five market players in China's beauty and personal care retail and wholesale market in terms of sales revenue in 2019:

Top five market players in China's beauty and personal care retail and wholesale market, 2019

Market player	Sales revenue*	Market share
Market player A	~RMB45 billion	~1.8%
Market player B	~RMB32 billion	~1.3%
Market player C	~RMB18 billion	~0.7%
Market player D	~RMB16 billion	~0.6%
Market player E	~RMB15 billion	~0.6%

* *The sales revenues refer to the respective sales revenue of each market player generated from beauty and personal care products in China in 2019.*

- Market player A is a multinational company mainly focusing on creating and production of cosmetics products as well as skincare products.
- Market player B is a multinational company covering a broad range of product categories including fashion and leather goods, perfumes and cosmetics, watches and jewelry, as well as wines and spirits.
- Market player C is a multinational company providing beauty and personal care, foods and refreshment, as well as home care products.

- Market player D is a multinational company mainly focusing on prestige beauty products such as makeup, skin care, fragrance and hair care products.
- Market player E is a multinational company providing consumer goods consisting of skin care, cosmetics, body care, hair care, and other personal care products.

Although brand e-commerce solutions providers face the competition from a large number of retailers and wholesalers across various sales channels, their business focus is to provide e-commerce solutions to brand partners, which is a unique feature differentiating them from other players in China's beauty and personal care retail and wholesale market. E-commerce brand solution provision is a relatively independent market segment with high entry barriers for other players in the beauty and personal care retail and wholesale market in China, which requires experienced talents, deep understanding of the beauty and personal care market as well as the e-commerce market, well-established teams to handle various complex matters such as online store operation, content marketing, data analysis, product selection and cross-border supply chain management.

CHINA BRAND E-COMMERCE SERVICE MARKET

Overview of the China Brand E-commerce Service Market

China's online retail market has experienced rapid growth over the past years. According to MOFCOM and the CIC Report, GMV from China's online retail market increased from RMB2,821.1 billion in 2014 to RMB10,632.4 billion in 2019, representing a CAGR of 30.4%, and is expected to reach RMB16,069.3 billion in 2024 at a CAGR of 8.6%. Online retail refers to the activity that consumers buy goods or services through the Internet.

Brand e-commerce services are third-party services provided to brand partners, primarily including brand analysis, online store operations, digital marketing, logistics management and customer service, offered by brand e-commerce service providers. Brands rely on brand e-commerce services to effectively promote its brand culture and enhance customers' experience, as these services help the brand to recognize its brand positioning among Chinese consumers, conduct promotions via diverse distribution channels to expand consumer base, adjust marketing and business strategies according to precise consumer analysis, and further enhance the brand presence. According to Tmall, brand e-commerce service providers on Tmall contributed to a total GMV of RMB150 billion in 2018, while bringing in 843 new brands on Tmall in the same year. In the meantime, according to MOFCOM and the CIC Report, GMV generated from China's brand e-commerce service market increased from RMB223.5 billion in 2014 to RMB1,125.9 billion in 2019, representing a CAGR of 38.2%, and is expected to reach RMB1,641.2 billion in 2024 at a CAGR of 7.8%.

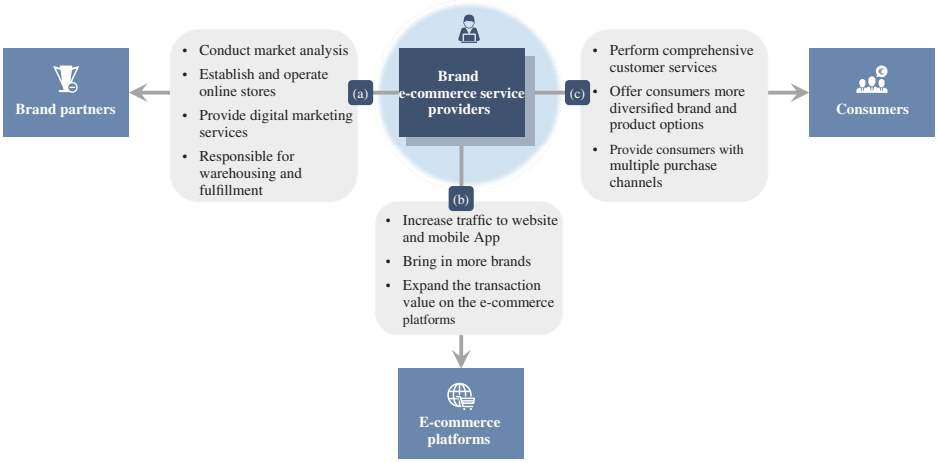
Brand e-commerce services, in terms of profit stream, can be divided into two different profit methods, namely the distribution method and the service fee method. While the service fee method requires brand e-commerce solutions providers to have comprehensive store operation capabilities, the distribution method also requires brand e-commerce solutions providers to have strong financing and inventory management abilities. The following chart sets out a comparison of brand e-commerce services under different profit models which are broadly adopted in the industry.

Profit method	Transfer of product ownership	Business model	Operation activities	Features
1 **Distribution method**: • Derive price spread from procurement from brand partners and sales to customers	• Product ownership transferred at the time of procurement	1a **B2B**: • Purchase products from brand partners and distribute them to e-commerce platforms or secondary distributors	• Logistics management • Product analysis • Digital marketing	• Brand e-commerce solutions providers stock inventory after obtaining product ownership, and need to have strong financing and inventory management abilities • Brand e-commerce solutions providers tend to develop close relationship with brand partners due to bulk and frequent procurement transactions with them
		1b **B2C**: • Purchase products from brand partners and sell them directly to end customers on flagship stores	Part or all of: • Market analysis • Product analysis • Store operation • Digital marketing • Customer services • Logistics management • IT solutions	
2 **Service fee method**: • Charge service fees to brand partners for services provided	• Do not own the products in the course of service	• Operate the flagship stores established by brand partners and charge a pre-agreed amount and/or performance-based fees	Part or all of: • Market analysis • Product analysis • Store operation • Digital marketing • Customer services • Logistics management • IT solutions	• Brand e-commerce solutions providers do not stock any inventory and feature asset-light strategy with low capital tied-up • Brand e-commerce solutions providers do not procure products and strive to increase value created through services

Source: CIC

The following diagram illustrates the value chain and participants of the China brand e-commerce service market:

Value of brand e-commerce services



Source: CIC

The operation of the China brand e-commerce service market has brought about the following values for brand partners, sales channels and consumers:

- *Brand Partners*: As the e-commerce market in China evolves rapidly, brands have become more reliant on brand e-commerce service providers with sophisticated brand-e-commerce operation experience and flexible industry partnership, thereby avoiding the investment risks associated with establishing and maintaining their own e-commerce operation team. Besides, it help brand partners quickly build online retail channels, strengthen brand positioning, improve marketing efficiency and expand the user pool along with the product sales.
- *E-commerce Platforms*: Overseas brands introduced by brand e-commerce service providers would attract higher user traffic to online channels, primarily e-commerce platforms, increase conversion rate and expand the number of online shoppers, thereby helping channels increase GMV. Besides, brand e-commerce services help to convert visitors to consumers, and improve the operational efficiency as well as attract more brands to join the platforms.

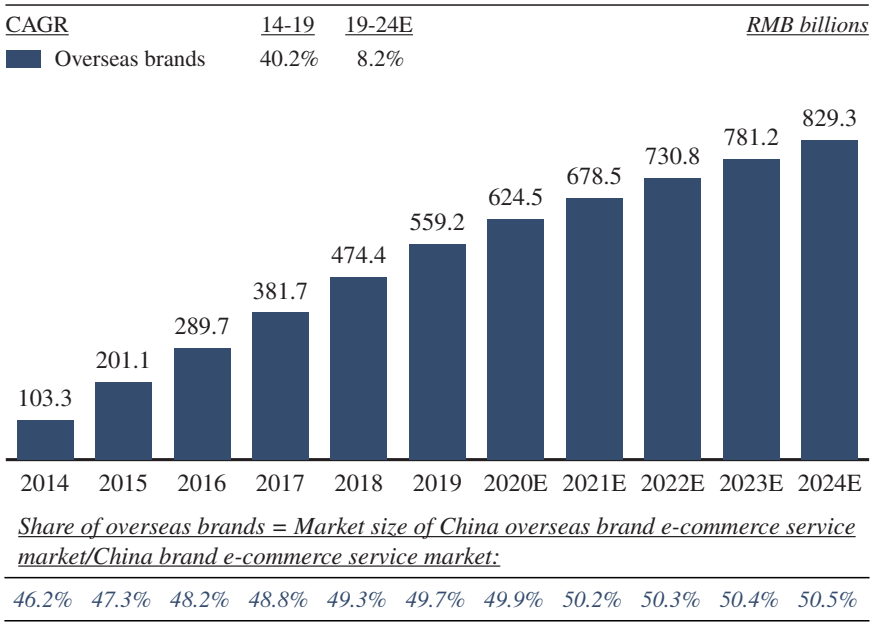
- *Consumers*: Brand e-commerce service providers are able to unify product characteristics and local consumer profiles across different platforms to optimize consumers' shopping experience. Furthermore, they can make consumers exposed with and able to approach more up-and-coming brands, enriching their purchase decisions and cultivating new consumer demands.

Overview of the China Overseas Brand E-commerce Service Market

As e-commerce has become more popular in China, global brands increasingly view online retail as an important part of their expansion strategy, and increasingly elect online retail as their key distribution channel in China. These brands look to brand e-commerce service providers with local knowledge and industry expertise to execute and integrate expansion strategies for them without the investment associated with establishing and maintaining local infrastructure and capabilities on their own. By engaging brand e-commerce service providers, overseas brands can increase online sales in China rapidly, with the help of localized marketing team that is familiar with Chinese e-commerce market and consumers' consumption habit.

The market size of China overseas brand e-commerce service market increased from RMB103.3 billion in 2014 to RMB559.2 billion in 2019 in terms of GMV, at a CAGR of 40.2% from 2014 to 2019. With the consumption upgrade and increasing demands from Chinese consumers in lower tier cities which are smaller cities beginning to thrive, it is expected that China overseas brand e-commerce service market will continue to increase to RMB829.3 billion by 2024, at a CAGR of 8.2% from 2019 to 2024. The following chart sets forth the historical and projected sizes of the overseas brand e-commerce service market for the periods indicated:

Market size of China overseas brand e-commerce service market, in terms of GMV, 2014-2024E



Source: CIC

Key Drivers for the China Overseas Brand E-commerce Service Market

The penetration of overseas brand e-commerce services continues to increase and still has large upside potential primarily due to the following reasons:

- *Higher efficiency of brand e-commerce services due to economies of scale*: Simultaneously running online business of several brand partners, brand e-commerce service providers could better integrate their resources, and save a variety of costs including advertising costs, supply chain management costs, data analysis costs, etc. Owing to economies of scale, specialized brand e-commerce services with higher efficiency of both labor force and capital will penetrate the China overseas brand e-commerce market deeply.

- *Increasing dependency of overseas brands on local brand e-commerce services*: The functions of online stores have expanded beyond display and transactions to brand marketing. As such, running an online retail business requires rich experience and keen sense so as to attract more attention from consumers. Nevertheless, brand partners new to the Chinese market usually lack related experience as well as insights to adapt to the rapidly growing domestic e-commerce market, thereby resulting in a great dependency on local e-commerce service providers. In particular, building up an online retail business in China independently can be burdensome and may bring big challenges for certain niche overseas brands. As a result, local brand e-commerce service providers are appealing to overseas brand partners for they can offer the latest information covering various online retail channels and different resources and connections in their supply chain in China.
- *Increasing industry competition that overseas brands face*: Along with intensified competition from the Chinese brands of the same category, overseas brands seek to promote their localized competitiveness by cooperating with Chinese localized marketing team that is expert and experienced at developing localization strategies, exploring consumers' consumption habit and expanding the market.
- *Maturing technologies and data management capability*: Professional brand e-commerce service providers can utilize their massive database as well as advanced back-end operation techniques to track, analyze and structurally transform consumer information and consumer behavior data into information that can be intelligently work with, which then can be applied in the process of strategic decision-making, such as branding, positioning and marketing, thereby reducing the cost of trial and error for the brand and increasing the efficiency of decision-making. With the participation of brand e-commerce service providers, overseas brands can improve their consumer stickiness and loyalty.
- *Multiple favorable policies driving increasing demand for brand e-commerce services*: Chinese government has issued a series of import policies in the past successive years, involving guidance on cross-border online retail such as the "Circular on Improving the Regulation for Cross-border E-commerce Retail Imports" and "List of Cross-border E-commerce Retail Imports" and so on, which renders Chinese import market more regulated and encourages more overseas brands to cooperate with local companies. Besides, the annually held Import Expo is also one of the key measures to persistently support the trade liberalization and economic globalization process in China. Thus, more overseas brands are expected to enter the Chinese market, bringing incremental demand for China overseas brand e-commerce services.
- *Increasing demands for overseas brands in China*: The improvement of living standards promotes the increasing purchasing power and a growing tendency of personalization in the Chinese market, followed by greater demand and expectation for diversified products. The introduction of overseas brands, unquestionable and undoubtedly, would meet the demand. Overseas brands in the FMCG market are considerably reputed and diversified, and there are some well-known foreign FMCG groups which consist of various popular products. Moreover, in the wake of the increasing cultural acceptance and various marketing channels, Chinese people are projected to have a deeper awareness of overseas brands.

Overview of China Cross-border Import Brand E-commerce Service Market

Overseas branded products can reach consumers in the PRC through two different e-commerce models, namely the general trade and the emerging cross-border import. General trade as a type of brand e-commerce services, entails the sales of products via online retail platforms with both the buyer and seller being in Mainland China. Cross-border import as a type of brand e-commerce services, entails the sales of products via online retail platforms across national borders when the buyer and seller are located in different jurisdictions. The following diagram sets forth the differences between the general trade and the cross-border import.

Comparison of general trade and cross-border import

Model	Regulation	Products sold	Taxation for imported products[1]	Process
❶ General trade	• Brand e-commerce service providers sell products that are stored within the border • Overseas brands establish a legal and physical entity to import goods that are registered	• Chinese version manufactured in China or origin countries • End price is relatively higher	• Pay import tariffs which vary according to HS Code and trade treaties • Pay VAT at 13% standard • Pay consumption tax which varies among product categories	• More rigorous entry requirements, which can be a complex and time-consuming process
❷ Cross-border import	• Goods bulk imported through bonded warehouses in FTZs or dispatched from outside China on receipt of orders • Goods are impacted by the List of Cross-border E-commerce Retail Imports 《跨境電子商務零售進口商品清單》	• Same version manufactured and sold in origin countries • Consumer demand oriented • End price is relatively lower	• Pay zero import tariffs (subject to an upper limit to purchase amount) • Pay VAT which is 30% lower than that of general trade • Pay consumption tax which is 30% lower than that of general trade	• Simplified registration and filing procedures under preferential policies, which flattens the process

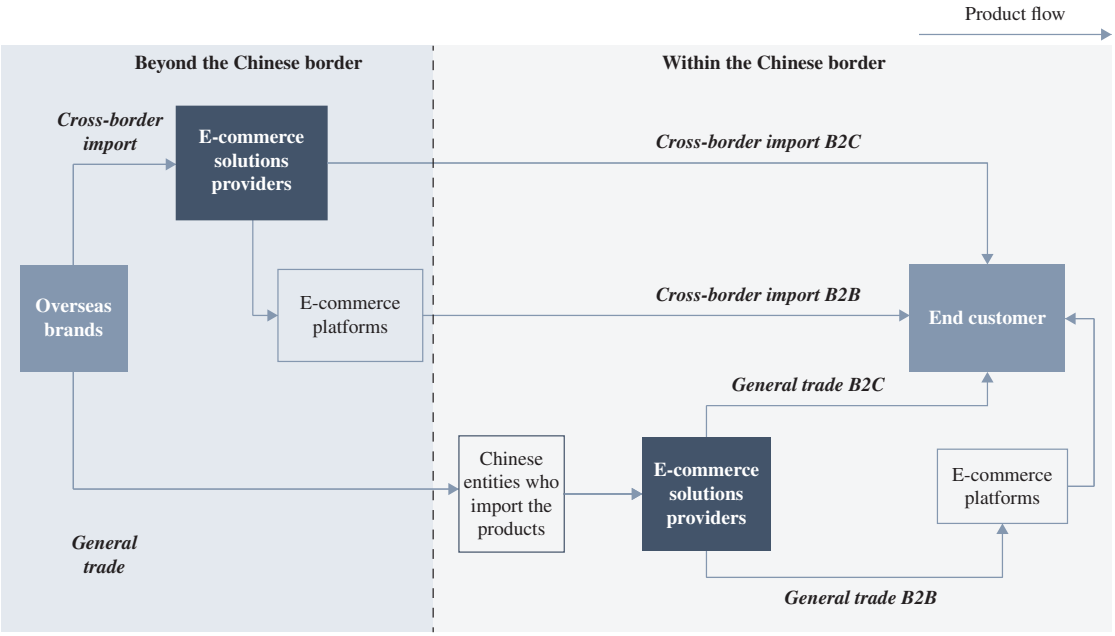
Unfavorable ○ ◔ ◑ ◕ ● Favorable

Source: CIC

Note:

(1) See "Regulatory Overview – PRC Laws and Regulation – PRC Laws and Regulations Relating to Foreign Trade – Taxation for Imported Products" for a comparison of taxation for imported products under general trade and cross-border import business.

The following chart sets forth the product flows of the general trade and the cross-border import.

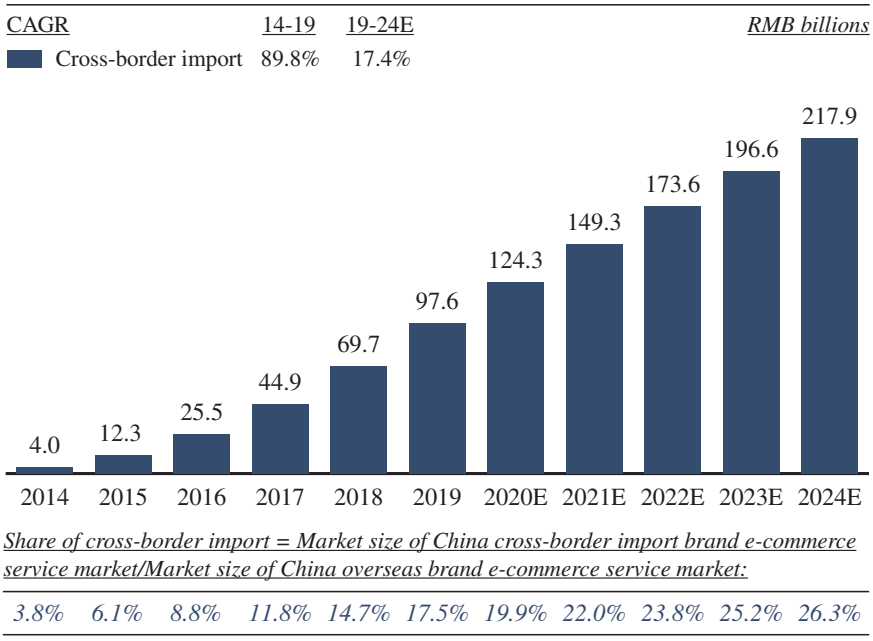


Source: CIC

Cross-border import brand e-commerce service market as an emerging market has been growing rapidly in China in recent years. There were approximately 320 cross-border brand e-commerce solutions providers in China in 2019. The market size of China cross-border import brand e-commerce service market increased from RMB4.0 billion in 2014 to RMB97.6 billion in 2019, representing a CAGR of 89.8%, which is much higher than the CAGR of the total overseas brand e-commerce service market during the same period, and the Group ranked among the top 12 with a market share of 1.6%. According to the CIC Report, with the increasing trend in the penetration rate of brand e-commerce services in the cross-border import business, it is expected that the China cross-border import brand e-commerce service

market will continue to grow at a CAGR of 17.4% from 2019 to 2024 and reach RMB217.9 billion by 2024. The following chart sets forth the historical and projected sizes of China cross-border import brand e-commerce service market for the periods indicated:

Market size of China cross-border import brand e-commerce service market, in terms of GMV, 2014-2024E



Source: CIC

The products in China's cross-border import online retail market are mainly imported from developed countries such as Japan, the United States and South Korea. According to the CIC Report, Japan is the most popular origin country of cross-border import online retail market for Chinese consumers and in terms of GMV in 2019, 20.6% of the cross-border import products were from Japan, which were primarily personal care and beauty products while 15% and 10.8% of the cross-border import products were from the United States and South Korea, respectively. Among top five origin countries of cross-border import online retail market, Japan also recorded the highest annual increase, with its GMV in 2019 increasing by approximately 15% compared to that in 2018.

Drivers and Trends for China Cross-border Import Brand E-commerce Service Market

The rapid growth in China's cross-border import brand e-commerce service market is primarily driven by, among others, the following factors:

- *Increasing consumer demand for personalized and cost-effective products*: The new generation's demand for personalized and high-quality goods is continuously prominent, driving the development of cross-border import online retail markets. Specifically, the increasing demand for personalized brands indicates a stronger consumer wish to have more choices over FMCG brands. Taking beauty products as an example, different makeup styles are favoured by different groups of people, which booms the demands for more diversified beauty brands. Cross-border import which enables quicker introduction of overseas brands could meet unique consumer demands more responsively, therefore better cater to the personalization trend. In the foreseeable future, cross-border import will gain more popularity among overseas FMCG brands who are attracted by the Chinese market. Besides, globalization developments such as studying abroad, outbound tourism, and foreign cultural import have further cultivated a large number of consumers for the cross-border import online retail market. Cross-border import online retail has made an efficient channel, providing goods that cannot be bought through general trade channels, and enriching Chinese consumers' purchasing options. Unlike general trade, which require tariffs and a 13% value-added tax, cross-border imports sourced through

bonded warehouses are subject to a comprehensive tax of 9.1%. Generally, the price of goods sourced through the cross-border online retail is more attractive, which meets the needs of Chinese consumers for cost-effective products.

- *Increasing number of overseas brands planning to enter the Chinese market*: For many overseas brands, cross-border import online retail is the key point for learning the Chinese market. The introduction of cross-border import online retail has opened up fast channels for overseas brands. Cross-border import online retail can not only enable brand partners to leverage the resources of existing platforms, but also offer policy support in operations, logistics and other aspects. For purchase via cross-border e-commerce within the quota set out by the Chinese government, the Chinese import tariffs are 0%, the Chinese consumption tax and the Chinese import VAT will be levied with a 30% discount to the statutory tax payable. See "Overview of China Cross-border Import Brand E-commerce Service Market" for more details of preferential tax policies for cross-border import online retail imports. In addition, for non-standardized products that are not yet launched and tested out by the Chinese market, testing the Chinese market in a small batch of cross-border imports is also a more appropriate way to save costs and reduce associated risks.
- *Powerful support from both the state and well-known online retail platforms*: The government has provided strong support for the development of cross-border import online retail. Since 2014, the government has introduced a series of policies to support cross-border import online retail and established a comprehensive test zone for cross-border online retail. As of December 31, 2019, 35 comprehensive test zones for cross-border import online retail had been set up across the country, covering 1,321 types of goods on the list of cross-border online retail imports, with a single import limit of RMB5,000 and an annual trading limit of RMB26,000. Meanwhile, under cross-border import, the process of importing goods is accelerated and eased as bonded warehouses are applicable to 37 cities in China, where commodities are supervised as objects entering into China for personal use and not governed by the requirements for licensing, registration or recordation of initial import. In addition, with the implementation of supporting policies, Tmall international makes use of the group's internal resources to actively deploy bonded warehouses in new test cities, expand overseas warehouses, build infrastructure and create an ecosystem suitable for cross-border business.

Barriers of China Cross-Border Import Brand E-commerce Service Market

While the cross-border import brand e-commerce service market in China grows rapidly, we believe its unique cross-border nature creates certain entry barriers for new participants in the market, which include:

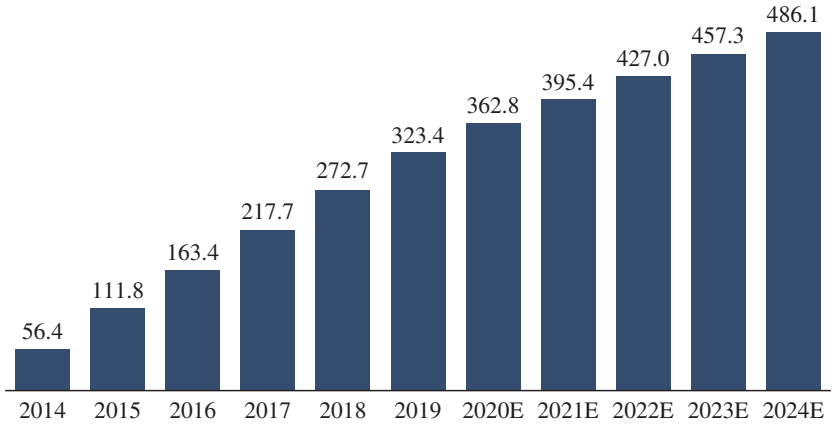
- *Cooperation with multiple stakeholders in the cross-border import online retail supply chain*: Cross-border online retail can be divided into two business models: bonded warehouse and overseas direct mail. Each model has more supply chain stakeholders than general trade does, which poses challenges for cross-border import brand e-commerce service providers. Under the bonded warehouse model, the operator needs to establish a powerful ERP system, which can automatically declare customs, disassemble orders, ship and reduce product backlog, etc., so as to realize the digitalized cooperation with brand parties, storage companies, logistics companies, and regulatory departments including Customs and Inspection. Under the overseas direct mail model, the direct delivery of overseas goods has a long transportation distance and is subject to many uncertain factors. In order to ensure timeliness, the brand e-commerce service provider needs to have strong communication and integration capabilities to cope with the interlocking supply chain of overseas direct mail.
- *Capabilities to set up a competent overseas team*: Compared with general trade, cross-border import requires brand e-commerce service providers to set up an overseas team in the host countries of their brand clients, in order to communicate with and maintain the overseas brand customers. The establishment of an overseas team will inevitably incur additional costs of manpower and materials, which requires the brand E-commerce service provider to have strong capital liquidity and risk management ability. Furthermore, due to the late start of cross-border import online retail and relatively few talents who are capable of overseas operations, brand e-commerce service providers need to accumulate experience starting from scratch.

- *Capabilities to incubate up-and-coming overseas brands*: Many overseas brands regard cross-border online retail as a breakthrough point into the Chinese market, which means that they do not have a rich accumulation in the Chinese market. For these up-and-coming overseas brands, the added value that brand e-commerce service providers create is particularly reflected in their capabilities to incubate the brand from zero to one, which creates exclusive brand development solutions for brands and helps brands to understand Chinese consumers and explore the Chinese market. Therefore, cross-border import brand e-commerce operations require brand e-commerce service providers to have not only basic and skilled brand e-commerce operation experience, but also a deep understanding of the Chinese online retail market, a keen grasp of Chinese online retail trends, and unique insights into brand marketing in China.

Overview of the China Overseas FMCG Brand E-commerce Service Market

Fast-Moving Consumer Goods (FMCG), as opposed to durable consumables, are household products that are sold quickly and at a relatively low cost. FMCG consists of beauty products, personal care products, packaged foods and beverages. Among overseas brands that utilize local brand e-commerce services in the Chinese market, FMCG plays an important role with a market share of 57.8% in 2019. The market size of the overseas FMCG brand e-commerce service market grew rapidly from RMB56.4 billion in 2014 to RMB323.4 billion in 2019, at a CAGR of 41.8%. With a stronger impact of consumption upgrade and the increasing importance of brand marketing and supply chain management in FMCG brand e-commerce operation, it is expected that the market size of the overseas FMCG brand e-commerce service market in China will continue to increase to RMB486.1 billion by 2024 at a CAGR of 8.5% from 2019 to 2024. The following chart sets forth the historical and projected sizes of the overseas FMCG brand e-commerce service market for the periods indicated:

Market size of China overseas FMCG brand e-commerce service market, in terms of GMV, 2014-2024E



Share of FMCG = Market size of China overseas FMCG brand e-commerce service market/Market size of China overseas brand e-commerce service market:

2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
54.6%	*55.6%*	*56.4%*	*57.0%*	*57.5%*	*57.8%*	*58.1%*	*58.3%*	*58.4%*	*58.5%*	*58.6%*

Source: CIC

Key Drivers for the China Overseas FMCG Brand E-commerce Service Market

The rapid growth of China overseas FMCG brand e-commerce service market is primarily driven by, among others, the following factors:

- *Strong impact of consumption upgrade and e-commerce penetration*: FMCG is the major product category influenced by the consumption upgrade in China. With the development of the Chinese economy, demand for FMCG in both urban and rural regions is growing constantly. High-income residents in tier 1 and tier 2 cities generally prefer natural products with good quality and pursue more diversified

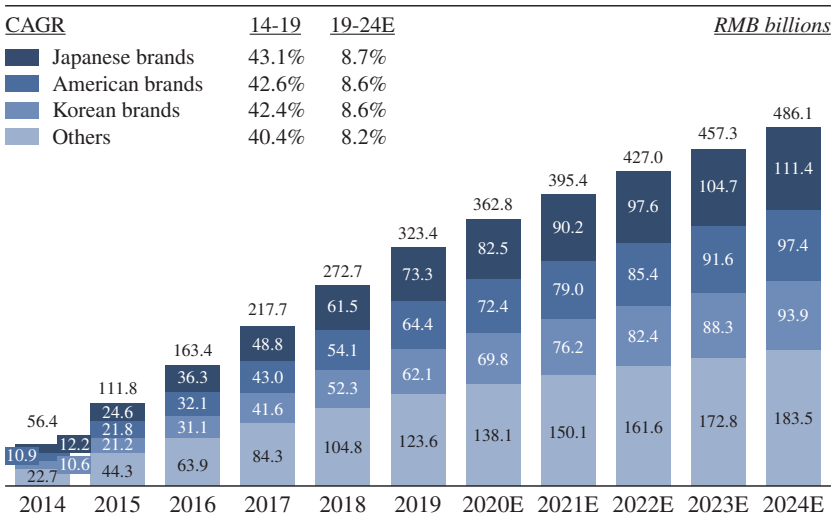
FMCG with finer classification, which further stimulates the FMCG market. Meanwhile, rural residents' living standard has improved, and they are shifting their attention from daily necessities to beauty and health goods. Traditional FMCG distribution channels mostly consist of offline department stores and supermarkets, and the e-commerce penetration is rising gradually, achieving 19.3% in 2019. Considering that the overall e-commercial penetration in China was 21.4% for the same year, the future of FMCG e-commerce in China is expected to be promising.

- *Higher importance of brand marketing and supply chain management in FMCG brand e-commerce service*: The unique attributes of FMCG result in a great emphasis on marketing innovation. On the one hand, FMCG has shorter product life cycles and higher frequency of consumption, leaving larger space for brand marketing; on the other hand, the large number of FMCG brands and a high degree of homogeneity of FMCG products render marketing the core competence of FMCG business. With the assistance of brand e-commerce service providers, FMCG brands can catch up with the fashion trend and reach their customers through appropriate channels quickly, so as to adjust brand building and development. Moreover, the short display period of FMCG drives online stores to master strong supply chain management capability to minimize the out-of-season losses. One-stop online retail operation services can boost the responsiveness of FMCG brands to the market in multiple aspects, including warehousing, order taking and logistics.

China's Overseas FMCG Brand E-commerce Service Market by Product Origin

The following chart sets forth the size of overseas FMCG brand e-commerce service market in China in terms of GMV, broken down by product origin, for the periods indicated:

Market size of China overseas FMCG brand e-commerce service market by product origin, in terms of GMV, 2014-2024E



Share of Japanese brands = Market size of China Japanese FMCG brand e-commerce service market / Market size of China overseas FMCG brand e-commerce service market:										
21.6%	*22.0%*	*22.2%*	*22.4%*	*22.6%*	*22.7%*	*22.7%*	*22.8%*	*22.9%*	*22.9%*	*22.9%*

Source: CIC

The market size of the Japanese FMCG brand e-commerce service market grew rapidly from RMB12.2 billion in 2014 to RMB73.3 billion in 2019, at a CAGR of 43.1%, and is expected to grow to RMB111.4 billion by 2024 at a CAGR of 8.7% from 2019 to 2024. Japanese FMCG brand e-commerce service market accounted for 22.7% of the overseas FMCG brand e-commerce service market in 2019 and the proportion is expected to grow to 22.9% in 2024. Japanese FMCG brand e-commerce service market has recorded robust performance in China primarily due to the following reasons:

- *Product diversity*: Japanese products, especially FMCG products, have more diversified categories and featured product positioning, which are in line with the general trend of consumption upgrading in China and the increasingly consumer demands. Besides, Japanese FMCG brands have personalized and interesting products that cater to the Chinese 90s generation's preference.

- *Quality and safety assurance*: As FMCG products, in particular personal care and beauty products, are directly applied to the skin, Chinese customers prioritize quality and safety when choosing brands. Many Japanese brands have spent decades on product development, which has created a general impression of high quality for Japanese FMCG products.
- *Excellent technology*: The patented formulas of Japanese products, especially cosmetic products have won many world awards, and the manufacturing technology is constantly improving. Japanese brands place priority on innovation as Chinese consumers are tech-savvy and use social networking sites to learn more about ingredients and utility.
- *Cultural and geographical advantage*: Japanese brands have unique and in-depth understanding of their Chinese consumers in terms of skin type and skin color, thus they can provide more value based on the insights they have.

Compared to China online retail market, Japan online retail market is a bit lagging behind considering the fact that only 9.0% of the total retail in Japan was finished online in 2018. This indicates that Japanese FMCG brands will face the problem of brand e-commerce operation when entering the well-developed and complicated China online retail market. To successfully run online business in China, shopkeepers or shop operators should be highly skilled to adjust marketing strategies among diversified online shopping platforms, as well as cater to mobile online users who represent the majority of Chinese online customers. Therefore, Japanese FMCG brands will seek help from Chinese local brand e-commerce service providers to expand their online sales in China.

Furthermore, the market size of the European, American and Southeast Asian FMCG brand e-commerce service market in China in terms of GMV was RMB108.6 billion, RMB64.4 billion and RMB6.4 billion in 2019, respectively, and is expected to achieve a CAGR of 8.2%, 8.5% and 6.6% from 2019 to 2024, respectively.

China's Overseas FMCG Brand E-Commerce Service Market by Product Category

China overseas beauty and personal care brand e-commerce service market has experienced fast growth over the past five years, increasing from RMB48.9 billion in 2014 to RMB290.8 billion in 2019 at a CAGR of 42.8%. With the increase in beauty consciousness and awareness, consumer demographics are shifting towards a younger, more affluent segment of population with an increased sense for goods such as premium beauty and personal care products. Besides, the rapid expansion of the middle-class population has sustainably improved the level of personal consumption. As the strong appetite for beauty and personal care continues to grow, it is projected that China's overseas beauty and personal care brand e-commerce service market will increase at a CAGR of 8.7% from 2019 to 2024 and reach RMB441.0 billion by 2024. Specifically, the market size of the European, American and Southeast Asian beauty and personal care brand e-commerce service market in China in terms of GMV was RMB98.6 billion, RMB57.6 billion and RMB5.5 billion in 2019, respectively, and is expected to achieve a CAGR of 8.3%, 8.6% and 6.7% from 2019 to 2024, respectively. The market for China overseas food and beverage brand e-commerce service also experienced rapid growth, as it increased from RMB7.5 billion in 2014 to RMB32.5 billion in 2019, representing a CAGR of 34.2% during this period. As the market continues to grow, it is projected that China's overseas food and beverage brand e-commerce service market will increase at 6.8% CAGR from 2019 to 2024, reaching RMB45.2 billion by 2024.

Overview of China OTC Drugs Online Retail Market

OTC drugs are medications that are safe and effective for use by the general public without the need to seek advice from a health professional. From 2000 when NMPA banned the online sale of prescription drugs and OTC drugs, to 2005 when only OTC drugs were allowed to trade online, to 2015 when the State Council clearly stated to further promote the development of pharmaceutical e-commerce, China OTC drugs online retail market has experienced a tortuous development process. The market increased from approximately RMB2.5 billion in 2014 to approximately RMB15.1 billion in 2019, representing a CAGR of 43.8% during this period. The number of market players in China's OTC drugs online retail and wholesale market in 2019 was approximately 700 and 250, respectively. JD Pharmacy and Ali Health Pharmacy are the leading players in China OTC drugs online retail market in terms of GMV in 2019. JD Pharmacy ranked the first in the market with a GMV of RMB2.3 billion in 2019, representing a market share of 15.1%, while Ali Health Pharmacy ranked the second in the market with a GMV of RMB2.1 billion in 2019, representing a market share of 14.0%. It is expected that more e-commerce platforms will establish their OTC drugs online retail channels, and more pharmaceutical companies will shift their focus on online retail. In the meantime, given the release of Announcement on Adjusting the List of Cross-border E-commerce Retail Imports (《跨境電子商務零售進口商品清單(2018年版)》), which was

jointly announced by Ministry of Finance of the PRC, National Development and Reform Commission, Ministry of Commerce of the PRC and other 10 government authorities in December 2018, which encourages and accelerates the inflow of overseas OTC drugs, China OTC drugs online retail market will maintain rapid growth in the near future. With the gradual maturity of the market and the improvement of regulatory policies, China OTC drugs online retail market will witness a better and rapid development and reach approximately RMB53.6 billion by 2024, representing a CAGR of 28.8% from 2019 to 2024.

Drivers of China OTC Drugs Online Retail Market

- The health awareness has been rising expectedly among Chinese people, featured by better cognition of diseases and improved willingness to get treated. Moreover, taking the increasing income level into account, the healthcare expenditure per capita in China is forecasted to grow, implying an upward trend of demand for OTC drugs.
- Along with the change of lifestyle and the development of technology, online activities gradually turn into the mainstream of living habits. Specific to the OTC drugs market, patients with mild symptoms nowadays could take online medical consultations, gain professional treatment advice and purchase drugs online easily. Considering that many OTC drugs consumers are of middle age and are still used to going to pharmacies, online retail penetration in OTC drugs will further increase.
- On the supply side, an increasing number of pharmaceutical companies are seeking opportunities in online channels for the purpose of enhancing cost efficiency and developing precision marketing. They are expected to be more willing to start their online retail business.
- Policies also encourage the introduction of overseas OTC drugs through online channels, in order to satisfy the strong demand of Chinese consumers for overseas high-quality and affordable healthcare products. OTC drugs were first included in the List of Cross-border E-commerce Retail Imports (《跨境電子商務零售進口商品清單(2018年版)》), which was jointly announced by Ministry of Finance of the PRC, National Development and Reform Commission, Ministry of Commerce of the PRC and other 10 government authorities in December 2018, and as of the end of 2019, there were a total of 21 types of medications and medical devices covered by the list. With a more regulated import process of overseas OTC drugs, it will be more convenient and feasible for overseas pharmaceutical companies to sell their OTC drugs in the Chinese market.

COMPETITIVE LANDSCAPE OF CHINA FMCG BRAND E-COMMERCE SERVICE MARKET

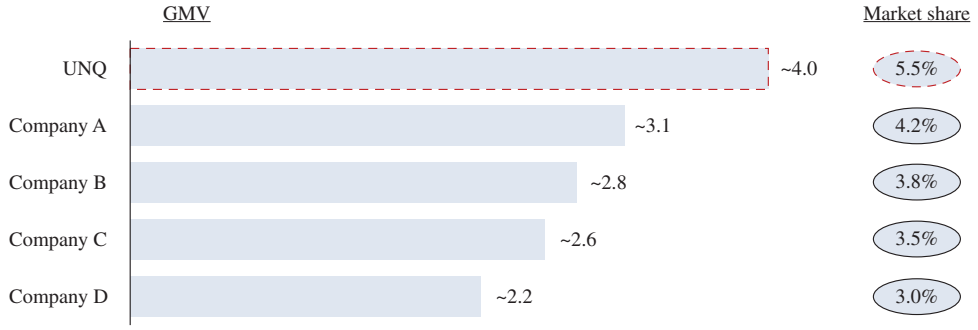
The Japanese FMCG brand e-commerce service market in China is highly competitive. The top five service providers in the China's market collectively held a market share of 20% in terms of GMV in 2019. These service providers compete primarily over the following:

- Ability to enter into stable and long-term cooperation with Japanese brand partners;
- Ability to incubate up-and-coming overseas brands;
- Capability and capacity for content production and brand marketing campaigns; and
- Ability to provide cross-border import brand e-commerce services.

According to the CIC Report, the market size of China's Japanese FMCG brand e-commerce service market was approximately RMB73.3 billion in terms of GMV in 2019, and the leading players in the market and their respective market share are as follows.

Ranking by GMV and market share, 2019

Top 5 players in China's Japanese FMCG brand e-commerce services market, by GMV and market share, 2019



Note: According to the CIC Report, the Group's GMV of RMB4.0 billion is the sum of the full value of all purchases transacted and settled directly (B2C model) or indirectly (B2B model) with end-consumers. The full value of all purchases transacted and settled indirectly with end-consumers (under the B2B model) is calculated based on the common price gap between business customers' purchase price and their selling price to the end-consumers, which are mainly collected from independent interviews with multiple industry experts as reference. Such conversion has also been made in calculating the GMV of Company A, B, C and D to achieve meaningful comparison between the Company and its competitors in terms of GMV.

The following table sets forth the competitive landscape of overseas FMCG brand e-commerce service market in China in terms of GMV in 2019, broken down by product origin:

Competitive landscape of overseas FMCG brand e-commerce service market in China, 2019

Ranking	Company	GMV	Market share
		(RMB billions)	
1	Company A	30.4	9.4%
2	Company B	28.6	8.8%
3	Company C	10.1	3.1%
4	Company F	9.1	2.8%
5	Company E	8.9	2.8%

Competitive landscape of American-branded FMCG brand e-commerce service market in China, 2019

Ranking	Company	GMV	Market share
		(RMB billions)	
1	Company A	17.5	27.2%
2	Company B	8.1	12.5%
3	Company E	6.7	10.4%
4	Company F	3.2	5.0%
5	Company C	2.1	3.2%

Competitive landscape of European-branded FMCG brand e-commerce service market in China, 2019

Ranking	Company	GMV	Market share
		(RMB billions)	
1	Company B	8.5	7.8%
2	Company A	8.2	7.6%
3	Company F	2.7	2.5%
4	Company G	1.3	1.2%
5	Company H	1.2	1.1%

Competitive landscape of South-Korean-branded FMCG brand e-commerce service market in China, 2019

Ranking	Company	GMV	Market share
		(RMB billions)	
1	Company B	9.7	15.6%
2	Company C	4.5	7.3%
3	Company A	1.9	3.1%
4	Company D	1.3	2.1%
5	Company E	1.1	1.8%

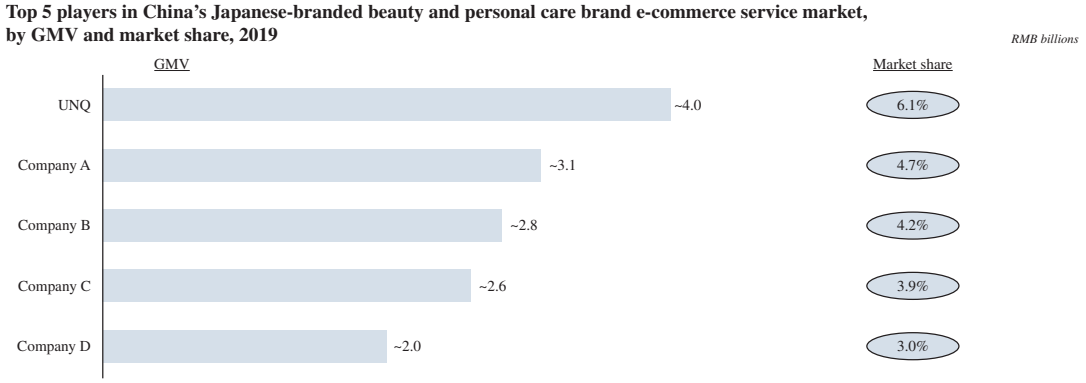
Company code	Identity
Company A	Company A is a non-listed company based in Guangdong, China involved in brand e-commerce services, including omni-channel distributions, integrated logistics, etc.
Company B	Company B is a non-listed company based in Zhejiang, China involved in brand e-commerce services for the beauty and personal care industry, including omni-channel distributions, social and content marketing, etc.
Company C	Company C is an A-listed company based in Shanghai, China involved in brand e-commerce services for the beauty and personal care industry, including flagship store operations, customer relationship management, etc.
Company D	Company D is a non-listed company based in Shanghai, China involved in brand e-commerce and off-line services, including operation strategies, brand positioning, etc.
Company E	Company E is an A-listed company based in Zhejiang, China involved in FMCG brand e-commerce services, including online operations, integrated marketing, etc.
Company F	Company F is a NASDAQ-listed and HKEX-listed company based in Shanghai, China involved in brand e-commerce services, including digital marketing, online store operations, warehousing and fulfillment, etc.
Company G	Company G is a non-listed company based in Shanghai, China involved in brand e-commerce services, including omni-channel distributions, integrated global marketing, etc.
Company H	Company H is a non-listed company based in Shanghai, China involved in brand e-commerce services for the beauty and personal care industry, including omni-channel distributions, brand analysis, etc.

Source: CIC

Compared to other FMCG brand e-commerce service markets which focus on American FMCG brands, European FMCG brands and South Korean FMCG brands, China's Japanese-branded FMCG brand e-commerce service market is less concentrated, indicating greater growth potential for leading players who have achieved scale of economies with rich experiences.

According to the CIC Report, the market size of China's Japanese-branded beauty and personal care brand e-commerce service market was approximately RMB65.9 billion in terms of GMV in 2019, and the leading players in the market and their respective market share are as follows:

Ranking by GMV and market share, 2019



Note: According to the CIC Report, the Group's GMV of RMB4.0 billion is the sum of the full value of all purchases transacted and settled directly (B2C model) or indirectly (B2B model) with end-consumers. The full value of all purchases transacted and settled indirectly with end-consumers (under the B2B model) is calculated based on the common price gap between business customers' purchase price and their selling price to the end-consumers, which are mainly collected from independent interviews with multiple industry experts as reference. Such conversion has also been made in calculating the GMV of Company A, B, C and D to achieve meaningful comparison between the Company and its competitors in terms of GMV.

Source: CIC

The following table sets forth the size of China's beauty and personal care brand e-commerce service market, and China's Japanese-branded beauty and personal care brand e-commerce service market in China, in terms of GMV, in 2019:

Competitive landscape of beauty and personal care brand e-commerce service market in China, 2019

Ranking	Company	GMV	Market share
		(RMB billions)	
1	Company A	30.5	9.7%
2	Company B	30.2	9.6%
3	Company E	13.9	4.4%
4	Company C	11.0	3.5%
5	Company F	9.1	2.9%

Competitive landscape of Japanese-branded beauty and personal care brand e-commerce service market in China, 2019

Ranking	Company	GMV	Market share
		(RMB billions)	
1	UNQ	4.0	6.1%
2	Company A	3.1	4.7%
3	Company B	2.8	4.2%
4	Company C	2.6	3.9%
5	Company D	2.0	3.0%

Source: CIC

PRC LAWS AND REGULATIONS

PRC Laws and Regulations Relating to Foreign Investment

Catalogue for the Guidance of Foreign Investment Industries

Investment activities in the PRC conducted by foreign investors and foreign-owned enterprises must comply with the Special Administrative Measures on Access of Foreign Investment (Negative List) (2020 Edition) (《外商投資准入特別管理措施(負面清單)(2020年版)》) (the "**Special Administrative Measures 2020**") which is promulgated by the NDRC and the MOFCOM on June 23, 2020 and became effective from July 23, 2020. The Special Administrative Measures 2020 contains a list of fields that foreign investment is restricted or forbidden. Any industry not listed in the Special Administrative Measures 2020 is a permitted industry unless specifically prohibited or restricted by other PRC laws and regulations.

Laws and Regulations on Foreign Investment

Any foreign investment within the territory of the PRC is subject to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) ("**FIE Law**"), which was promulgated by the SCNPC on March 15, 2019 with effect from January 1, 2020. The organization form, structure and operating rules of a foreign investment enterprise ("**FIE**") are subject to the provisions of the Company Law of the PRC (《中華人民共和國公司法》), which was promulgated by the SCNPC on December 29, 1993 to take effect from July 1, 1994, and was latest amended on October 26, 2018 with effect from the same day, or the PRC Company Law, and the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》) and other applicable laws. The approval and record-filing of foreign investment projects are subject to the relevant provisions of the PRC. The PRC establishes a foreign investment information reporting system. Foreign investors or FIEs shall submit investment information to the competent governmental department for commerce concerned through the enterprise registration system and the enterprise credit information publicity system.

Pursuant to the FIE Law, foreign investment refers to any investment activity directly or indirectly carried out by foreign natural persons, enterprises or other organizations, including the following four circumstances: (1) a foreign investor establishing a foreign-funded enterprise within the territory of the PRC, either alone or together with any other investor; (2) a foreign investor acquiring shares, equities, shares of properties or any other similar rights and interests of an enterprise within the territory of the PRC; (3) a foreign investor invests in any new project within the territory of the PRC, either alone or together with any other investor; and (4) a foreign investor invests in any other way stipulated under laws, administrative regulations or provisions of the State Council.

Furthermore, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) on December 26, 2019 with effect from January 1, 2020 to further regulate the implementation of the FIE Law.

Pursuant to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) issued by the MOFCOM and the SAMR on December 30, 2019 with effect from January 1, 2020, which repealed the Interim Measures on the Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or FIEs shall submit investment information to the commerce authorities.

PRC Laws and Regulations Relating to Foreign Trade

Customs Law

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》), which was promulgated by the SCNPC on January 22, 1987 with effect from July 1, 1987, latest amended on April 29, 2021 and became effective as from April 29, 2021, unless otherwise provided for, the declaration of import or export commodities and the payment of duties may be made by the consignees or consigners, and such formalities may also be completed by their entrusted customs brokers. The consignees and consigners for imported or exported commodities and the customs brokers engaged in customs declaration shall file with the customs for their declaration activities in accordance with the laws. The declaration of inward and outward articles and payment of duties on them may be made by the owners of the articles themselves or by the persons they have entrusted with the work.

Laws and Regulations on Foreign Trade

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which was promulgated by the SCNPC on May 12, 1994 with effect from July 1, 1994, latest amended with immediate effect from November 7, 2016, and the Measures for the Archival Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》), which was promulgated by the MOFCOM on June 25, 2004 with effect from July 1, 2004, and latest amended with immediate effect from May 10, 2021, foreign trade operators engaged in goods or technology import and export shall go through the registration formalities with the MOFCOM or its entrusted institutions, except for those that are exempted from the registration formalities in accordance with the laws, administrative regulations and the rules of the MOFCOM. Customs will decline to carry out customs clearance and inspection procedures for the import and export of goods for operators that fail to go through the registration formalities.

Pursuant to the Notice of the Ministry of Commerce on Relevant Issues Concerning the Filing and Registration of Right to Foreign Trade of Foreign-invested Enterprises (《商務部關於外商投資企業外貿權備案登記有關問題的通知》) issued by the MOFCOM on August 17, 2004 and effective as of the same date, where a FIE established pursuant to relevant laws requests to include any other import-export trade business into its approved scope of business, it shall complete the formalities for change of additional item in its business license.

Laws and Regulations on Import and Export Commodity

The principal law and regulation on the inspection of import and export of commodities are set out in the Import and Export Commodity Inspection Law of the PRC (《中華人民共和國進出口商品檢驗法》) promulgated by the SCNPC on February 21, 1989 and latest amended with immediate effect from April 29, 2021, and the Implementing Regulations for Import and Export Commodity Inspection Law of the PRC (《中華人民共和國進出口商品檢驗法實施條例》), promulgated by the State Council on August 31, 2005 and latest amended with immediate effect from March 2, 2019. Accordingly, the imported and exported commodities that are listed in the catalog compiled by the GACC or subject to statutory inspection required by relevant laws and regulations shall be inspected by the commodity inspection authorities, and those are not subject to statutory inspection shall be subject to random inspection. Consignees and consigners or their entrusted agents may apply for inspection to the commodity inspection authorities.

Pursuant to the Administrative Measures for the Import and Export of Goods of the PRC (《中華人民共和國貨物進出口管理條例》) which was issued by the State Council on December 10, 2001 and became effective on January 1, 2002, unless provided in laws and administrative regulations that the import or export of goods are forbidden or restricted, no entity or individual may establish or maintain prohibitive or restrictive measures over the import and export of goods.

PRC Laws and Regulations Relating to Online Trading and E-commerce

The Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》) promulgated by the SAMR on March 15, 2021 with effect from May 1, 2021, regulates all online commodity transactions and related services in the PRC and stipulates the obligations of online transaction operators and online transaction platform operators.

Pursuant to the Working Rules for the Recordation Administration of Cross-border E-commerce Businesses and Commodities (《跨境電子商務經營主體和商品備案管理工作規範》) promulgated by the AQSIQ on November 24, 2015 with effect from January 1, 2016, a cross-border E-commerce business shall submit the required information on the business to the inspection and quarantine authority for recordation to engage in cross-border e-commerce through an information platform built and maintained by the AQSIQ.

On August 31, 2018, the SCNPC promulgated the E-commerce Law of the PRC (《中華人民共和國電子商務法》) (the "**E-commerce Law**") with effect from January 1, 2019. Pursuant to the E-commerce Law, the E-commerce business operators shall mean natural persons, legal persons, and other non-legal-person organizations that engaging in business activities of sale of goods or provision of services through Internet and other information networks, including E-commerce platform operators, business operators using online platforms, and other e-commerce business operators engaging in the sale of goods or provision of services through their self-built website or other network services.

The General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) promulgated the Opinions on Further Maximizing Functions of Inspections and Quarantine to Promote the Development of Cross-Border E-Commerce (《關於進一步發揮檢驗檢疫職能作用促進跨境電子商務發展的意見》) with immediate effect from May 14, 2015 (the "**Opinions**") and the Administrative Provisions on the Filing of Cross-Border E-Commerce Entities and Commodities (跨境電子商務經營主體和商品備案管理工作規範) on 24 November 2015 with effect from 1 January 2016 (the "**Administrative Provisions**"). Pursuant to the Opinions and the Administrative Provisions, the following commodities are prohibited from entering the PRC in the form of cross-border e-commerce: (i) the objects prohibited from entry by the Law of the PRC on the Entry and Exit Animal and Plant Quarantine (《中華人民共和國進出境動植物檢疫法》); (ii) food derived from animals and plants without inspection and quarantine access; (iii) the hazardous or toxic chemicals included in the certain categories stipulated in the Opinions and the Administrative Provisions; and (iv) other commodities listed in the Opinions and the Administrative Provisions.

Furthermore, to regulate cross-border e-commerce trading and introduce the concept of cross-border e-commerce good, the List of Cross-border E-commerce Retail Imports (《跨境電子商務零售進口商品清單》) (the "**Cross-Border E-commerce List**") was issued and updated by aforementioned authorities together with other relevant authorities from time to time, and was latest updated on December 24, 2019 with effect from January 1, 2020.

Pursuant to the Circular on Improving the Regulation for Cross-border E-commerce Retail Imports (《關於完善跨境電子商務零售進口監管有關工作的通知》) promulgated by the MOFCOM, NDRC, MOF, GACC, STA and SAMR on November 28, 2018 with effect from January 1, 2019 and the Announcement on Regulatory Matters Relating to Cross-border E-commerce Retail Imports and Exports (《關於完善跨境電子商務零售進出口商品有關監管事宜的公告》) promulgated by the GACC on December 10, 2018 with effect from January 1, 2019, the cross-border E-commerce retail imports shall be regulated as goods imported for personal use, which shall not be subject to the license approval, registration or filing requirements for the first-time importation of the goods if the goods are listed in the Cross-Border E-commerce List. In addition, the Announcement on Regulatory Matters Relating to Cross-border E-commerce Retail Imports and Exports (《關於完善跨境電子商務零售進出口商品有關監管事宜的公告》) clarifies that overseas cross-border e-commerce enterprises shall entrust a domestic agent who should complete registration formalities with the local customs, assume the liability for truthful declaration, accept supervision by the relevant authorities and bear civil liability.

As of the Latest Practicable Date, on each cross-border e-commerce platform on which we operate online stores, consumers were required, before placing their orders, to give their confirmations that imported products purchased by the consumers are limited to their personal use and shall not be resold. As advised by our PRC Legal Advisor, the obligation to establish a risk control system and ensure compliance with the relevant laws and regulations governing cross-border e-commerce online retail imports primarily fall upon cross-border e-commerce platforms. The restriction on resale only applies after a product has been sold to a consumer

in China by an entity outside of China through a cross-border e-commerce platform, where the product enjoys preferential tax treatment within the single import limit and the annual trading limit stipulated in the Notice and the Improving Notice.

Under the B2B model for cross-border e-commerce, our sales to e-commerce platforms all happen beyond the Chinese border. As confirmed by our PRC Legal Advisor, our sales activities in this regard are not subject to the said restriction on resale. It is the relevant e-commerce platforms' obligation to comply with the relevant laws and regulations when they sell the products to customers in China cross the Chinese border.

Taxation for Imported Products

The MOF, GACC and STA jointly promulgated the Notice on the Import Tax and Customs Duty Policy of Cross-border Retail E-Commerce (《關於跨境電子商務零售進口稅收政策的通知》) (the "**Notice**") on March 24, 2016 with effect from April 8, 2016 and the Notice on Improving the Import Tax Policy of Cross-border Retail E-commerce (《關於完善跨境電子商務零售進口稅收政策的通知》) (the "**Improving Notice**") on November 29, 2018 with effect from January 1, 2019. Pursuant to the Notice and the Improving Notice, duty, import value-added tax ("VAT") and consumption tax shall be levied on the retail goods imported through cross-border e-commerce. Individuals purchasing any retail goods imported through cross-border e-commerce shall be taxpayers, and e-commerce enterprises, e-commerce transaction platform enterprises and logistics enterprises shall be the withholding agents. As for retail goods imported through cross-border e-commerce, a maximum of 2,500 yuan per single transaction and a maximum of 26,000 yuan per person per year will be allowed. For any imported goods whose transaction amount is within the thresholds, the tariffs shall be fixed at 0% temporarily; import VAT and consumption tax on such retail goods will no longer be exempted, and shall be temporarily levied at 70% of the statutory tax payable.

Each of cross-border import and general trade comprises the B2C model and B2B model, which can be further broken down to distribution and consignment arrangement where applicable. However, the Chinese tax profiles primarily depend on whether the cross-border import or general trade is adopted, regardless whether B2C model or B2B model, or whether distribution or consignment arrangement, is adopted. The Chinese tax profiles of cross-border import and general trade are summarized as the following:

Tax profile	General trade	Cross-border import
Taxpayer	Chinese entities which import the goods bear the Chinese import tariffs, consumption tax (if applicable), and the VAT will finally be borne by end customer.	End customer bears the Chinese import tariffs, consumption tax (if applicable) and the VAT. Brand e-commerce service provider, enterprise engaging in e-commerce trading platform or logistics enterprise shall collect tax and pay on behalf of the customer under B2C model. E-commerce platform shall collect tax and pay on behalf of the customer under B2B model.
Chinese import tariffs	Import tariffs vary according to HS Code and trade treaties. The calculation basis is the import price (i.e., the purchase price paid by the importer).	For purchase via cross-border e-commerce within the quota set out by the Chinese government, the Chinese import tariffs are 0%.
Chinese consumption tax	Chinese consumption tax rate depends on the taxable product categories, subject to change from time to time. The consumption tax for retailing industry is usually calculated based on adjusted import price.	For purchase via cross-border e-commerce within the quota set out by the Chinese government, the Chinese consumption tax will be levied with a 30% discount.

Tax profile	General trade	Cross-border import
Chinese VAT	The importer is responsible for import VAT clearance (VAT rate depends on the specific goods), which is creditable against the output VAT levied at sales. The effective VAT cost to be borne by the end customer is the output VAT imposed on the retail price (VAT rate depends on the specific goods).	For purchase via cross-border e-commerce within the quota set out by the Chinese government, the Chinese import VAT will be levied with a 30% discount.

Note:

(1) As advised by our Japanese legal advisor, since the Japanese consumption tax is refunded at the point of exporting from Japan according to the Consumption Tax Act of Japan and related regulations thereunder, the import price in the general trade and cross-border import does not contain any Japanese consumption tax. Meanwhile, Hong Kong does not levy any import tariffs, consumption tax or VAT tax for products exported from Hong Kong to mainland China. The tax treatment differences under the two models are generally due to the differences from the Chinese tax perspective.

PRC Laws and Regulations Relating to Cosmetics Business

Pursuant to the Measures for the Inspection, Quarantine, Supervision and Administration of Import and Export Cosmetics (《進出口化妝品檢驗檢疫監督管理辦法》) (the "**Import and Export Cosmetics Measures**"), which was issued by the GACC on August 10, 2011, latest amended with immediate effect from November 23, 2018, importing cosmetics shall be inspected and quarantined by the customs at the ports, and the customs shall require the consignees of import cosmetics to follow the record-filing management. For cosmetics imported for the first time, the following requirements shall be complied with: (i) for cosmetics subject to hygiene license, the hygiene permit documents for import cosmetics approved by the relevant competent authority shall be provided; (ii) for cosmetics subject to filing for the record, the procedures of application for inspection shall be completed on the strength of filing proof; (iii) for cosmetics not subject to hygiene license or filing, the relevant documents in accordance with the Import and Export Cosmetics Measures shall be provided.

The Cosmetics Supervision and Administration Regulations (《化妝品監督管理條例》) (the "**Cosmetics Regulations**"), issued by the State Council on June 16, 2020, with effect from January 1, 2021, which simultaneously repealed the Cosmetics Hygiene Regulations on January 1, 2021. Pursuant to the Cosmetics Regulations, a cosmetics operator shall establish and implement the inspection and recording system for the purchased goods to verify the market entity registration certificates, cosmetics registration or record-filing situations and the ex-factory inspection conformity certificates of the suppliers and shall truthfully record and

keep the relevant vouchers. A cosmetics record-filing party may produce cosmetics by itself or entrust other enterprises to produce cosmetics. In case of commissioned production of cosmetics, a cosmetics record-filing party shall entrust the enterprises obtaining corresponding cosmetics manufacturing permits and supervise the production activities of the entrusted enterprises to ensure that they carry out production in accordance with the statutory requirements.

In order to regulate the registration and record filing of cosmetics and ensure the quality and safety of cosmetics, the SAMR promulgated the Administrative Measures for the Registration and Record Filing of Cosmetics (《化妝品註冊備案管理辦法》) on January 7, 2021, which became effective from May 1, 2021.

PRC Laws and Regulations Relating to Medical Devices Operation

Pursuant to the Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) promulgated by the State Council on January 4, 2000, latest amended on February 9, 2021 and became effective on June 1, 2021, to engage in business operation of Category II medical devices, a business operator shall file for record the business operation with and submit the supporting documents satisfying the requirements to the drug regulatory department of the people's government of the city divided into districts where the business operator is located.

PRC Laws and Regulations Relating to Food Business

The Food Safety Law of the PRC (《中華人民共和國食品安全法》) promulgated by the SCNPC on February 28, 2009 with effect from June 1, 2009, latest amended with immediate effect from April 29, 2021, the Implementation Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) promulgated with immediate effect from July 20, 2009, latest amended on October 11, 2019 with effect from December 1, 2019, and the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), promulgated by the State Food and Drug Administration (國家食品藥品監督管理總局) on August 31, 2015 with effect from October 1, 2015 and amended with immediate effect from November 17, 2017, regulate food safety, set up a system of the supervision and administration of food safety and adopt food safety standards. The State Council implements a licensing system that the business operator shall obtain a license for food production and transaction. The valid term of a food business license is five years.

PRC Laws and Regulations Relating to Commercial Performance Activities

Pursuant to the Regulations for the Administration of the Commercial Performance Activities (《營業性演出管理條例》) promulgated by the State Council on August 11, 1997 with effect from October 1, 1997, latest amended with immediate effect from November 29, 2020, a culture and arts performing group shall have full-time performers and equipment corresponding to the relevant business to engage in commercial performance activities, and shall apply with the competent cultural administrative department to acquire the commercial performance license.

PRC Laws and Regulations Relating to Advertising

The Advertising Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the SCNPC on October 27, 1994 with effect on February 1, 1995, latest amended with immediate effect from April 29, 2021, regulates commercial advertising activities in the PRC and sets out the obligations of advertisers, advertising operators, advertising publishers, and advertisement endorser. Advertisers shall be responsible for the veracity of their advertisement content. The goods or services come with a gift in an advertisement shall specify, the type, specification, quantity, period and method of such goods or services. Except for medical, pharmaceutical and medical machinery advertisements, no other advertisements shall involve illness treatment function, use medical jargon or jargon which misleads readers to confuse the promoted product with medicine or medical machinery. Any advertiser in violation of such requirements will be ordered to cease publishing such advertisements and imposed some fine, the business license of the offender may be revoked in severe circumstances, and the relevant authorities may revoke the approval document for examination and refuse to accept applications submitted by such advertiser for one year.

The Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》), which was promulgated by the SAIC on July 4, 2016 with effect from September 1, 2016, regulates that in internet advertising activities, internet advertisers are responsible for the authenticity of the content of advertisements and all online advertisements must be marked "Advertisement" so that viewers can easily identify them as such.

PRC Laws and Regulations Relating to Internet Information Security and Privacy Protection

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated by the NPC on May 28, 2020 with effect from January 1, 2021, the personal information shall be protected by law. Any organizations and individuals who need to obtain other people's personal information shall obtain the information legally and shall ensure their safety. It is not allowed to illegally collect, use, process or transfer other people's personal information. It is illegal to buy and sell, supply or publish other people's personal information.

Pursuant to the Consumers Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (the "**Consumers Protection Law**") promulgated by the SCNPC on October 31, 1993 with effect from January 1, 1994 and latest amended on October 25, 2013 with effect from March 15, 2014, business operators collecting and using personal information of consumers shall adhere to the principles of legitimacy, and shall obtain the consent of consumers. Also, business operators shall publish their rules of collecting and using personal information of customers and shall not violate the provisions of laws, regulations and the agreement between them. Business operators and their staff shall keep strict confidentiality of personal information of consumers collected by them, adopt technical measures and other requisite measures to ensure information security, and prevent disclosure and loss of personal information of consumers. In the event of disclosure, loss or possible event of aforementioned, remedial measures shall be forthwith adopted. Without customers' consent or request, or with an express refusal by customers, business operators shall not send commercial information to consumers.

For the purposes of protecting the legitimate rights and interests of telecommunications and Internet users, and maintaining the security of network information, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) on July 16, 2013 with effect from September 1, 2013 to regulate the activities of collecting and using the personal information of users in the process of providing telecommunications services and internet information services in the PRC.

PRC Laws and Regulations Relating to Product Quality and Consumers Protection

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 with effect as from September 1, 1993 and latest amended with immediate effect from December 29, 2018, products for sale must satisfy relevant safety standards and sellers shall adopt measures to maintain the quality of products for sale. Sellers may not mix impurities or imitations into products, or pass counterfeit goods off as genuine ones, or claim defective products as good ones or substandard products as standard ones.

Pursuant to the Consumers Protection Law, consumers whose interests have been damaged due to the products or services that they purchase or accept on the internet trading platforms may claim damages to sellers or service providers. Where the operators of the online trading platforms are unable to provide the real names, addresses and valid contact details of the sellers or service providers, consumers may also claim damages to the operators of the online trading platforms.

PRC Laws and Regulations Relating to Pricing

In China, the prices of a very small range of products and services are guided or fixed by the government. Pursuant to the Pricing Law of the PRC (《中華人民共和國價格法》) (the "**Pricing Law**"), which was promulgated by the SCNPC on December 29, 1997 and became effective on May 1, 1998. Price setting must comply with the principles of fairness, lawfulness, honesty, and trustworthiness. Any operator must not carry out any improper pricing act such as using pricing methods which are false or open to misunderstanding to trick consumers or other operators into trading with it. Failure to comply with the Pricing Law may subject business operators to administrative sanctions such as warning, ceasing unlawful activities, compensation, confiscating illegal gains and fines. The business operators may be ordered to suspend business for rectification or have their business licenses revoked under severe circumstances.

PRC Laws and Regulations Relating to Leasing

Pursuant to the Civil Code of the PRC, which was promulgated by the NPC on May 28, 2020 with effect from January 1, 2021, a leasing contract shall include clauses dealing with the name, quantity and uses of the leased goods, the period of the lease, rent, deadlines for rent payments and methods of payment, the repair of the leased goods, etc. The lessee may sublease the leased premises to a third party, subject to the consent of the lessor.

Pursuant to the Law on Administration of Urban Real Estate of the PRC (《城市房地產管理法》) promulgated by the SCNPC on July 5, 1994 with effect from January 1, 1995, and latest amended on August 26, 2019 with effect from January 1, 2020 and the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) on December 1, 2010 with effect from February 1, 2011, the lessor and the lessee shall complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the competent construction department where the leased property is located.

PRC Laws and Regulations Relating to Intellectual Property

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) (the "**Trademark Law**"), which was promulgated by the SCNPC on August 23, 1982 with effect from March 1, 1983 and was latest amended on April 23, 2019 with effect from November 1, 2019 and the Implementation Regulations for the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 with effect from September 15, 2002 and latest amended on April 29, 2014 and taking effect from May 1, 2014, the right to exclusive use of a registered trademark shall be limited to the trademark which has been approved for registration and to goods for which use of the trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the date the registration is approved. According to the Trademark Law, unauthorized use of a trademark that

is identical with or similar to a registered trademark in connection with the same or similar goods constitutes an infringement of the exclusive right to use a registered trademark. The infringer will be required to cease infringement, take remedial action or pay damages in accordance with relevant regulations.

Domain Names

The MIIT promulgated the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) on August 24, 2017, which became effective on November 1, 2017. According to the above measure, domain name owners are required to register their domain names and the MIIT of the PRC is in charge of the administration of PRC internet domain names. The domain name services follow a "first-come, first-file" principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to domain name registration service institutions.

PRC Laws and Regulations Relating to Outbound Investment by Enterprises

The MOFCOM promulgated the Administrative Measures on Outbound Investments (2009 Edition) (《境外投資管理辦法》) on March 16, 2009 with effect from May 1, 2009 to strengthen and regulate outbound investments, which was repealed by the Administrative Measures on Outbound Investments (2014 Edition) (the "**2014 Outbound Investments Measures**") promulgated by MOFCOM on September 6, 2014 with effect from October 6, 2014. According to the 2014 Outbound Investments Measures, overseas investments of enterprises involving sensitive countries and regions and sensitive industries shall be subject to examination and approval by the competent department of commerce and other overseas investments of enterprises shall be subject to filing. The competent department of commerce shall carry out the administration of overseas investments of enterprises through the overseas investments administration system (境外投資管理系統), and issue to enterprises which have obtained filing or approval a Certificate of Overseas Investments of Enterprises (企業境外投資證書).

On December 26, 2017, the NDRC promulgated the Administrative Measures for the Outbound Investment by Enterprises (《企業境外投資管理辦法》) (the "**Enterprise Outbound Investment Measures**"), which became effective from March 1, 2018 and simultaneously repealed the Outbound Investment Projects Measures. According to the Enterprise Outbound Investment Measures, projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby and the approval authority is NDRC. Projects subject to filing are non-sensitive projects directly carried out by investors.

PRC Laws and Regulations Relating to Foreign Exchange

Foreign Exchange Administrative Regulation

The principal regulations governing foreign currency exchange in China are the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Administrative Regulation**"), which was promulgated by the State Council on January 29, 1996 with effect from April 1, 1996 and latest amended with immediate effect from August 5, 2008, and the Administrative Regulations on Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》) which was promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996. Under these 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. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital account items such as the repayment of foreign currency-denominated loans, direct overseas investment, and investments in securities or derivative products outside of the PRC. FIEs are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC.

SAFE Circular 37, SAFE Circular 13 and SAFE Circular 3

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), promulgated by SAFE and which became effective on July 4, 2014, or the SAFE Circular 37, domestic resident natural persons or domestic resident legal persons shall, before contributing domestic and overseas lawful assets or interests to a SPV, apply to the competent local branch of SAFE to undergo the foreign exchange registration procedures for overseas investments. Natural persons who are domestic residents must update such registrations if any basic information has been changed concerning the registered SPV or if there has been any change to the SPV's capital, such as increases and decreases of capital, share transfers, share swaps, mergers or divisions.

Also, according to the procedural guidelines attached to the Circular 37, the domestic resident natural person is only required to register a directly established or controlled SPV on the first level of any corporate structure.

Pursuant to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), promulgated by SAFE and which became effective on

June 1, 2015, or SAFE Circular 13, the foreign exchange registration process for establishing and controlling an SPV will be directly reviewed and handled by banks, and SAFE and its branches shall indirectly monitor the foreign exchange registration process in cooperation with banks.

The Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) promulgated by the SAFE with immediate effect from January 26, 2017, or the SAFE Circular 3, stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities. Moreover, according to the SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

SAFE Circular 19 and SAFE Circular 16

According to the SAFE Circular 19, the foreign exchange capital of FIEs shall be subject to the Discretional Foreign Exchange Settlement ("**DFES**"). The DFES refers to foreign exchange capital in the capital account of a FIE for which the rights and interests have been confirmed by the local foreign exchange bureau or through the book-entry registration of monetary contributions by banks. The monetary contributions can be settled at banks based on the actual operational needs of the FIE and the proportion of DFES is temporarily determined to be 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a FIE needs to make a further payment from such account, it would be required to provide supporting documents and undergo the review process with banks.

Pursuant to the SAFE Circular 16, enterprises registered in China may convert into Renminbi their foreign debts in foreign currency on a self-discretionary basis. The Circular 16 provides an integrated standard for the conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in the PRC.

PRC Laws and Regulations Relating to Dividend Distributions

The principal laws governing the distribution of dividends of FIEs include the PRC Company Law. Pursuant to the PRC Company Law, FIEs in China may pay dividends only out of their accumulated profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, FIEs in the PRC are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

PRC Laws and Regulations Relating to Taxation

Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated by the NPC on March 16, 2007 with effect from January 1, 2008, latest amended with immediate effect from December 29, 2018, or the EIT law, an enterprise established outside the PRC with de facto management bodies within the PRC is considered as a resident enterprise for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Regulations on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 with effect from January 1, 2008 and amended with immediate effect from April 23, 2019, or EIT regulations, defines a de facto management body as a managing body that in practice exercises "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. Non-PRC resident enterprises without any branches in the PRC pay an enterprise income tax in connection with their income originating from the PRC at the tax rate of 10%.

Value-added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 with effect from January 1, 1994 and latest amended on November 19, 2017, and the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993 with effect from the same day and latest amended with immediate effect from October 28, 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or import of goods within the territory of the PRC shall pay value-added tax ("**VAT**"). Unless provided otherwise, the applicable VAT rate for the sale or importation of goods and the provision of processing, repair and replacing services is 17%, the rate of VAT is 17%.

Pursuant to the Notice of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) jointly issued by the MOF and the STA on April 4, 2018 and took effect on May 1, 2018, the VAT rates of 17% and 11% applicable to taxpayers engaging in the sale or import of goods shall be adjusted to 16% and 10%, respectively. Pursuant to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) issued jointly by MOF, STA and GACC on March 20, 2019 with effect from April 1, 2019, the VAT rates of 16% and 10% applicable to taxpayers engaging in the sale or import of goods shall be adjusted to 13% and 9%, respectively.

Withholding Tax on Dividend Distribution

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) issued by the SAT on August 21, 2006, the withholding tax rate of 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests of the FIE in the PRC. The 10% withholding tax rate applies to dividends paid by the FIE in the PRC to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests of the FIE in the PRC.

Pursuant to Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (《國家稅務總局關於發佈<非居民納稅人享受協定待遇管理辦法>的公告》) promulgated by the STA on October 14, 2019 with effect from January 1, 2020, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of "self-assessment, claiming benefits, retention of the relevant materials for future inspection".

Tax Preference

Pursuant to Notice on Implementation of Inclusive Tax Relief Policy for Small Low-profit Enterprises (《關於實施小微企業普惠性稅收減免政策的通知》) promulgated by MOFCOM and STA on January 17, 2019 with effect from January 1, 2019, the portion of annual taxable income amount of a small low-profit enterprise, which does not exceed RMB1 million, shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax at 20% tax rate. The portion of annual taxable income, which exceeds RMB1 million but does not exceed RMB3 million, shall be computed at a reduced rate of 50% as taxable income amount, and be subject to enterprise income tax at 20% tax rate.

Pursuant to Announcement on the Value-added Tax Policies for Supporting Individual Businesses in Resumption of Business (《關於支持個體工商戶復工複業增值稅政策的公告》) promulgated by the MOF and STA on February 28, 2020, except for those in Hubei Province, VAT small-scale taxpayers in other provinces, autonomous regions and centrally-administered municipalities shall pay VAT at the reduced levy rate of 1% for their taxable sales revenue subject to a levy rate of 3%; shall prepay VAT at the reduced pre-levy rate of 1% for their pre-payment VAT items subject to a pre-levy rate of 3% during March 1, 2020 to May 31, 2020.

Pursuant to the Announcement on Extending the Implementation Period for Value-added Tax Deduction and Exemption Policies for Small-scale Taxpayers (《關於延長小規模納稅人減免增值稅政策執行期限的公告》) and the Announcement on Continued Implementation of Some Preferential Tax/Fee Policies for Responding to the COVID-19 Epidemic (《關於延續實

施應對疫情部分稅費優惠政策的公告》) promulgated by the MOF and the STA on April 30, 2020 and March 17, 2021, respectively. The implementation period of the aforesaid preferential tax policies shall be extended to December 31, 2021.

PRC Laws and Regulations Relating to Employment

Labor Contract

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994 with effect from January 1, 1995 and latest amended with effect from December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) which was promulgated on June 29, 2007 with effect from January 1, 2008 and amended on December 28, 2012 with effect from July 1, 2013 and the Implementation Regulations for the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council with immediate effect from September 18, 2008, employers and employees shall enter into written employment contracts to establish their employment relationship. Employers shall pay remuneration to employees on time and in full in accordance with the commitments outlined in employment contracts and relevant PRC laws and regulations.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 with effect from July 1, 2011 and latest amended on December 29, 2018 with effect from the same day, and the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999 and latest amended with immediate effect from March 24, 2019, employers in the PRC shall provide employees with welfare schemes covering basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, occupational injury insurance, and housing provident fund.

JAPAN LAWS AND REGULATIONS

Pharmaceutical Affairs Act

Any person who wishes to manage the business of selling pharmaceuticals is required to obtain a license to sell pharmaceuticals from the prefectural governor of the locality in which the company (store) is located under the Pharmaceutical Affairs Act of Japan (Act No. 145 of 1960, as amended). As UNQ Japan manages the business of selling pharmaceuticals, it has obtained a license for the business from the Governor of Tokyo.

Consigned Freight Forwarding Business Act

Any person who wishes to manage the business of consigned freight forwarding is required to obtain a registration (for first class consigned freight forwarding business) or a permission (for second class consigned freight forwarding business) from the Minister of Land, Infrastructure, Transport and Tourism ("**MLIT**") under the Consigned Freight Forwarding Business Act of Japan (Act No. 82 of 1989, as amended). The term "first class consigned freight forwarding business" in the Act means the business of consigned forwarding by demand of other persons for value, excluding second class consigned freight forwarding business. The term "second class consigned freight forwarding business" in the Act means the consistent business of consigned forwarding by demand of other persons for value for the (i) consigned forwarding by shipping business operators, airline transportation operators or railway transportation operators and (ii) forwarding, collection and delivery of the freight preceding and succeeding to the consigned forwarding in (i) above by automobiles. Although the scope of business of UNQ Japan includes first class consigned freight forwarding business, it does not manage such business as of the date of this document. As advised by our Japanese legal advisor, UNQ Japan does not send products to their customers by their demand for value. While UNQ Japan purchases products in Japan and makes sales either within Japan or exports products to a foreign jurisdiction, UNQ Japan, from the perspective of transportation of goods, does not receive any fees from customers for delivering goods within Japan. In relation to exporting products to a foreign jurisdiction, UNQ Japan merely delivers products to our Group (other than UNQ Japan) in Hong Kong and receives freight fee from our Group (other than UNQ Japan, instead of from customers), and then our Group (other than UNQ Japan) delivers the products to their customers. Such business does not fall under the aforementioned "first class consigned freight forwarding business" under the Act and therefore, UNQ Japan is not required to obtain a registration in Japan. In addition, the scope of business described in the articles of incorporation means the businesses which the company could operate notwithstanding whether it actually operates or not. Accordingly, even if the articles of incorporation refers to "first class consigned freight forwarding business", this does not mean the company is actually operating such business. Therefore, UNQ Japan has not obtained a registration for the business from the MLIT as it is not required to do so. UNQ Japan, however, will be required to obtain a registration from the MLIT if it starts managing the consigned freight forwarding business in the future.

Labor Laws

There are various labor-related laws enacted in Japan, including the Labor Standards Act (Act No. 49 of 1947, as amended), the Industrial Safety and Health Act (Act No. 57 of 1972, as amended), and the Labor Contract Act (Act No. 128 of 2007). The Labor Standards Act regulates, among others, minimum standards for working conditions such as working hours, leave period and leave days. The Industrial Safety and Health Act requires, among others, the implementation of measures to secure the safety of workers and protect the health of workers in the workplace. The Labor Contract Act regulates, among others, the change of terms of employment contracts and working rules, dismissal and disciplinary action. As UNQ Japan employs workers in Japan, these laws impose obligations on UNQ Japan and therefore, UNQ Japan should comply with these laws.

Trademark Act

The Trademark Act of Japan (Act No. 127 of 1959, as amended) aims to protect registered trademarks. A holder of registered trademark rights or an exclusive licensee thereof may demand a person who infringes or is likely to infringe a trademark right or an exclusive right to stop or prevent such infringement. As UNQ Japan has registered trademarks in Japan, it has the rights stipulated in this Act.

HONG KONG LAWS AND REGULATIONS

Hong Kong Laws and Regulations Relating to Import And Export

Import and Export Ordinance

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) (the "**Import and Export Ordinance**") is an ordinance which provides for the regulation and control of, amongst other things, the import and export of products into or out of Hong Kong.

The import and export of certain articles are prohibited unless with the relevant licences under sections 6C and 6D of the Import and Export Ordinance. According to section 6C of the Import and Export Ordinance, no person shall import any article specified in schedule 1 to the Import and Export (General) Regulations (Chapter 60A of the Laws of Hong Kong) (the "**Import and Export (General) Regulations**"), except under and in accordance with an import licence issued under section 3 of the Import and Export Ordinance. Section 6D of the Import and Export Ordinance provides that no person shall export any article specified in the second column of Schedule 2 to the Import and Export (General) Regulations to the place specified opposite thereto in the third column of that Schedule except under and in accordance with an export licence issued under section 3 of the Import and Export Ordinance. Applications for import licence and export licence are handled by the Director-General or any Deputy or Assistant Director-General of Trade and Industry pursuant to section 3 of the Import and Export Ordinance. Anyone who fails to comply with sections 6C and/or 6D shall be guilty of an offence and shall be liable on conviction to a fine of HK$500,000 and to imprisonment for 2 years.

Import and Export (Registration) Regulations

Pursuant to regulations 4 and 5 of the Import and Export (Registration) Regulations (Chapter 60E of the Laws of Hong Kong) (the "**Import and Export (Registration) Regulations**"), every person, including company, who imports or exports or re-exports any article other than an exempted article set out in regulation 3 of the Import and Export (Registration) Regulations shall lodge with the Commissioner of Customs and Excise and any Deputy or Assistant Commissioner of Customs and Excise of Hong Kong (the "**Commissioner**") an accurate and complete import or export declaration relating to such article using services provided by a specified body, in accordance with the requirements that the Commissioner may specify. Every declaration required to be lodged shall be lodged within 14 days after the importation or exportation of the article to which it relates.

Hong Kong Laws and Regulations Relating to Sales or Trade of Goods and Products

Sale of Goods Ordinance

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (the "**Sale of Goods Ordinance**") codifies the law relating to the sale of goods in Hong Kong.

In general, where the seller sells goods in the course of a business, there is an implied condition that the goods supplied under the sale contract are of merchantable quality and reasonably fit for the particular purpose for which the goods are being bought.

Where a contract for the sale of goods is by description, there is an implied condition that the goods shall correspond with the description. In the case of a contract of sale is a contract for sale by sample, there is an implied condition that: (a) the bulk shall correspond with the sample in quality; (b) the buyer shall have a reasonable opportunity of comparing the bulk with the sample; and (c) the goods shall be free from any defect, rendering them un-merchantable, which would not be apparent on reasonable examination of the sample. If the sale is by sample as well as by description, the goods still need to correspond with the description even when the bulk of the goods corresponds with the sample.

Trade Descriptions Ordinance

Goods sold or supplied in Hong Kong are subject to the Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the "**Trade Descriptions Ordinance**") and we need to ensure that the description of our products are in compliance with such ordinance.

Section 2 of the Trade Descriptions Ordinance provides that a trade description (including but not limited to quantity, composition, price, fitness for purpose, performance and manufacturing details, approvals, compliance with a standard, etc.) which is false to a material degree; or though not false, is misleading, that is to say, likely to be taken for a trade description of a kind that would be false to a material degree, would be regarded as a false trade description.

Section 7 of the Trade Descriptions Ordinance provides that it is an offence for any person, in the course of his trade or business, applies a false trade description to any goods; or supplies or offers to supply any goods to which a false trade description is applied. It is also an offence for any person to have in his possession for sale or for any purpose of trade or manufacture any goods to which a false trade description is applied.

Section 12 of the Trade Descriptions Ordinance further provides that a person must not import or export any goods to which a false trade description or forged trade mark is applied, and the contravention of which commits an offence.

OVERVIEW

Our history can be traced back to 2010 when UNQ Business Consulting, the then operating entity of the Company in the PRC prior to 2014, was established by Mr. Wang, our founder, chairman, executive Director and chief executive officer of the Company. In October 2014, UNQ Supply Chain was established and became one of our operating entities in the PRC. From late 2014 throughout 2016, UNQ Business Consulting and one of its subsidiaries transferred the relevant businesses and assets to UNQ Supply Chain and Hangzhou SPT, and UNQ Business Consulting was liquidated and deregistered in July 2018. For the purpose of the Listing, our Company was incorporated as an exempted company with limited liability in the Cayman Islands on October 31, 2019 as the holding company of our current businesses.

OUR DEVELOPMENT MILESTONES

The following is a summary of our Group's material development milestones:

2010	• UNQ Business Consulting was established to commence our business and became online sales agent of Hakugen. • We opened an official flagship store in Tmall. • We started our cooperation with Kobayashi.
2011	• Shiseido and Sunstar became our brand partners.
2012	• We became Kose's brand e-commerce solutions provider in China. • Yihaodian, which later became part of JD.com, became our customer.
2013	• We started our cooperation with Tmall Supermarket.
2014	• UNQ Supply Chain was established as our principal operating entity. • The agreement in relation to the Round A Investment was executed and TCI acquired equity interest in UNQ Supply Chain. • Unicharm became our brand partner.
2015	• Koh Gen Do became our brand partner. • We invested into UNQ Japan which became our subsidiary to operate cross-border e-commerce business.
2016	• TCI further acquired equity interest in UNQ Supply Chain. • YKM Business Consulting commenced business cooperation with e-commerce platforms such as Xiaohongshu.
2017	• Shanghai Fuli started to carry out our marketing and advertising business.

2018	•	We were honored both a Tmall five-star service provider and a Tmall Global five-star service provider.
2019	•	We introduced Taisho as our brand partners with our footprint in OTC drug business.
2020	•	We became one of Alibaba's Certified Brand Databank Services Partners (品牌數據銀行認證服務商).

OUR MAJOR SUBSIDIARIES

The principal business activities, date of incorporation and date of commencement of business of each member of our Group that made a material contribution to our results of operations during the Track Record Period are as follows:

Name	Principal business activities	Date of incorporation and commencement of business
UNQ Supply Chain	supply chain management; sales of merchandise	October 17, 2014
Shanghai SPT	e-commerce business operation	June 4, 2013
Hangzhou SPT	e-commerce business operation; customer service	November 19, 2014
Shanghai Fuli	marketing and advertising	November 28, 2016
UNQ Japan	cross-border e-commerce business operation; management of overseas supply chain	October 2, 2014
UNQ HK	cross-border e-commerce business operation	August 27, 2015

MAJOR SHAREHOLDING CHANGES

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on October 31, 2019 with an authorized share capital of HK$380,000 divided into 3,800,000,000 Shares with a par value of HK$0.0001 each.

In order to carry out the Reorganization in preparation of the Global Offering, our Company issued and allotted Shares to the entities designated by the shareholders of UNQ Supply Chain. See "– Reorganization" for details of the shareholding changes.

UNQ Business Consulting

UNQ Business Consulting, the then operating entity of the Company in the PRC prior to 2014, was established in the PRC as a limited liability company with a registered capital of RMB500,000 on August 5, 2010 by our founder, Mr. Wang. From September 2010 to February 2014, UNQ Business Consulting underwent series of shareholding changes and capital increase. Prior to TCI's investment in our Group, the registered capital of UNQ Business Consulting was increased to RMB5,000,000 in February 2014, and the then shareholders and their respective shareholding percentages are set out as follows:

Shareholder	Shareholding percentage
Mr. Wang	77.6%
NING Jing	19.4%
Hangzhou Xunala	3.0%

In connection with TCI's investment in our Group, TCI, Mr. Wang and NING Jing agreed to restructure our Group and establish a new operating entity to hold our business. Accordingly, UNQ Supply Chain was established by the then shareholders of UNQ Business Consulting on October 17, 2014. From late 2014 throughout 2016, UNQ Business Consulting and one of its subsidiaries transferred the relevant businesses and assets to UNQ Supply Chain and Hangzhou SPT, and UNQ Business Consulting was liquidated and deregistered in July 2018.

UNQ Supply Chain

Incorporation

UNQ Supply Chain was established in the PRC as a limited liability company on October 17, 2014. The initial registered capital of UNQ Supply Chain was RMB1,000,000. At the time of its incorporation, Mr. Wang, NING Jing and Hangzhou Xunala held 75.7817%, 21.2183% and 3.0000% equity interests in UNQ Supply Chain, respectively.

Major Shareholding Changes prior to the Reorganization

In light of (i) China's e-commerce market becoming the largest e-commerce market worldwide with high-speed growth these years, whilst Japanese FMCGs are expected to expand online sales in China, (ii) the business prospects of UNQ Supply Chain, and (iii) TCI's intention to cooperate with us to accelerate its growth of e-commerce business, on December 8, 2014, TCI entered into an equity transfer and capital increase agreement with UNQ Supply Chain, Mr. Wang, NING Jing and Hangzhou Xunala, pursuant to which (i) Mr. Wang and NING Jing transferred 9.7446% and 2.7554% equity interests of UNQ Supply Chain (before completion of the capital increase) to TCI at the consideration of RMB25,671,790.66 and RMB7,259,138.60, respectively, and (ii) TCI invested RMB44,355,449.5 in UNQ Supply Chain. Upon completion, registered capital of UNQ Supply Chain was increased to RMB1,187,500, and UNQ Supply Chain was held by Mr. Wang, NING Jing, Hangzhou Xunala and TCI as to 55.6103%, 15.5476%, 2.5263% and 26.3158%, respectively.

On June 1, 2015, Hangzhou Xunala entered into an equity transfer agreement with Mr. Wang, pursuant to which Hangzhou Xunala transferred 0.3249% equity interests in UNQ Supply Chain to Mr. Wang at the consideration of RMB1,016,274.36.

On July 15, 2016, TCI entered into an equity transfer and capital increase agreement with UNQ Supply Chain, Mr. Wang, NING Jing and Hangzhou Xunala, pursuant to which (i) TCI further invested RMB100,000,000 in UNQ Supply Chain and (ii) Mr. Wang, NING Jing and Hangzhou Xunala transferred 4.7019%, 4.7020% and 0.2895% equity interests in UNQ Supply Chain (after completion of the capital increase) to TCI at the consideration of RMB 59,420,340, RMB59,420,340 and RMB3,659,320, respectively. Upon completion, registered capital of UNQ Supply Chain was increased to RMB1,289,541, and UNQ Supply Chain was held by Mr. Wang, NING Jing, Hangzhou Xunala and TCI as to 46.8071%, 9.6154%, 1.7377% and 41.8398%, respectively.

To implement the employee incentive plan of UNQ Supply Chain, UNQ Supply Chain increased its registered capital and allotted such increased registered capital to two onshore employee shareholding entities, namely Langyu Partnership and Langyue Partnership, both of which are limited partnerships established in the PRC.

On December 18, 2016 and June 26, 2017, Langyu Partnership and Langyue Partnership entered into capital increase agreements with the then shareholders of UNQ Supply Chain, respectively, pursuant to which the registered capital of UNQ Supply Chain was increased to RMB1,329,424 and RMB1,352,041, respectively, at the consideration of RMB2,911,459 and RMB1,651,041 paid by Langyu Partnership and Langyue Partnership, respectively.

On July 28, 2017, NING Jing entered into an equity transfer agreement with Mr. Wang, TCI and UNQ Supply Chain, pursuant to which NING Jing transferred 2.7228% and 2.4482% equity interests in UNQ Supply Chain to Mr. Wang and TCI at the consideration of RMB36,757,788 and RMB33,050,263, respectively.

See "– TCI Investments" for more information about the investments made by TCI in UNQ Supply Chain.

After the above-mentioned shareholding changes, UNQ Supply Chain was held as to 47.3663% by Mr. Wang, 42.3538% by TCI, 4.0000% by NING Jing, 2.9498% by Langyu Partnership, 1.6728% by Langyue Partnership and 1.6573% by Hangzhou Xunala.

UNQ Supply Chain also underwent certain shareholding changes during the course of Reorganization. See "– Reorganization – Onshore Reorganization" for details.

TCI Investments

From 2015 to 2017, TCI made several rounds of investment in UNQ Supply Chain (the "**TCI Investments**"), principal terms of which are set out as follows:

Principal terms of the TCI Investments

	Round A Investment	**Round B Investment**	**Transfer by NING Jing to TCI**
Amount of consideration paid	RMB44,355,449.5 (for capital increase) RMB32,930,929.26 (for acquisition of equity interest from Mr. Wang and NING Jing)	RMB100,000,000 (for capital increase) RMB122,500,000 (for acquisition of equity interest from Mr. Wang, NING Jing and Hangzhou Xunala)	RMB33,050,263
Date on which the investment was fully settled	March 20, 2015	September 19, 2016	November 16, 2017
Basis of consideration	The relevant consideration was determined after arm's length negotiations between the parties with reference to (i) the prospects of our business, (ii) the valuation of UNQ Supply Chain and our Group as a whole agreed by the parties, and (iii) the strategic benefits to be brought by TCI at or around the date of the investment (where applicable).		
Average cost/cost per registered capital of UNQ Supply Chain (RMB)	247.32	980.00	998.48
Average discount/discount to the Offer Price (high-end)	88.38%	47.08%	41.68%

	Round A Investment	Round B Investment	Transfer by NING Jing to TCI
Use of proceeds	The investment amount received by UNQ Supply Chain from TCI through the Round A Investment and the Round B Investment, totaling approximately RMB144 million, has been fully used for the business operation and expansion of UNQ Supply Chain. No proceeds were received by UNQ Supply Chain for the aforementioned acquisition of equity interests by TCI from Mr. Wang, NING Jing and Hangzhou Xunala.		
Strategic benefits	At the time of the relevant investments, our then Directors were of the view that our Group would benefit from the additional capital contributed by TCI, and the investment made by TCI would enable us to leverage TCI's network in Japan to broaden our lineup of brand partners and further improve our position in the market.		
Lock-up	There is no lock-up arrangement under the investment by TCI, pursuant to the principal terms of the relevant investment agreements. TCI, as one of the Controlling Shareholders, will be subject to lock-up requirement under Rule 10.07 of the Listing Rules. See "Underwriting - Undertakings to the Stock Exchange Pursuant to the Listing Rules" for details.		

TCI's rights

During the course of the Reorganization, a shareholders agreement was entered into among Wisdom Oasis, Kingdom Bridge, Oasis Street I, Oasis Street II, Athena Land I, Athena Land II, Athena Land III, Athena Land IV, Athena Land V, Matrix II, Mr. Wang and TCI on June 5, 2020, pursuant to which TCI was granted certain special rights by other Shareholders mainly including, among others, right of first refusal, tag-along rights, divestment right, call options, anti-dilution right, director appointment right and management nomination right. Among such special rights, TCI's divestment rights had been terminated upon our filing of the listing application, while all other special rights had been terminated or will be terminated upon Listing in accordance with the terms of the aforementioned shareholders agreement.

Undertakings provided by Mr. Wang in favor of TCI and others

On June 5, 2020, Mr. Wang and Wisdom Oasis executed a deed of undertaking in favor of TCI, as amended and restated on June 23, 2021, pursuant to which each of Mr. Wang and Wisdom Oasis undertook to vote, at board meetings (provided that Mr. Wang may ignore this undertaking when voting at board meetings if complying with it would constitute a breach of his fiduciary duties as a director of the Company) and general meetings of the Company, in favor of any director candidate nominated by TCI in accordance with the articles of association of the Company as long as TCI holds at least 20% of the Shares.

Mr. Wang and Wisdom Oasis also undertake to vote, at board meetings and general meetings of the Company, in favor of any director candidate nominated by Shareholders who hold at least 20% of the Shares, provided that Mr. Wang may ignore this undertaking when voting at board meetings if complying with it would constitute a breach of his fiduciary duties as a director of the Company.

On June 23, 2020, Mr. Wang and TCI entered into a management shareholder service agreement, pursuant to which Mr. Wang is subject to certain obligations of exclusive service, non-competition and confidentiality (the "**Management Shareholder Service Agreement**"). Such obligations, among others, mainly include:

- during the period between June 23, 2020 to August 22, 2021 (the "**Exclusive Service Period**"), without written consent of TCI, Mr. Wang shall not (i) hold any equity interests in, (ii) hold any positions at, or (iii) provide labor and service to, any companies other than the Group, except for the equity interests in specified companies held by Mr. Wang prior to the date of the agreement; Mr. Wang shall hold management position in the Group and work diligently for the benefit of the Group and shall not resign or transfer to part-time work, unless he has any health problems or there are any force majeure events that lead to his unable to work full time (the "**Obligations of Exclusive Service**");

- during the longer period of, (i) the Management Service Period plus two years immediately after Mr. Wang's ceasing to hold any position in the Group, or (ii) the period during which Mr. Wang, directly or indirectly, holds any equity interests or shares in the Group plus two years immediately after Mr. Wang's ceasing to hold any such equity interest or shares in the Group (the "**Non-competition Period**"), he shall not directly or indirectly, whether for his own account, through third parties, in conjunction with third parties or on behalf of third parties, (i) invest, engage or involve in any business that may compete with that of the Group, or form any beneficial relationship with any companies with such competing business; (ii) solicit, or attempt to solicit any customers, clients, representatives, agents, responsible contact persons of the Group, any persons who usually transact with the Group; (iii) employ, solicit, or attempt to employ or solicit, any current or past management personnel, managers, consultants or employees of the Group; (iv) apply the trademarks, logos, names, domain names, names of products or services, other characters, their corresponding Chinese names and names in other languages, other similar characters or other intellectual properties of the Group or any store operated by the Group, to any transactions, business or entities that have no relationship with

the Group, or that are not in the interest of the Group; (v) intentionally publish any speech that are not in the interest of the Group, or carry out any actions that have adverse impacts on the interest of the Group (the "**Obligations of Non-competition**");

- notwithstanding the expiry of the Exclusive Service Period and Non-Competition Period, Mr. Wang shall keep strictly confidential of operational strategies, plans, customers and suppliers of the Group, and any operational, financial and technology information that are related to such transactions (the "**Obligation of Confidentiality**").

Pursuant to the terms of the Management Shareholder Service Agreement,

- the term for the exclusive service is the Exclusive Service Period, irrespective of Mr. Wang's position or level of shareholding in the Group;

- in the event that Mr. Wang ceases to be the Controlling Shareholder but still holds shares in the Group, he will still be subject to the Obligations of Non-competition during the Non-competition Period; and

- Mr. Wang's Obligations of Confidentiality will survive the expiry of the Management Shareholder Service Agreement, irrespective of Mr. Wang's position or level of shareholding in the Group.

The obligations under the Management Shareholder Service Agreement can be traced back to an agreement in 2014 in relation to TCI's initial investment in UNQ Supply Chain (i.e. the Company's operating entity in the PRC before the Reorganization). As TCI's initial investment agreement was terminated for the purpose of the Reorganization, TCI required similar obligations from Mr. Wang to continue in the Management Shareholder Service Agreement.

Public float

Since TCI is one of our Controlling Shareholders, the Shares held by it will not be counted as part of the public float under Rule 8.08 of the Listing Rules.

Information about TCI

TCI is a Japan-based company listed on the Tokyo Stock Exchange (TSE: 9715). TCI Group is principally engaged in the provision of one-stop outsourcing services. TCI Group provides contact center services, business process outsourcing services, digital marketing services, e-commerce one-stop services and other services to its global clients.

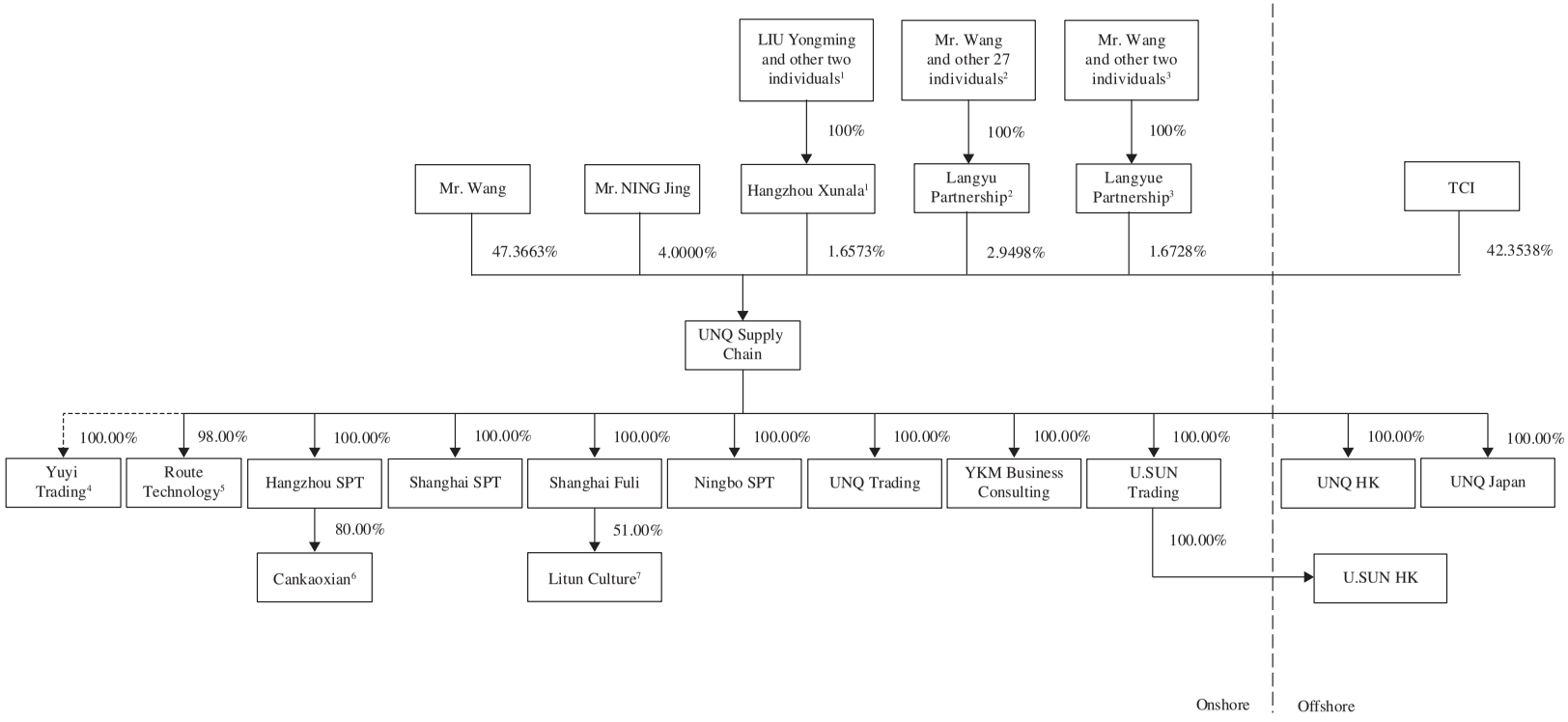
Sponsor's confirmation

The Sole Sponsor has confirmed that the TCI Investments are in compliance with the Interim Guidance on the Pre-IPO Investments (HKEx-GL29-12) and Guidance on Pre-IPO Investments (HKEx-GL43-12) issued by the Stock Exchange to the extent that all special rights granted to TCI under the relevant investment agreements and shareholders agreements shall be terminated upon Listing.

REORGANIZATION

In order to optimize our corporate structure to further develop the business of our Group and to more readily access the international capital markets, we underwent the Reorganization in preparation for the Global Offering, details of which are set out below.

Shareholding and Group Structure of our Group immediately before the Reorganization



Notes:

As of the date immediately before the Reorganization:

1. Hangzhou Xunala is an e-commerce retail business operation entity focusing on beauty cosmetics and relevant services and was incorporated under the laws of the PRC as a limited liability company in November 2010. LIU Yongming (劉勇明), ZUO Lingye (左凌燁) and CHEN Ruigui (陳瑞貴) held 66.30%, 19.14% and 14.56% equity interests in Hangzhou Xunala, respectively. Each of LIU Yongming, CHEN Ruigui and ZUO Lingye is an Independent Third Party. During the Reorganization, 19.14% of the 1.6573% equity interest in UNQ Supply Chain held by Matrix II indirectly through Hangzhou Xunala was transferred to Matrix II on July 10, 2019, which was registered with the local counterpart of the SAMR on September 9, 2019. As a result, the economic interest of the 1.6573% equity interest in UNQ Supply Chain held by Hangzhou Xunala was held directly as to 66.3%, 19.14% and 14.56% by LIU Yongming (劉勇明), Matrix II and CHEN Ruigui (陳瑞貴), respectively. Matrix II is an Independent Third Party.

2. Langyu Partnership was a limited partnership incorporated under the laws of the PRC. YANG Sijie (楊思潔), CHEN Weiwei (陳偉偉), LAI Juncheng (賴俊成), HAN Tongpin (韓彤蘋), SHEN Yu (沈宇), ZHANG Kaixuan (張凱旋), WEI Xiaoliang (魏曉亮), SHEN Hao (沈皓), LU Dian'an (路殿安), YIN Zhenyu (尹臻彧), CHE Yan (車彥), YU Kefei (俞可飛), SONG Wei (宋瑋), XU Fei (徐斐), YUAN Youlan (袁幼蘭), ZHU Mimi (朱咪咪), LI Jiangpeng (李江鵬), WANG Yibing (王義兵), ZHENG Shixiong (鄭世雄), FANG Fang (方芳), CHEN Chun (陳醇), XU Dongming (徐東明), LI Fen (李芬), WU Yuehua (吳閱華), ZHANG Jing (張晶), CHENG Jianjing (程建靜), QIN Jiaowei (覃嬌薇) and Mr. Wang held 21.0014%, 8.7757%, 8.5249%, 8.2742%, 7.5220%, 6.7698%, 3.8237%, 3.6983%, 2.8834%, 2.6954%, 2.6327%, 2.5073%, 2.1312%, 2.1312%, 1.6925%, 1.6925%, 1.6298%, 1.6298%, 1.5671%, 1.5044%, 1.5044%, 1.3790%, 1.1283%, 1.0782%, 0.7522%, 0.7522%, 0.2507%, 0.0676% interests in Langyu Partnership, respectively. Among the 28 partners of Langyu Partnership, Mr. Wang was the managing partner while the other 27 partners were limited partners. All the 28 partners were employees of our Group immediately before the Reorganization. CHE Yan left UNQ Supply Chain on February 25, 2019 and has been working at Yuyi Trading since April 2019. ZHANG Jing left our Group on December 31, 2019.

3. Langyue Partnership was a limited partnership incorporated under the laws of the PRC. Mr. Wang, CHEN Erhan (陳爾罕) and ZENG Yan (曾雁) held 59.6449%, 23.9120% and 16.4431% interests in Langyue Partnership, respectively. Among the three partners, Mr. Wang was the managing partner while the other two partners were limited partners. All the three partners were employees of our Group immediately before the Reorganization. On March 31, 2020, CHEN Erhan resigned from his position in our Group.

4. Yuyi Trading was a limited liability company incorporated under the laws of the PRC on April 10, 2019. CHE Yan held 100% of the equity interests in Yuyi Trading on behalf of UNQ Supply Chain through an entrusted shareholding agreement entered into between UNQ Supply Chain and CHE Yan on March 16, 2019. Such entrusted shareholding agreement was subsequently terminated on February 29, 2020 and the 100% equity interest in Yuyi Trading was transferred to UNQ Supply Chain on the same day.

5. ZHANG Xiaolin (張曉霖) held the remaining 2% equity interests in Route Technology. ZHANG Xiaolin is an Independent Third Party.

6. YUAN Youlan (袁幼蘭) held the remaining 20% equity interests in Cankaoxian. Cankaoxian is an insignificant subsidiary under Rule 14A.09 of the Listing Rules, thus YUAN Youlan is an Independent Third Party.

7. The remaining 49% equity interests in Litun Culture were held as to 30%, 4.5%, 4.5%, 4%, 2%, 2% and 2% by LI Jiacui (李佳翠), ZHANG Yan (張彥), JIANG Wenjing (蔣文靜), LU Dian'an, CHEN Weiwei, LAI Juncheng and YIN Zhenyu, respectively. Litun Culture is an insignificant subsidiary under Rule 14A.09 of the Listing Rules, thus each of the above-mentioned persons is an Independent Third Party.

Offshore Reorganization

Incorporation of offshore holding companies

In late 2019, the Onshore Individuals established several companies in the BVI as holding companies of the shares of the Company. The details of all these offshore holding companies and identities of the Onshore Individuals are set out below.

Company name	Onshore Individual(s)	Equity interests in such offshore holding company
Wisdom Oasis Holdings Limited	Mr. Wang	100%
Kingdom Bridge Holdings Limited	NING Jing	100%
Oasis Street I Holdings Limited	LIU Yongming	100%
Oasis Street II Holdings Limited	CHEN Ruigui	100%
Athena Land I Holdings Limited	YANG Sijie	61.79%
	XU Fei	6.27%
	SONG Wei	6.27%
	SHEN Hao	10.88%
	ZHU Mimi	4.98%
	FANG Fang	4.43%
	WU Yuehua	3.17%
	ZHANG Jing	2.21%
Athena Land II Holdings Limited	LAI Juncheng	42.63%
	WEI Xiaoliang	19.12%
	LI Jiangpeng	8.15%
	WANG Yibing	8.15%
	YUAN Youlan	8.47%
	ZHENG Shixiong	7.84%
	LI Fen	5.64%
Athena Land III Holdings Limited	HAN Tongpin	17.79%
	SHEN Yu	16.17%
	CHE Yan	5.66%
	YIN Zhenyu	5.79%
	YU Kefei	5.39%
	CHEN Erhan	29.15%
	ZENG Yan	20.05%

Company name	Onshore Individual(s)	Equity interests in such offshore holding company
Athena Land IV Holdings Limited	CHEN Weiwei	39.33%
	XU Dongming	6.18%
	ZHANG Kaixuan	30.34%
	QIN Jiaowei	1.12%
	LU Dian'an	12.92%
	CHENG Jianjing	3.37%
	CHEN Chun	6.74%

On April 14, 2020, Athena Land V Holdings Limited was incorporated in the BVI which is wholly-owned by MATSUMOTO Ryoji, our executive Director, general manager of overseas business department and an employee of UNQ Japan. It is established as a platform to hold the employee incentive shares transferred by Mr. Wang, whose details are set out under the section titled "– Share Transfer by Wisdom Oasis to Athena Land V" of this section.

Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on October 31, 2019 with the shareholding structure as below where each of the shareholders paid par value for the allotted shares:

Shareholders	Number of shares held after allotment	Shareholding
Wisdom Oasis Holdings Limited	653,927	83.90%
Kingdom Bridge Holdings Limited	54,082	6.94%
Oasis Street I Holdings Limited	14,856	1.91%
Oasis Street II Holdings Limited	3,263	0.42%
Athena Land I Holdings Limited	13,556	1.74%
Athena Land II Holdings Limited	7,975	1.02%
Athena Land III Holdings Limited	18,552	2.38%
Athena Land IV Holdings Limited	8,900	1.14%
Matrix Partners China II Hong Kong Limited	4,289	0.55%
Total	**779,400**	**100.00%**

Incorporation of E-Bloom Holdings

On November 5, 2019, E-Bloom Holdings was incorporated under the laws of the BVI as a direct wholly-owned subsidiary of our Company.

Incorporation of UNQ Hong Kong Holdings

On November 19, 2019, UNQ Hong Kong Holdings was incorporated under the laws of Hong Kong as a direct wholly-owned subsidiary of E-Bloom Holdings.

Share Transfer by Wisdom Oasis to Athena Land V

As a share incentive arrangement for MATSUMOTO Ryoji, our executive Director, general manager of overseas business department and an employee of UNQ Japan, Wisdom Oasis and Athena Land V executed an instrument of transfer on April 21, 2020, pursuant to which Wisdom Oasis transferred 10,000 Shares in UNQ Holdings Limited to Athena Land V at a consideration of approximately RMB730,000.00. The consideration is expected to be paid no later than August 31, 2020.

TCI's interest in our Company

On June 5, 2020, TCI entered into a restructure framework agreement with our Company, UNQ Supply Chain, UNQ Hong Kong Holdings and Mr. Wang, pursuant to which (i) TCI and our Company agreed to enter into a share subscription agreement, and (ii) TCI and UNQ Hong Kong Holdings agreed to enter into an equity transfer agreement, both on the same date of the restructure framework agreement (i.e. on June 5, 2020), pursuant to which TCI agreed to transfer its entire equity interest held in UNQ Supply Chain to UNQ Hong Kong Holdings.

Pursuant to the share subscription agreement entered into between TCI and our Company on June 5, 2020, our Company agreed to allot and TCI agreed to subscribe for 572,641 Shares of our Company at the consideration of HK$838,605,619.20 (equivalent to RMB762,368,744.73), representing 42.3538% of the total number of issued Shares of our Company immediately after the completion of such subscription. Immediately after the allotment on June 12, 2020, the shareholdings of our Company are set out as follows:

Shareholders	**Number of shares held after allotment**	**Shareholding**
Wisdom Oasis Holdings Limited	643,927	47.6263%
Kingdom Bridge Holdings Limited	54,082	4.0000%
Oasis Street I Holdings Limited	14,856	1.0988%
Oasis Street II Holdings Limited	3,263	0.2413%
Athena Land I Holdings Limited	13,556	1.0027%
Athena Land II Holdings Limited	7,975	0.5899%
Athena Land III Holdings Limited	18,552	1.3721%
Athena Land IV Holdings Limited	8,900	0.6583%
Athena Land V Holdings Limited	10,000	0.7396%
Matrix Partners China II Hong Kong Limited	4,289	0.3172%
TCI	572,641	42.3538%
Total	**1,352,041**	100%

Pursuant to the equity transfer agreement entered into between TCI and UNQ Hong Kong Holdings on June 5, 2020, TCI agreed to transfer 42.3538% equity interests held by it in UNQ Supply Chain to UNQ Hong Kong Holdings at the consideration of RMB762,368,744.73.

Under the aforementioned restructure framework agreement dated June 5, 2020, it was agreed by the parties thereto that the consideration payable by TCI to our Company under the aforementioned share subscription agreement dated June 5, 2020 shall be offset entirely by the consideration payable by UNQ Hong Kong Holdings to TCI under the equity transfer agreement dated June 5, 2020 in relation to transfer of equity interest held by TCI in UNQ Supply Chain to UNQ Hong Kong Holdings.

The equity transfer and share subscription mentioned above were completed on June 10, 2020 and June 12, 2020, respectively.

On 28 April 2021, Matrix II transferred the entire Shares it holds in the Company to its shareholders in proportion to their shareholding in Matrix II. Immediately after the transfer and before the Capitalization Issue and the Global Offering, Matrix Partners China II-A, L.P. ("**Matrix China II-A**") and Matrix Partners China II, L.P. ("**Matrix China II**") directly held approximately 0.0317% and 0.2855% of the total issued Shares of the Company, respectively.

Onshore Reorganization

Equity Transfer to Onshore Individuals and Matrix II

On July 10, 2019, Onshore Individuals (other than NING Jing) and Matrix II entered into an equity transfer agreement with holding entities which directly held equity interests in UNQ Supply Chain on behalf of them, pursuant to which Onshore Individuals and Matrix II agreed to transfer from their indirect shareholding in UNQ Supply Chain to direct shareholding to reflect their respective effective equity interests in UNQ Supply Chain at the consideration of RMB140 per registered share capital of UNQ Supply Chain. The equity transfer was registered with the local counterpart of the SAMR on September 9, 2019.

Onshore Individuals and Matrix II transferred all their equity interests in UNQ Supply Chain to UNQ Hong Kong Holdings

For the purpose of transferring the equity interests held by the Onshore Individuals and Matrix II in UNQ Supply Chain to interests in our Company, on January 31, 2020, the Onshore Individuals, Matrix II and UNQ Hong Kong Holdings entered into an equity transfer agreement, pursuant to which, a total of 57.6462% equity interests in UNQ Supply Chain were transferred by the Onshore Individuals and Matrix II to UNQ Hong Kong Holdings at the consideration of RMB779,399.71, which is calculated with reference to the then total registered capital (RMB1,352,041) of UNQ Supply Chain. Upon the completion of the equity transfer, UNQ Hong Kong Holdings and TCI held 57.6462% and 42.3538% equity interests in UNQ Supply Chain, respectively. The equity transfer was registered with the local counterpart of the SAMR on March 18, 2020.

TCI transferred 42.3538% equity interests in UNQ Supply Chain to UNQ Hong Kong Holdings

For the purpose of transferring the equity interests held by TCI in UNQ Supply Chain to interests in our Company, on June 5, 2020, TCI entered into an equity transfer agreement with UNQ Hong Kong Holdings, pursuant to which TCI agreed to transfer 42.3538% equity interests in UNQ Supply Chain to UNQ Hong Kong Holdings at a consideration of RMB762,368,744.73. The consideration was offset entirely by the subscription amount payable by TCI to our Company according to the offsetting arrangement agreed between the parties under the relevant restructure framework agreement. See "– TCI's interest in our Company" for more information. Upon completion of the equity transfer on June 10, 2020, UNQ Supply Chain became a direct wholly-owned subsidiary of UNQ Hong Kong Holdings.

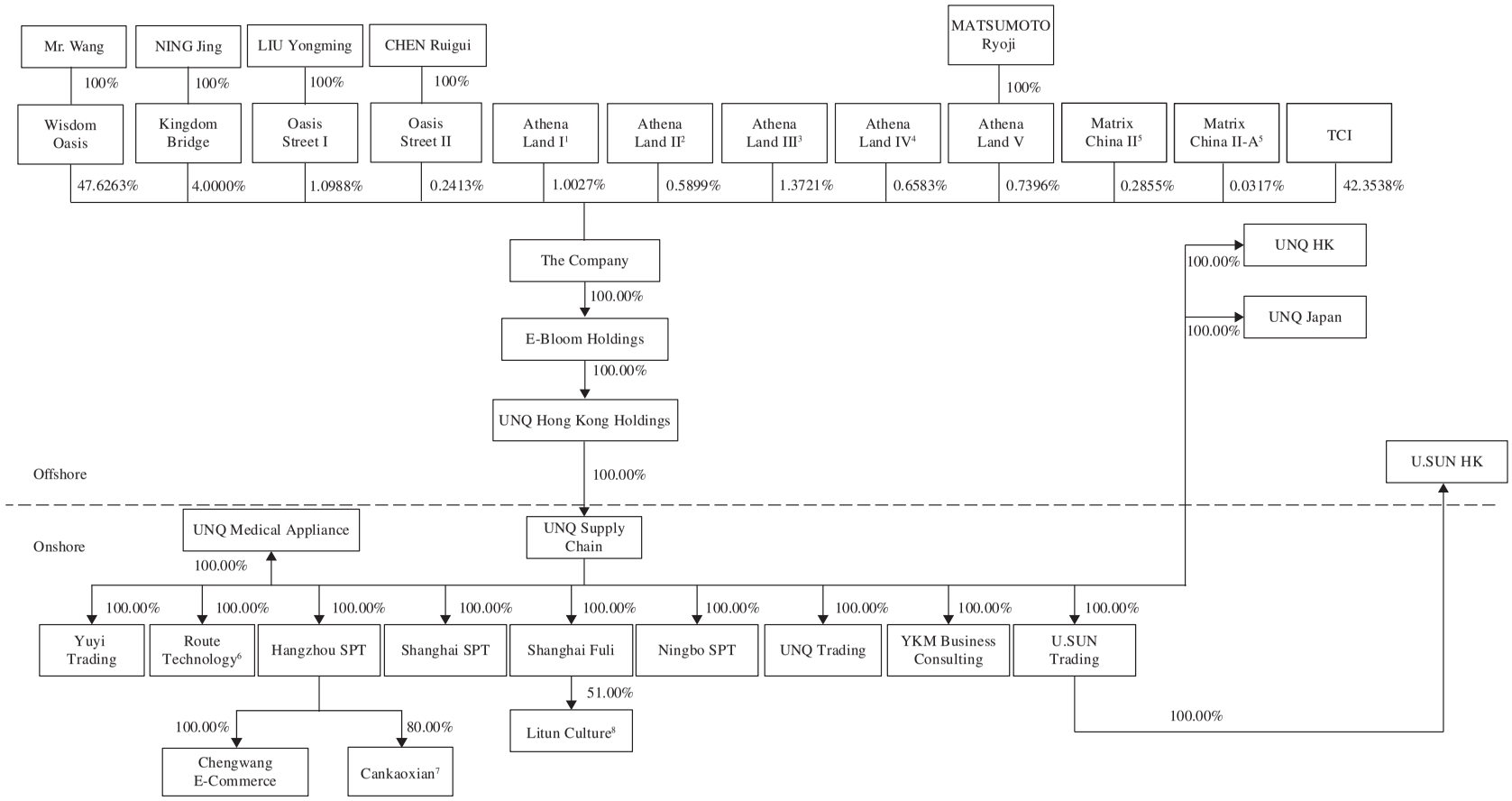
CAPITALIZATION ISSUE

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors shall be authorized to allot and issue a total of 133,852,059 Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalization of the sum of HK$13,385.2059 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then-existing issued Shares with effect from the Listing Date.

SHAREHOLDING AND GROUP STRUCTURE OF OUR COMPANY

Shareholding and Group Structure of our Group immediately before the Completion of the Capitalization Issue and the Global Offering

The following chart sets forth our shareholding structure as of the Latest Practicable Date and immediately prior to the completion of the Capitalization Issue and the Global Offering:



Notes:

As of the Latest Practicable Date,

1. YANG Sijie, XU Fei, SONG Wei, SHEN Hao, ZHU Mimi, FANG Fang, WU Yuehua and ZHANG Jing held 61.79%, 6.27%, 6.27%, 10.88%, 4.98%, 4.43%, 3.17% and 2.21% issued capital of Athena Land I, respectively.

2. LAI Juncheng, WEI Xiaoliang, LI Jiangpeng, WANG Yibing, YUAN Youlan, ZHENG Shixiong and LI Fen held 42.63%, 19.12%, 8.15%, 8.15%, 8.47%, 7.84% and 5.64% issued capital of Athena Land II, respectively.

3. HAN Tongpin, SHEN Yu, CHE Yan, YIN Zhenyu, YU Kefei, CHEN Erhan and ZENG Yan held 17.79%, 16.17%, 5.66%, 5.79%, 5.39%, 29.15% and 20.05% issued capital of Athena Land III, respectively.

4. CHEN Weiwei, XU Dongming, ZHANG Kaixuan, Qin Jiaowei, LU Dian'an, CHENG Jianjing and CHEN Chun held 39.33%, 6.18%, 30.34%, 1.12%, 12.92%, 3.37% and 6.74% issued capital of Athena Land IV, respectively.

5. Based on publicly available information, Matrix China II and Matrix China II-A were partnerships incorporated in Cayman Islands. To the best knowledge of the Directors, the general partner of Matrix China II and Matrix China II-A is Matrix China II GP GP, Ltd. To the best knowledge of the Directors, the directors of Matrix China II GP GP, Ltd. are David Ying Zhang, Timothy A. Barrows, David Su and Yibo Shao. Mr. Zhang, Mr. Barrows, Mr. Su and Mr. Shao share power to direct the voting and disposition of shares of our Company indirectly held by Matrix China II GP GP, Ltd. Matrix China II and Matrix China II-A are Independent Third Parties.

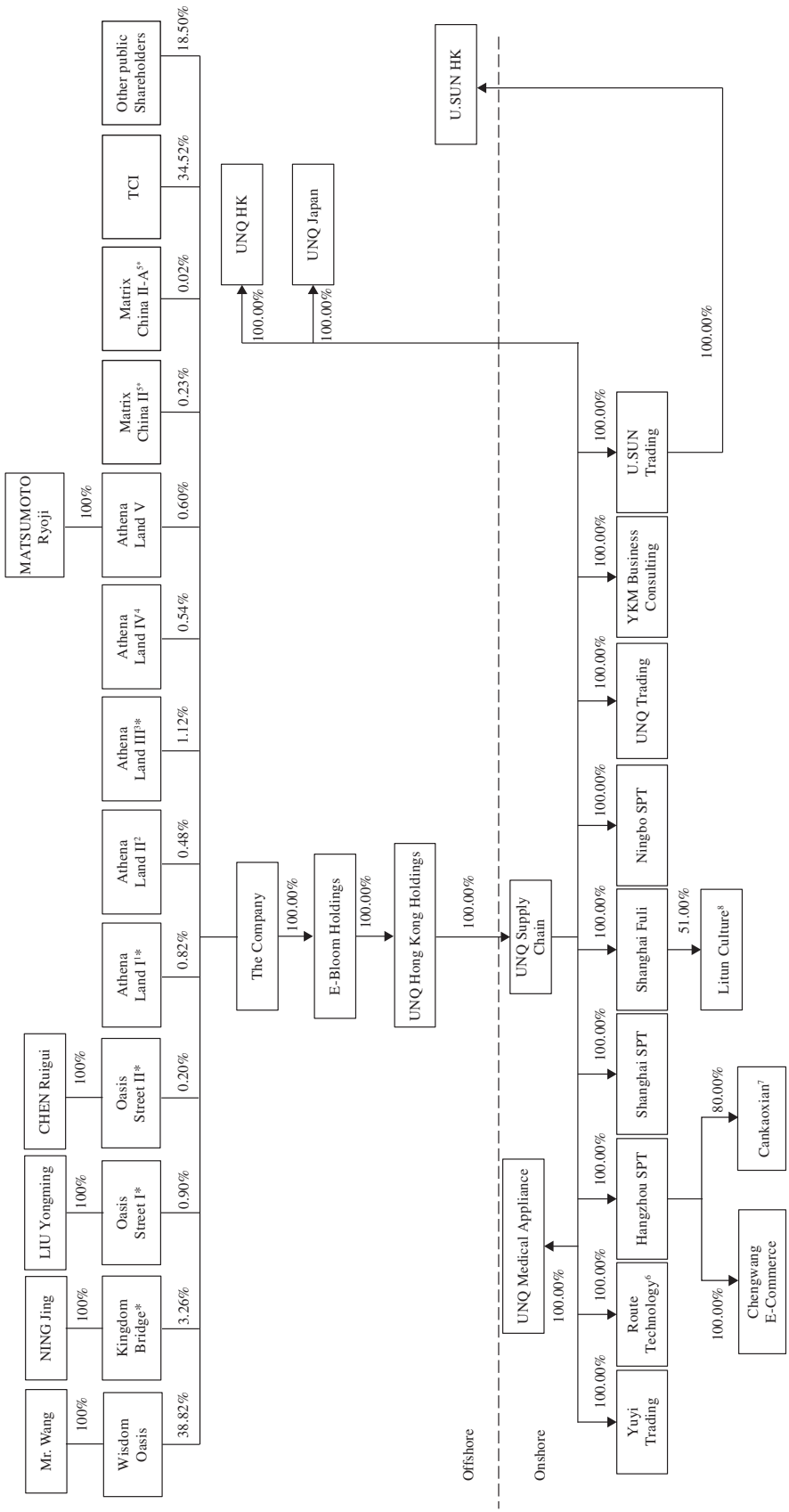
6. Route Technology became our wholly owned subsidiary after UNQ Supply Chain acquired 2% equity interests held by Zhang Xiaolin.

7. See Note 6 to "– Shareholding and Group Structure of our Group immediately before the Reorganization".

8. See Note 7 to "– Shareholding and Group Structure of our Group immediately before the Reorganization".

Shareholding and Group Structure of our Group immediately after the Completion of the Capitalization Issue and the Global Offering

The following chart sets forth our shareholding structure immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised):



Notes: See the corresponding notes under section "– Shareholding and Group Structure of our Company – Shareholding and Group Structure of our Group immediately before the Completion of the Capitalization Issue and the Global Offering".

* refers to the Shares held by such Shareholder are counted towards public float.

Mr. NING Jing ceased to be a director of UNQ Supply Chain, Shanghai SPT and UNQ Japan in June 2020, July 2020 and February 2019, respectively, and is not a director, chief executive or substantial shareholder of the Company and its subsidiaries nor a close associate (as defined under the Listing Rules) of any of them as of the Latest Practicable Date. Therefore, as of the Latest Practicable Date, Mr. NING Jing is not a core connected person of the Company and the Shares held by Mr. NING Jing through Kingdom Bridge shall be counted towards public float.

Each of LIU Yongming and CHEN Ruigui is an Independent Third Party.

As of the Latest Practicable Date, Athena Land II was held by LAI Juncheng as to 42.63%, and thus a close associate of LAI Juncheng. As LAI Juncheng is the director of certain subsidiaries of the Company, Athena Land II is a core connected person of the Company. Therefore, the Shares held by Athena Land II will not be counted towards public float.

As of the Latest Practicable Date, Athena Land IV was held by CHEN Weiwei as to 39.33%, and thus a close associate of CHEN Weiwei. As CHEN Weiwei is the director of a subsidiary of the Company, Athena Land IV is a core connected person of the Company. Therefore, the Shares held by Athena Land IV will not be counted towards public float.

Each of Kingdom Bridge, Oasis Street I, Oasis Street II, Athena Land I, Athena Land III, China Matrix II, China Matrix II-A is not a core connected person of the Company and thus the Shares held by them will be counted towards public float. Upon completion of the Global Offering and assuming the Over-allotment Option is not exercised, we expect to have approximately 25.05% of our issued Shares counted towards public float.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor has confirmed that the Reorganization has complied with all the material applicable laws and regulations in the PRC and we have obtained all necessary approvals from the relevant PRC government authorities in relation to the Reorganization, and the considerations are expected to be settled before the Listing.

M&A Rules

According to the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (1) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (2) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (3) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (4) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise.

Pursuant to M&A Rules, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls such that it becomes a foreign invested enterprise, the acquisition shall be subject to examination and approval of the MOFCOM.

As advised by our PRC Legal Advisor, given that UNQ Supply Chain was a sino-foreign joint venture when the Onshore Individuals and Matrix II transferred all their equity interests in UNQ Supply Chain to UNQ Hong Kong Holdings, the said acquisition is not subject to any prior approval from the MOFCOM under the M&A Rules.

SAFE registration

Pursuant to the Circular on Relevant Issues Relating to Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap,

and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

Pursuant to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

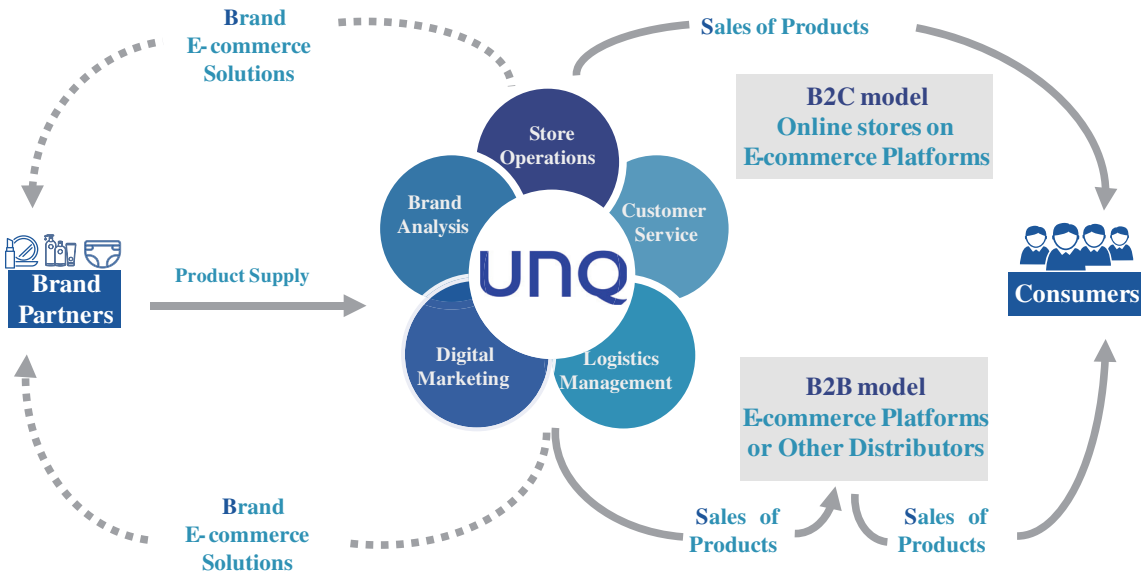
As advised by our PRC Legal Advisor, each of the Onshore Individuals who is a PRC citizen completed their registration under the SAFE Circular 37 on February 14, 2020.

OVERVIEW

We are a leading brand e-commerce retail and wholesale solutions provider in China, strategically focused on Japanese-branded fast-moving consumer goods, or FMCG, consisting of, among others, beauty products and personal care products. According to the CIC Report, we ranked first among brand e-commerce solutions providers in China in terms of GMV for Japanese-branded FMCG sold through e-commerce channels in China in 2019, with a market share of 5.5%.[2] As Japanese FMCG brands have grown in popularity and become important players in the Chinese e-commerce business, the market size of the Japanese FMCG brand e-commerce service market increased at a CAGR of 43.1% from RMB12.2 billion in 2014 to RMB73.3 billion in 2019. It is expected to further increase by 12.6% to RMB82.5 billion in 2020, and to RMB111.4 billion by 2024 at a CAGR of 8.7% from 2019 to 2024, according to the same source.

We act as the bridge between brand partners, e-commerce platforms and consumers in China. We operate our business primarily under distribution method and service fee method. Under the distribution method, we purchase products from selected brand partners, manage domestic and cross-border supply chains, identify and reach target consumers through omnichannel marketing, and sell products to consumers through online marketplace stores operated by us, which we refer to as our business-to-consumer or B2C model, or to e-commerce platforms or other distributors which in turn sell to consumers, which we refer to as our business-to-business or B2B model. Under the service fee method, as a supplement to the B2C and B2B models, we also provide solutions to brand partners or other customers for service fees, usually at a pre-agreed amount, and/or performance-based service charge. In operating our B2C and B2B businesses, we assist our brand partners in developing their e-commerce strategies and offer integrated solutions encompassing various operations in the e-commerce value chain, including brand analysis, online store operations, digital marketing, customer service, and logistics management. We also contribute to e-commerce platforms' efforts to attract new international brands. Together with our brand partners and the e-commerce platforms, we are dedicated to bringing curated, fun and quality branded products from around the globe to consumers in China who are in pursuit of a stylish and healthy lifestyle. We believe the value provided for brand partners by our services or solutions for establishing their online presence, promoting their product popularity, operating their distribution channels and increasing their online sales volume, which do not generate direct revenue, is embedded in the price spread we earn from product sales to our customers. The following diagram illustrates our relationship with brand partners and our business.

Note 2: According to the CIC Report, our GMV is the sum of the full value of all purchases transacted and settled directly (B2C model) or indirectly (B2B model) with end-consumers. The full value of all purchases transacted and settled indirectly with end-consumers (under the B2B model) is calculated based on the common price gap between business customers' purchase price and their selling price to the end-consumers, which are mainly collected from independent interviews with multiple industry experts as reference.



We launched our cross-border brand e-commerce solution in 2015, and, according to the CIC Report, we were among the first to commence a cross-border import brand e-commerce solution business shortly after Tmall Global was established. Cross-border e-commerce facilitates the direct import and sales of products that are usually the same as those sold in the country of origin, and simplifies the usually complex and time-consuming entry requirements of general trade. It is particularly suitable for introducing to China personalized and high-quality overseas FMCG in a cost-effective manner, especially for overseas brands seeking to enter the Chinese market. Compared to general trade, under which typically the brand partners are responsible for handling customs-related regulations, serving cross-border e-commerce usually requires more sophisticated supply chain management and better coordination among participants in the supply chain. We took advantage of UNQ Japan and UNQ HK as part of our cross-border e-commerce solutions, and accumulated knowledge and experience in handling customs-related regulations and policies in China, Japan and Hong Kong. Therefore, we are able to provide our brand partners with optimal strategies and solutions, taking into consideration factors such as their product characterization and applicable regulatory requirements.

As an early mover in cross-border e-commerce, we have formed well-established cross-border supply chain management operations. In order to better identify products suitable for consumers in China, we have built up a localized team in Japan that is principally responsible for business development, as well as liaising with potential brand partners and supply chain management. During the Track Record Period, we increased efforts to grow our cross-border brand e-commerce business, from which the revenue generated as a percentage of our total revenue for the same periods increased from 34.4% in 2018, to 40.1% in 2019 and to 42.7% in 2020. In particular, the number of stores operated by us on Tmall Global for cross-border e-commerce increased rapidly, from 12 as of December 31, 2018, to 19 as of December 31, 2019 and to 26 as of the Latest Practicable Date. As to the transaction model, cross-border e-commerce grew, and is expected to grow, at a much higher rate than other e-commerce models according to the CIC Report. The market size of the cross-border import brand e-commerce service market in China increased at a CAGR of 89.8%, from RMB4.0

billion in 2014 to RMB97.6 billion in 2019, and is expected to achieve RMB124.3 billion by 2020 at a growth rate of 27.4% from 2019 to 2020, and further grow to RMB217.9 billion by 2024 at a CAGR of 17.4% from 2019 to 2024, according to the CIC Report.

As of the Latest Practicable Date, we provided brand e-commerce solutions to 28 brand partners with 66 brands, among which 58 brands were from Japan. We strategically focus on Japanese-branded products, which are widely recognized in China and are considered by consumers to be of high quality. We have developed long-term relationships with our brand partners, covering 40 brands which are Japanese brands that have cooperated with us for more than three years, such as Shiseido, Unicharm and Kose. We also proactively identify and incubate up-and-coming brands, such as Koh Gen Do, Attenir, Bioeffect and Kobayashi, to enable them to quickly establish a brand presence in China, and position them for growth, leveraging our broad sales channels and omnichannel marketing capabilities. While we focus on beauty and personal care products, we strive to diversify our brand and product portfolio by expanding into high-growth areas identified through data analytics, such as Japanese health products, in particular OTC drugs, where our established operational capabilities in Japan give us a competitive edge. We have assisted four Japanese brand partners in establishing the presence of their e-commerce health product business lines in China during the Track Record Period, and in March 2019 we opened the Taisho flagship store on Tmall Global, which was the first cross-border import OTC drug online retail store on Tmall Global that is specialized in OTC drugs, according to the CIC Report.

We believe we are the trusted partner of our brand partners and their preferred choice for executing their e-commerce strategies in China, capitalizing on our comprehensive e-commerce capabilities, broad sales channels, omnichannel marketing capabilities and ability to innovate and adapt to the fast-changing e-commerce market. We were one of a few brand e-commerce service providers rated with five stars or higher both by Tmall and Tmall Global in 2019 and 2020. We were a Tmall Global five-star service provider in 2018 and 2019 and a Tmall Global purple-star service provider from July to December 2020, a Tmall five-star service provider in 2018, 2019 and 2020, a Tmall Global Ecosystem-Partnership five-star service provider from January to March 2020, and received the 2019 JD Best JDP Operation Jingmei Award, a testament to our all-round e-commerce service capabilities. We have strategically cooperated with both established e-commerce platforms such as Tmall Platforms, JD Platforms and Kaola Platforms, and emerging social e-commerce platforms such as Pinduoduo Platforms and Xiaohongshu Platforms, to reach a large and diversified consumer base. As of the Latest Practicable Date, we operated 88 online stores on Principal E-commerce Platforms, consisting of Tmall Platforms, JD Platforms, Xiaohongshu Platforms, Kaola Platforms and Pinduoduo Platforms, and nine stores on other e-commerce platforms. During the Track Record Period, the number of paying consumers of the online stores operated by us increased from approximately six million as of December 31, 2018 to approximately 10 million as of December 31, 2019, and further grew to approximately 12 million as of December 31, 2020. We also sell products to various e-commerce platforms and other distributors.

Leveraging our broad and balanced sales channels, we are capable of strategically selling products to different channels in response to our brand partners' e-commerce objectives. Through our wholly owned subsidiary, Shanghai Fuli, which specializes in marketing and event

planning, we provide a wide spectrum of marketing and advertising services to brand partners. In addition, we have established our social media e-commerce team and multichannel network (MCN), and incubated KOLs with influences on Taobao, Xiaohongshu, Douyin and other popular social media platforms.

Our ability to introduce curated, fun and quality branded products from around the globe to consumers in China is based on our understanding of consumers' demands. We have derived and accumulated extensive and valuable transaction and operational data through our operations and gained access to them through the services of e-commerce platforms, which, together with our strong data analytics capabilities, allow us to effectively identify and predict consumers' needs and preferences and to create more targeted and insightful e-commerce strategies for our brand partners. We established a digital marketing division responsible for the operation of our data-driven business and digital marketing. Our deep understanding of Chinese consumers and the market also enables us to spearhead the overall sales, marketing and pricing initiatives and strategies for our brand partners.

During the Track Record Period, our total revenue was RMB2,541.0 million, RMB2,781.7 million and RMB2,800.8 million, in 2018, 2019 and 2020, respectively, and our gross profit increased from RMB616.3 million in 2018 to RMB803.5 million in 2019, and further to RMB888.1 million in 2020. In 2018, 2019 and 2020, our total revenue from the B2C model accounted for 42.9%, 48.6% and 54.9% of our total revenue, respectively, while our total revenue from the B2B model accounted for 55.3%, 49.6% and 43.9% of our total revenue, respectively.

OUR STRENGTHS

Leading brand e-commerce retail and wholesale solutions provider in China strategically focused on Japanese-branded FMCG

We are a leading brand e-commerce retail and wholesale solutions provider in China strategically focused on Japanese-branded FMCG. We ranked first among brand e-commerce solutions providers in China for Japanese-branded FMCG in terms of GMV and the Japanese beauty and personal care product category sold through e-commerce channels in China in terms of GMV in 2019, respectively, with a market share of 5.5% and 6.1%, respectively, according to the CIC Report. Japanese products are widely recognized by consumers in China and are considered to be of high quality and good value as well as reliable and trustworthy. According to the CIC Report, Japanese products have the highest market share and fastest growth rate as measured by GMV of imported FMCG sold through e-commerce channels in China in 2019, among which beauty and personal care products have the largest share and fastest growth rate. A number of online stores on Tmall or Tmall Global operated by us and featuring Japanese-branded FMCG, such as Shiseido overseas flagship store, Sofy flagship store, Moony overseas flagship store, Hakugen flagship store and Kobayashi overseas flagship store ranked, or had products that ranked, No. 1 in terms of GMV or sales in their respective product categories once or multiple times during the Track Record Period.

As of the Latest Practicable Date, we cooperated under B2B and B2C models with 66 brands, among which 58 brands were from Japan, covering product categories, including personal care products for adults, personal care products for babies, beauty products, health products and others. In 2018, 2019 and 2020, we generated 99.8%, 99.7% and 98.3%, respectively, of our total revenue from sales of products procured from, and provision of services to, Japanese brand partners. We have developed long-term relationships with 40 Japanese brands that have collaborated with us for more than three years.

- In particular, since 2011, we have been cooperating with Shiseido, one of the top three cosmetic groups in Japan in terms of sales revenue in 2019 according to the CIC Report. Under our operation, Tmall Global Shiseido overseas flagship store's followers exceeded 1.9 million as of the Latest Practicable Date. The store's 2020 annual GMV increased by 40% compared with that of 2019. Shiseido's UNO brand ranked No. 1 in Tmall Global's male personal care category in terms of annual GMV in 2019 and ranked No. 1 in Tmall Global's male facial cream category in terms of GMV on Singles Day 2020. Shiseido's FINO hair mask also ranked No. 1 in the hair mask category on Tmall Global in terms of sales in November 2019 and November 2020.

- We have been cooperating with Unicharm since 2014, one of the top three diaper companies in Japan in terms of sales revenue in 2019, according to the CIC Report. Under our operation, Tmall Global overseas flagship store for Moony, a brand of Unicharm, ranked No. 1 in Tmall Global's paper diaper category in terms of sales in November of 2017, 2018, 2019 and 2020, and Tmall flagship store for Sofy, another brand of Unicharm, ranked No. 2 in terms of sales in Tmall's sanitary napkins category in November 2020 and No. 1 in terms of sales in Tmall's pant style sanitary napkins category in November of 2018, 2019 and 2020. Under our operation, Tmall flagship store for Silcot, a brand of Unicharm, ranked No. 1 in terms of sales in Tmall's beauty tools category during Singles Day Promotion in 2020.

- We started to cooperate with Kose in 2012, another top three cosmetic company in Japan in terms of sales revenue in 2019 according to the CIC Report, and have been serving as its cross-border brand e-commerce solutions provider in China since 2016.

We have accelerated the pace of introducing new brands, and introduced 16 Japanese brands with which we have cooperated as of the Latest Practicable Date and established their e-commerce brand presence in China during the Track Record Period, expanding to brands with up-and-coming beauty and personal care product lines such as Attenir and Combi, and brands with health product business lines such as Nichiban and Taisho. Capitalizing on the quality of our service and the breadth and success of our brand partners, we were recognized as one of the few brand e-commerce service providers rated with five stars or higher both by Tmall and Tmall Global in 2019 and 2020. We were a Tmall Global five-star service provider in 2018 and 2019 and a Tmall Global purple-star service provider from July to December 2020, a Tmall

five-star service provider in 2018, 2019 and 2020, a Tmall Global Ecosystem-Partnership five-star service provider from January to March 2020, and became a Tmall Silver Medal Tao Partner. Meanwhile, we were awarded the 2019 JD Best JDP Operation Jingmei Award. We believe we have a deep understanding of the business model, culture and overall China strategies of Japanese brand partners through our long history of partnership with them, which has enabled us, and will continue to enable us, to deliver the e-commerce solutions that fit their presence in China.

Strong data-driven digital marketing and content-generating capabilities

Our ability to bring curated, fun and quality branded products from around the globe to consumers in China is based on our understanding of consumers' demands and our strong data-driven digital marketing capabilities. We have established a digital marketing division responsible for the operation of our data-driven business and digital marketing. We have derived valuable consumer insights through our operations and gained access to extensive transactional and operational data through e-commerce platforms, which, combined with our data analytics, allow us to efficiently and effectively identify and predict consumers' needs and preferences and to make more targeted and insightful e-commerce strategies for our brand partners. As of December 31, 2020, we developed over 1,300 consumer behavior analytic models (人群模版) on Alibaba's platform-as-a-service (PaaS) marketplace to enhance our brand partners' sales through digital marketing. Furthermore, our multidimensional statistical modeling, such as consumer lifetime value models, consumer touchpoint models and KOL influence models guided by AIPL and FAST methodologies, which are frameworks for customer operation, allow us to better attract and engage consumers by advancing and deepening their connections to the brand. As of the same date, our 75 employees obtained Brand Databank Analyst (品牌數據銀行分析師) certifications awarded by Alibaba. In recognition of our data analytics capabilities and marketing strategies, we became one of Alibaba's Certified Brand Databank Services Partners (品牌數據銀行認證服務商) in September 2020. We believe this qualification allows us to access the latest information in the Alibaba Databank and various data analytics tools, which will help us better capture and analyze consumer behavior, and more effectively execute data-driven marketing initiatives for our brand partners.

Based on data analytics, we provide actionable insights into digital marketing and operation management, focusing on enlarging consumer engagement and increasing marketing efficiency. As of the Latest Practicable Date, Sofy Tmall flagship store was followed by approximately 3.4 million fans, and Moony Tmall global overseas flagship store was followed by approximately 1.8 million fans. These followers of various stores allow us to conduct cross-category data analysis to gain a better understanding of the commonality of our target consumers, which serves as a precise guide for introducing consumers to new brands. In the meantime, we have improved the repeat-purchase rate and cross-buying rate through data-driven digital marketing campaigns that we conduct for certain brand partners. For example, based on insights gained from data analytics, we successfully addressed challenges faced by Koh Gen Do regarding low repeat-purchase rate, low promotion efficiency and an unbalanced sales structure. On Singles Day 2020, those of our existing consumers who had

previously made a purchase from the Koh Gen Do Tmall Global store operated by us accounted for 28.74% of total consumers as compared with 23.08% on Singles Day 2019 and 10.57% on Singles Day 2018, which demonstrates the effectiveness of our data-driven marketing efforts to improve repeat-purchase rates.

We believe we possess marketing, planning and execution capabilities comparable to those of traditional advertising companies, and are equipped with e-commerce operation and sales management capabilities that traditional advertising companies may not have. Through our wholly-owned subsidiary, Shanghai Fuli, which specializes in digital marketing and advertising via the internet and new media, we are capable of providing a wide spectrum of marketing and advertising services to our brand partners. In addition, in 2019 we established our subsidiary, Litun Culture as an MCN to incubate KOLs on Taobao, Xiaohongshu and Douyin. Utilizing the insights into consumer preferences gained from our data analytics, we produce effective and relevant marketing and advertising content to create an interactive, widespread and engaging environment. For example, for Calbee, we launched a multichannel online marketing campaign in August 2019 on Weibo, Douyin and Xiaohongshu on Tmall Global Wonderful Sharing Day, utilizing creative short videos and tailored articles and pictures posted by a group of KOLs on those platforms to endorse the brand.

These capabilities help us gain a better understanding of market trends and consumer preferences, thereby allowing us to spearhead the overall sales, marketing and pricing initiatives and strategies for our brand partners, and reinforce our relationships with them. We have also received various awards and recognitions in respect of our services. For example, Shanghai Fuli won the gold award for a social marketing case study at the DMCF 2019 Creative Digital Marketing Festival, and won the Golden Flag Award – E-commerce Marketing Golden Award and Mawards E-commerce Marketing Excellent Work Award in 2020. We have also won the Best Tmall Global Partner Award for two consecutive years since 2019. We are a member of Tmall Global Content Alliance and one of the 15 members of JD.com's Meili Alliance for high-quality service providers in the cosmetics category. We believe our insightful, data-driven digital marketing capabilities will continue to differentiate us from, and give us a competitive edge over, our competitors.

Well-established cross-border supply chain management operations that solidify our first-mover advantage in cross-border e-commerce

The market size of the cross-border import brand e-commerce service market in China in terms of GMV increased at a CAGR of 89.8% from RMB4.0 billion in 2014 to RMB97.6 billion in 2019, according to the CIC Report. The significant growth was primarily due to Chinese consumers' strong demand for foreign brands, favorable government policies and personalized niche products with good value. According to the CIC Report, we have been one of the leading cross-border import brand e-commerce solutions providers for Tmall Global since cross-border e-commerce first emerged in China. During the Track Record Period, we increased our efforts in growing our cross-border brand e-commerce business, from which the revenue generated as a percentage of our total revenue for the same periods increased from 34.4% in 2018, to 40.1% in 2019 and to 42.7% in 2020. In particular, the number of stores

operated by us on Tmall Global for cross-border e-commerce increased rapidly from 12 as of December 31, 2018, to 19 as of December 31, 2019 and to 26 as of the Latest Practicable Date, offering products, including personal care products for adults, personal care products for babies, beauty products, health products and others. We were one of the top three brand e-commerce solutions providers on Tmall Global in terms of GMV on 2019 Singles Day, and ranked in the top two in the beauty category in terms of the same criterion among all brand e-commerce solutions providers. We also worked with other popular cross-border e-commerce platforms in China, such as JD Worldwide and Tmall Direct Import to expand our access to, and coverage of, target consumers.

Cross-border e-commerce usually requires more sophisticated supply chain management and better coordination among participants in the supply chain compared to general trade. As a result, cross-border e-commerce platforms typically cooperate with brand e-commerce retail and wholesale solutions providers to introduce new overseas brands into China, develop market recognition, and enhance the efficiency of their supply chain. According to the CIC Report, we are one of the first movers using bonded warehouses in China to support Tmall Global's cross-border fulfillment operations. We have accumulated knowledge and experience in handling customs-related regulations and policies in China, Japan and Hong Kong, and therefore we are able to provide our brand partners with optimal strategies and solutions, taking into consideration factors such as their product characterization and applicable regulatory requirements. As an early mover in cross-border e-commerce, we have formed well-established cross-border supply chain management operations, which, as of the Latest Practicable Date, consisted of the right to use bonded warehouses in the PRC and overseas warehouses in Japan and Hong Kong, among which we directly engaged three warehousing service providers in Japan to provide us with three overseas warehouses for use.

Moreover, we continue to enhance and optimize our management of the cross-border supply chain to improve our operational efficiency. We were among the first batch of service providers that participated in Tmall Global's centralized import procurement (CIP) project which streamlines the overseas procurement and logistics process for Moony and Kobayashi. We were also involved in forming a diaper return process and compensation rules together with Cainiao Network. Our outstanding logistics capabilities earned us the Tmall Merchant Supply Chain Management Excellence Award in 2018 and Tmall Beauty Award for Outstanding Logistics Service Brand in 2019. We believe that our well-established cross-border supply chain management operations give us a competitive edge.

Strong capabilities and proven track record in identifying, incubating, promoting and expanding brands and products with high potential

Our strengths in cross-border e-commerce allow us to quickly introduce foreign branded FMCG, following the current trends, and to open up a fast channel for overseas brands to enter China in a cost-effective manner. We carefully curate selections of quality products with good value to fulfill the evolving needs of consumers in China, based on our understanding of the demographics, preferences and insights we have gained from our strong data analytics capabilities. Leveraging our deep experiences, we are usually able to become actively involved

in brands' branding, marketing and product mix design initiatives, and also to be intimately engaged in the operational and business development aspects of their businesses in China. Our strong execution capability enables us to identify potential top-selling products, and successfully incubate these new brands. Among the new brands, to which we started to provide e-commerce operation solutions in 2016 and 2017, we believe that our brand e-commerce solutions for three brands with which we cooperated as of the Latest Practicable Date, namely Silcot, ARS and Cow Brand Soap, had achieved strong performance during the Track Record Period. The average revenue generated from the products sourced from these three brands during the Track Record Period increased from RMB18.6 million in 2018 to RMB35.4 million in 2019, and further to RMB45.7 million in 2020. Among the new brands with which we started cooperation during the Track Record Period, two new brands, namely Attenir and Taisho, performed especially well. Revenue generated from Attenir and Taisho reached RMB47 million and RMB13.7 million, respectively, in 2020, the second year of our cooperation with such brands. Given our outstanding performance and capabilities in identifying and introducing new brands and offering quality products with good value to consumers, we were among the first batch of Tmall Global's Merchants Partners in 2020. We were awarded the Stores Incubation of Scale Award by Alibaba in 2020, demonstrating our abilities to incubate new brands.

We entered into cooperation with 23 brands with which we have cooperated as of the Latest Practicable Date during the Track Record Period, and focused on identifying and promoting potential top-selling products for brands in the beauty and personal care categories. For example, we introduced Attenir, a cosmetic brand under FANCL, in 2019. We identified Attenir's makeup remover as a product with high potential and promoted its popularity in China by conducting various marketing campaigns across diverse channels, through which we highlighted the selling points featuring the product's characteristics. We also engaged celebrities and KOLs to participate in promotion campaigns for the makeup remover. The store sold over 110,000 bottles of makeup remover during the 2020 Singles Day Promotion period from October 29 to November 11, 2020, and ranked No. 2 in terms of sales in Tmall Global's makeup remover category in November 2020. In order to better identify products suitable for consumers in China, we have built up a localized team in Japan that is principally responsible for business development, liaison with potential brand partners and supply chain management. The team has been led by Mr. MATSUMOTO Ryoji, our executive Director, who worked for Shiseido and Shiseido (China) Investment Co., Ltd. for 26 years and used to be the head of cosmetic marketing department of Shiseido (China) Investment Co., Ltd.

In addition, leveraging our integrated e-commerce retail and wholesale solutions experience and knowledge of the Chinese market, we are able to explore and identify potential top-selling products in categories other than beauty and personal care products. For example, we began to operate the official marketplace store on Tmall Global for Taisho in 2019, which was the first cross-border import OTC drug online retail store on Tmall Global specializing in OTC drugs. We have provided our e-commerce solutions to health product brand partners, including Lion, Kobayashi, Taisho, Nichiban and another two Japanese OTC brands that were among the top 13 OTC brands in Japan in terms of GMV in 2019 according to the CIC Report. We started our cooperation with Kobayashi in 2010. Based on our market analysis, we made Kobayashi's Breath-Care Chewing Pill one of the top selling products in Tmall Global's

chewing gum sub-category, ranking No. 1 in Tmall Global's chewing gum sub-category in terms of sales on 2019 Singles Day. Kobayashi overseas flagship store ranked No. 1 in Tmall Global's chewing gum sub-category in terms of sales in November 2020.

We believe our ability to identify, incubate and promote potential top-selling products is crucial to our success and will continue to help us retain and expand our brand partners.

Experienced core management team with sharp business sense and acumen to discover and timely react to latest market and industry trends

Our founder Mr. WANG Yong is a trailblazer in the cross-border brand e-commerce solutions market, and has nearly 20 years of experience in the Chinese e-commerce industry and Japanese cross-border trade. Our senior management team has an average of over 10 years of experience in FMCG retail, brand marketing or e-commerce spheres, consisting of both industry veterans and homegrown talent. Our Chief Financial Officer and Vice President, Mr. SHEN Yu, worked for Kose for more than 20 years, and used to serve as the head of the administrative department and as director of the business department of KOSÉ Cosmetics (China) Sales Co., Ltd. (高絲化妝品銷售(中國)有限公司), overseeing its retail and distribution operations in China. The general manager of retail business division, Mr. LAI Juncheng, joined us in 2011 as a store manager, following his graduation, and was promoted to senior management for his outstanding performance and leadership skills. Our management team in Japan includes local talent with experience in brand development. Our experienced management team is crucial to our brand partners' success in the e-commerce market in China. Leveraging our core management team's sharp business sense and acumen, we are able to discover and respond to the latest market and industry trends and adjust our business operations accordingly and in a timely manner. We are one of the first movers providing cross-border brand e-commerce solutions in China and have proactively embraced the trend of MCN by establishing our subsidiary Litun Culture in 2019 and developed our media editorial team and MCN video planning team.

Through years of cultivation, we had 91 employees, with an average age of approximately 28, at manager level or above as of December 31, 2020, who are in charge of key business functions. Among these employees, approximately 48% were internally trained and promoted from positions below manager level with an average employment term of approximately five years. As of December 31, 2020, our 75 employees have obtained Brand Databank Analyst (品牌數據銀行分析師) certifications awarded by Alibaba, among whom 39 are in our B2C division, which accounted for approximately 14% of our B2C division. We believe that our creative, adaptive and brand-oriented corporate culture inspires and encourages innovation, and helps us attract, retain and motivate an aspiring team to drive our growth. In order to develop and train our talents, we provide orientation and continuous training programs for our employees. Employees who demonstrate high potential are encouraged to attend the "UNQ College", a management-related training program to select and prepare employees for higher positions and greater responsibilities. We believe our visionary and dedicated management team and experienced talent pool are valuable assets to us and provide the foundation for our long-term success.

OUR STRATEGIES

We aim to solidify our leading position as a brand e-commerce retail and wholesale solutions provider for Japanese FMCG in China by increasing our investment in technology infrastructure and data analytics and further enhancing our digital marketing and customer service capabilities, which will allow us to introduce more quality brands into the Chinese e-commerce market and strengthen our presence in brand partners' e-commerce strategies. Specifically, we plan to achieve our goal by pursuing the following key strategies:

Strengthen our leading position by broadening and diversifying our brand portfolio

We plan to replicate and capitalize on our successful experience in identifying and incubating Japanese beauty and personal care brands, especially brands with high potential. We also intend to explore business opportunities with our potential brand partners in Europe, the U.S. and Southeast Asia that focus on the beauty and personal care product areas, particularly those with increasing need for highly visible marketing campaigns and e-commerce strategies in China. We plan to further broaden and diversify our brand portfolio because we believe there will be sufficient demand for overseas up-and-coming brands in China. According to the CIC Report, such sufficient demand is supported by the following reasons. First, consumption upgrade in China promotes the development of the import business, and cross-border online retail furnishes consumers with easy access to imported goods. Second, consumers are curious about, and are willing to try out, new products with a growing purchasing power, so unfamiliar branded goods with high quality may be considered by Chinese consumers more easily. Meanwhile, consumers have unprecedented access to information in a digital era, and word-of-mouth marketing can create good publicity with the presence of platforms such as Xiaohongshu, thus boosting brand awareness and sales. We may selectively add domestic Chinese brands to our brand partner portfolio based on our selection criteria, which include prominence, strategic value and growth potential of the brand. As at the Latest Practicable Date, we did not provide brand e-commerce solutions to any Chinese brands.

Compared with overseas brands, the domestic Chinese brands may be more familiar to the Chinese e-commerce market. However, taking into consideration of the changing environment of the e-commerce platforms, domestic Chinese brands are also in need of our services. According to the CIC Report, the operating rules of leading e-commerce platforms are complicated and changeable, and different e-commerce platforms have different target users and differentiated operating strategies, so both overseas and local brands need experienced brand e-commerce solutions providers to help them navigate through the increasingly complicated e-commerce systems and channels. Furthermore, according to the CIC Report, there has been an evolution of consumer groups. Recently, *Generation Z* has become the main force of e-commerce purchasers. They value shopping experience, personalization and social value. The rise of social commerce is blurring the line between social media and e-commerce, and people's purchase decisions are closely related to social media and KOLs, among others, where brand e-commerce solution providers possess the expertise and resources to help overseas and local brands succeed. As of the Latest Practicable Date, apart from our Japanese

brand partners, we cooperated with eight overseas brand partners. The following table sets forth the revenue and gross profit attributable to our new overseas brand partners which were developed during the Track Record Period and remained as our brand partners as of the Latest Practicable Date:

	Year ended December 31,					
	2018		2019		2020	
	Revenue	Gross Profit	Revenue	Gross Profit	Revenue	Gross Profit
	(RMB in millions)					
New overseas brand partners developed in 2018[1]	0.8	0.2	5.2	1.6	12.8	4.2
New overseas brand partners developed in 2019[2]	–	–	10.3	5.0	63.6	33.3
New overseas brand partners developed in 2020[3]	–	–	–	–	33.7	17.6
Total	0.8	0.2	15.5	6.6	110.1	55.1

Notes:

(1) New overseas brand partners which were developed in 2018 and remained as our brand partners as of the Latest Practicable Date include two Japanese brand partners.

(2) New overseas brand partners which were developed in 2019 and remained as our brand partners as of the Latest Practicable Date include two Japanese brand partners, a Korean brand partner and a Thai brand partner. As of the Latest Practicable Date, we were operating two overseas brands (excluding Japanese brands) for such new overseas brand partners.

(3) New overseas brand partners which were developed in 2020 and remained as our brand partners as of the Latest Practicable Date include three Japanese brand partners, two French brand partners, a Spanish brand partner, a Portuguese brand partner and an Icelandic brand partner. As of the Latest Practicable Date, we were operating five overseas brands (excluding Japanese brands) for such new overseas brand partners.

According to the CIC Report, the penetration of brand e-commerce services for both overseas and domestic FMCG brands is less than 50%. There are still many overseas FMCG brands which have not entered into China's market and could be potential customers for brand e-commerce solutions providers. Meanwhile, the Chinese domestic brand e-commerce service market represents a large market and its size is expected to reach RMB812.0 billion by 2024. We believe that there is still ample room for the growth of our cooperation with new overseas brand partners as well as domestic Chinese brands.

Our local team in Japan that is principally responsible for business development, as well as liaising with potential brand partners and supply chain management will continually seek cooperation with potential Japanese brands and explore business opportunities in new categories such as OTC drugs. In addition to the cooperation with Japanese brands, we will

strategically explore business relationships with brand partners in Europe, the U.S. and Southeast Asia that focus on beauty and personal care product areas, including those up-and-coming brands which are left unattached, since a large number of brand e-commerce solutions providers in China mostly engage in partnership with large and established FMCG groups, and relatively fewer focus on up-and-coming brands. Leveraging our understanding of the Chinese market and accumulated consumer insights, we will evaluate and assess the market potential of the brand by considering its existing sales coverage, sales channels, marketing campaigns and brand exposure in China, and take into account our existing brand and product portfolios to determine the synergies to be obtained from future cooperation.

In addition, we are one of the first movers who provide cross-border e-commerce solutions in China, and possess well-established cross-border supply chain management capability, which allows us to quickly introduce foreign-branded FMCG following the latest trends, and to open up a fast channel for overseas brands to enter China cost-effectively. We have demonstrated our strength by our successful incubation of emerging foreign brands such as Attenir, Bioeffect, Koh Gen Do and Cow Brand Soap Kyoshinsha, which have effectively penetrated the Chinese online market. We believe our track record will help us win the trust of foreign brands who wish to enter into the Chinese market.

While we will continue to focus on e-commerce solutions and services as our main business, we also plan to gradually grow our proprietary brands for beauty and personal care products as a complementary to our e-commerce solutions business, based on our deep understanding of this industry, accumulated supply chain resources and insights into consumer demands. According to the CIC Report, the market size of the beauty and personal care online retail market in China in terms of GMV was RMB754.4 billion in 2019, and is expected to reach RMB909.1 billion, RMB1,046.1 billion, RMB1,178.0 billion, RMB1,303.5 billion and RMB1,421.6 billion in 2020, 2021, 2022, 2023 and 2024, respectively, representing a CAGR of 13.5% from 2019 to 2024. We develop our proprietary brands primarily to take advantage of business opportunities arising from the rapid growth of the Chinese beauty and personal care online retail market during the next several years, leveraging our expertise and techniques in China's e-commerce market, without any commitment to acquire a substantial market share therein which may require large capital investment. As a newly developed proprietary brand, we intend to initially invest modestly, maintaining close monitoring of its performance and dynamically adjusting our investment plan accordingly, with achieving break-even point as a priority instead of expanding its market share and business scale. In addition, we believe that investment in and development of our ability to grow our proprietary brands can create strong synergies with our existing business in aspects including investment in hiring marketing talent, conducting market analyses and enhancing capabilities in incubating new brands, all of which will benefit our development in the long run. See "Future Plans and Use of Proceeds" for further information. We believe our proprietary brands may have opportunities to achieve good sales performance in the market mainly because (i) the fast-growing market with huge potential will bring business opportunities to the development of our proprietary brands; and (ii) we have experience in incubating new brands under the beauty and personal care categories and have successfully incubated brands such as Attenir, Bioeffect, Koh Gen Do and Cow Brand Soap

Kyoshinsha during the Track Record Period. We were awarded the Stores Incubation of Scale Award by Alibaba in 2020. Our expertise and experience in incubating new brands will give us an edge in terms of the development of such proprietary brands.

As of the Latest Practicable Date, we had developed and produced eight types of personal care products under the proprietary brand named HADANE (初•肌音), and began to sell one product in June 2020 through our UNQ official flagship store on Tmall. Our HADANE brand is a newly established brand specially designed for the female market for beauty and personal care products. The target consumers of our HADANE brand are young Chinese ladies in urban areas, who are interested in trying new brands, and value both the effects and appearance of beauty and personal care products. As this is the first time we have developed a cosmetic brand, we decided to cooperate with OEMs that are, to our knowledge, experienced in designing product formulae to develop and manufacture products under our proprietary brand. We officially launched this product in June 2020 and generated revenue of approximately RMB0.3 million in 2020. Our initial investment in our proprietary brand which includes payments to the OEM for manufacturing of products and marketing expenses was insubstantial as of December 31, 2020. Our strategy to grow our proprietary brands is a natural result of our business growth and expansion. We believe owning proprietary brands will give us more control over the products we sell and increase our profit margin because: (i) the products for our proprietary brand are in the beauty and personal care categories where we possess rich experience in marketing and sales, and we are able to utilize our current sales channels under B2B and B2C models to promote these products; (ii) the OEMs with which we cooperate are able to maintain a high production standard and, as of the Latest Practicable Date, to our knowledge, the OEMs had obtained required licenses and permits; and (iii) considering our small initial investment for the brand, and our plan to increase investments in marketing and operation of the brand during the incubation phase to develop the brand in the next two years, our Directors expect the sales of products from our HADANE brand to achieve rapid growth in 2021 and 2022, and it is likely to reach break-even point and/or investment payback point in 2022, which is mainly based on the following basis and assumptions: (i) as a supplementary to our e-commerce solutions business, we plan to operate our proprietary brands on a controllable scale with modest initial investment, with the primary aim of achieving break-even in such business; (ii) the Chinese beauty and personal care online retail market will maintain a steady rate of growth; (iii) our experience in and marketing strategies of incubating new brands remain effective; (iv) the assumption that the negative impact caused by the COVID-19 outbreak on the market is expected to be limited in the next two years; (v) consumers' acceptance of domestic beauty and personal care brands continues to grow; (vi) our operation and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of our Directors, including but not limited to the occurrence of natural disasters or serious accidents; and (vii) the assumption that our operation and financial performance will not be materially and adversely impacted by any of the risk factors set forth in the section headed "Risk Factors" in the prospectus. Such expectation is hypothetical in its nature, and there is no guarantee that the sales of products from our HADANE brand will reach such break-even point in 2022. See "Risk Factors – Risks Relating to Our Business and Industry – Our endeavors to develop our proprietary brands may not be successful." To ensure timely fulfillment of targets and risk control of our proprietary brands development, we have

established an internal review mechanism which requires our management team to review the sales performance of our proprietary brands on a quarterly basis and adjust relevant development strategies accordingly. If a proprietary brand of ours fails to reach a break-even point within three years, we may refrain from making any further investment in such brand.

Expand our product lineup beyond beauty and personal care categories

We plan to further expand our brand and product offerings for health products, in particular, OTC drugs. According to the CIC Report, with the gradual maturity of the market and the improvement of regulatory policies, the market size of the OTC drug online retail market in China in terms of GMV is expected to grow from RMB15.1 billion in 2019 to RMB53.6 billion in 2024, at a CAGR of 28.8%. We have built up a professional pharmacist and customer service team and accumulated operational experience. In addition to Nichiban, Taisho, Lion and Kobayashi, we have started cooperation with another two Japanese OTC brands that were among the top 13 OTC brands in Japan in terms of GMV in 2019 according to the CIC Report. We plan to cooperate with more brand partners and further expand our products lineup to capitalize on our first-mover advantage in this OTC drug category. We plan to expand our team to approximately 40 members in the next two years, including pharmacists and other employees responsible for brand operations, and to budget marketing expenses for products of these brand partners in the next two years. We also plan to further develop and strengthen our cooperation with quality and emerging brands in other health products, primarily overseas dietary supplements, the online retail market of which, in terms of GMV, is expected to increase from RMB13.1 billion in 2019 to RMB21.9 billion in 2024, at a CAGR of 10.9%, according to the CIC Report. We believe there is substantial overlap between the target customers of our current products lineup and those of overseas dietary supplements, and we are capable of leveraging our accumulated experiences in digital marketing to further expand this market.

Optimize our business mix and add more value to the services we provide to the brand partners

We plan to focus on further growing our business under the B2C model which has more room for value-added services and constantly generates valuable consumer insights that allow us to guide sales and marketing and reinforce our relationship with brand partners. We intend to achieve this goal by broadening and diversifying our brand portfolio and by cultivating the consensus with our brand partners that setting up flagship stores on e-commerce platforms is a strategic priority.

In addition, we are dedicated to adding more value to the services that we offer to our brand partners, utilizing our strong digital marketing and data analytics capabilities. We intend to further strengthen cooperation with our brand partners in offering sales strategies, such as reverse customization that utilizes the insights we gain from data analytics to design platform-specific products or product portfolios. Specifically, we plan to share with brand partners consumer feedback and evaluations obtained from our business operations, and provide insights into consumer needs and expectations for products. With analyses of consumer

purchasing behaviors utilizing data analytics, we are able to offer suggestions and strategies on designing platform-specific products or fine-tuning product sales combinations, such as recommending gift box sales for promotion. We believe that reverse customization will enable our brand partners to understand consumer demands better, increase sales and promote brand awareness in China.

Continue to invest in technology infrastructure and data analytics

We will continue to invest in technology infrastructure and data analytics that will allow us to draw deeper insights from providing e-commerce solutions and better predict and respond to the evolving preferences and needs of consumers. We seek to capitalize on our consumer profiling capabilities to continue to enhance and optimize our marketing strategies, thereby further enhancing marketing effectiveness and efficiency for our brand partners.

Meanwhile, we plan to invest in upgrading our information technology systems and data analytics, with the aim to better understand consumer behavior and utilize our analysis to better serve our brand partners. We plan to develop our data middle platform that aims to unify our data assets to empower all business departments by providing readily available data models and tools to empower our business development, sales, marketing and consumer operation. Specifically, we plan to purchase software and hardware related to local area network and system security in the next two years, to improve information security, and purchase internal software to improve the Group's data processing and analytics capacities, and purchase software products to facilitate the construction and upgrade of our data middle platform to enhance data analytics capabilities. To attract more talents, such as software architects and software engineers, to build an advanced data analytics team, we plan to invest in talent recruitment. As of December 31, 2020, we had 25 IT specialists who were involved in R&D activities, and we plan to recruit additional R&D personnel in the next two years to provide high-quality services, improve business efficiencies and support the operation of the data middle platform. Taking advantage of our technology infrastructure and the data analytics experience we have accumulated, we believe that we will be more effective in identifying market opportunities to serve our brand partners while being more entrenched in our brand partners' e-commerce strategies, thereby enhancing the applicability of our e-commerce solutions and creating additional value for our brand partners.

Further enhance our digital marketing, logistics management and customer service capabilities to provide services to third party brands

During the Track Record Period, we provided brand e-commerce retail and wholesale solutions or digital marketing services to certain brands from time to time. We plan to further enhance and strengthen our digital marketing, logistics management and customer service capabilities through enhancing employees' competence, and attracting more talent, with the aim to develop each of the customer service modules and logistics management modules to become a profit center and increase the competitiveness of our digital marketing module. We plan to cross sell our e-commerce retail and wholesale solutions to those new brand partners who are satisfied with our digital marketing, logistics management or customer services. As

bonded warehouses are currently in short supply, and are expected to meet the growing demand in the context of high-speed development of cross-border import e-commerce, we plan to invest in a small-sized bonded warehouse in the Yangtze River Delta area, upgrade and develop that invested bonded warehouse, and partner with certain logistics service providers through cooperation arrangement to provide warehousing and logistics service to merchants, and charge service fees. With the construction and development of such self-managed warehouse, we hope to expand the warehousing and logistics capability within our Group, and, in the meantime, we are able to generate service fees as well as strengthen our competitiveness in the market by offering warehousing service to third parties who are in need of bonded warehouses.

Meanwhile, we plan to develop our customer service module to become an independent model with competitive strengths in live-streaming and customer service, relying on our in-house customer service team and experience and understanding in communicating with consumers. We have established our first base for customer service in Bengbu (蚌埠), and will continue to build the bases for live-streaming in line with our expanded scale of business. We believe that this not only allows us to enhance our competitiveness among, and distinguish us from, our peers, but also helps to expand our revenue base and thus diversify the risks associated with our dependence on brand partners.

Selectively pursue strategic alliance and acquisition opportunities

As part of our growth strategy, if suitable opportunities arise, we may consider making an investment in, and acquiring an equity stake in, selected brands with high potential to enhance our strategic cooperation with them, and share their growth potential.

We also plan to pursue strategic alliances and selective acquisitions which create synergies with our existing services offering and enhance our technology capabilities. We plan to acquire companies with offline store operation abilities and data analytics companies. We believe that expansion through acquisitions could efficiently enhance our technical capabilities. Specifically, we plan to invest in data technology companies in China, as such investment facilitates our access to certain technology infrastructure and data assets, which helps enhance our technology capabilities and empower our business operations; and to invest in O2O service companies in China to reinforce our capabilities to reach consumers through offline channels. For investing in data technology companies, we will evaluate various factors including the target company's technology infrastructure, intellectual properties, data related qualifications, such as the qualified certificate for data service providers and annual revenue; for O2O service companies, we will evaluate the target company's operation and execution capabilities, offline store digitization, offline sales network coverage, and annual revenue. As of the Latest Practicable Date, we had not identified or pursued any acquisition target.

AWARDS AND RECOGNITIONS

During the Track Record Period and up to the Latest Practicable Date, we received various awards and recognitions in respect of our services and innovation. The table below sets out some of the significant awards we received in respect of our group companies:

Award/Recognition	Year	Awarding Institution
Certified Brand Databank Services Partners (品牌數據銀行認證服務商)	2020	Alibaba
Tmall Global Purple Star Service Provider for the second half of 2020 (2020年下半年天貓國際紫星服務商)	2020	Alibaba
Golden Flag Award – E-commerce Marketing Golden Award (金旗獎-電商營銷金獎)	2020	China Public Relations Industry Platform (中國公共關係行業平台)
Tmall Global Content Alliance (天貓國際內容聯盟)	2020	Alibaba
Stores Incubation of Scale Award (規模化商家孵化獎)	2020	Alibaba
Mawards E-commerce Marketing Excellent Work Award (梅花創新獎-電商營銷類優秀作品獎)	2020	Shanghai MeiHua Information Co., Ltd. (上海梅花信息股份有限公司)
Tmall Five Star Ecological Service Provider for the first half of 2020 (2020年上半年天貓五星級生態服務商)	2020	Alibaba
Dianxiaomi Singles Day Top Stores – Bronze Award (店小蜜雙十一蜂神榜銅蜂獎)	2020	Alibaba
First Batch of Tmall Global Merchants Partner (第一期天貓國際招商合作夥伴)	2020	Alibaba
Best Tmall Global Partner Award (TP) (天貓國際摯愛拍檔(服務商))	2020	Alibaba
Tmall Global KA Service Provider for the first quarter of 2020 (2020年天貓國際第一季度KA服務商)	2020	Alibaba
Tmall Beauty Award for Outstanding Logistics Service Brand (物流服務傑出品牌天貓金妝獎)	2019	Alibaba

Award/Recognition	Year	Awarding Institution
Tmall Global New Stores Engagement Star (天貓國際新店鋪承接之星)	2019	Alibaba
JD Best JDP Operation Jingmei Award 2019 (京東最佳JDP運營京美獎)	2019	JD.com
Best Tmall Global Partner Award (TP) (天貓國際摯愛拍檔(服務商))	2019	Alibaba
Tmall Silver Medal Tao Partner (銀牌淘拍檔)	2019	Alibaba
CIBE Beauty Fashion Carnival-Outstanding National Fashion Store Award (CIBE美業潮流嘉年華–優秀國潮店鋪獎)	2019	China International Beauty Expo (中國國際美博會) & Beauty and Cosmetics Chamber of Commerce of Chinese Federation of Industry and Commerce (中華全國工商業聯會美容化妝品業商會)
Exclusive Service Provider of Beauty and Cosmetic Categories for September to December 2019 (2019年9月至12月美妝類目專屬服務商)	2019	JD.com
Mawards Best E-commerce Marketing Innovation Award – Bronze Award (梅花創新獎–最佳電商營銷創新獎銅獎)	2019	Shanghai MeiHua Information Co., Ltd. (上海梅花信息股份有限公司)
Top Touch 2018 Global Business Innovation Award Brand Strategy and Image Management Gold Award (金觸點2018全球商業創新大獎品牌戰略與形象管理金獎)	2018	Top Marketing
Tmall Merchant Supply Chain Management Excellence Award (天貓商家供應鏈管理優秀獎)	2018	Alibaba
Tmall Beauty Award for Outstanding Logistics Service Brand (物流服務傑出品牌天貓金妝獎)	2018	Alibaba

OUR BUSINESSES

We act as the bridge between brand partners, e-commerce platforms and consumers in China. We operate our business primarily through distribution method and service fee method. Under the distribution method, we purchase products from selected brand partners, manage Chinese and cross-border supply chains, identify and reach target consumers through omnichannel marketing, and sell products to consumers through online marketplace stores operated by us, which we refer to as our business-to-consumer, or B2C model, or to e-commerce platforms or other distributors, which, in turn, sell to consumers, which we refer to as our business-to-business, or B2B model. In operating our B2C and B2B businesses, we assist our brand partners in developing their e-commerce strategies and offer integrated solutions encompassing various operations in the e-commerce value chain, including brand analysis, store operations, digital marketing, customer services, and logistics management. Under the B2C and the B2B model, we believe the value provided for the brand partners by our services or solutions for establishing their online presence, promoting their product popularities, operating their distribution channels and increasing their online sales volume, which do not generate direct revenue, is embedded in the price spread we earn from products sales to our customers. Under the service fee method, as a supplement to the B2B and B2C models, we also provide our solutions to brand partners or other customers for service fees, which we refer to as our provision of services business. Under the service fee method, we charge service fees usually at a pre-agreed amount and/or performance-based service charge.

The following table sets forth the breakdown of revenue generated from our businesses for the periods indicated.

	Year ended December 31,					
	2018		2019		2020	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB in thousands except for percentages)					
Distribution method						
B2B model	1,404,323	55.3	1,379,966	49.6	1,226,516	43.9
General trade	974,989	38.4	1,014,562	36.5	841,559	30.0
Cross-border e-commerce	429,334	16.9	365,404	13.1	384,957	13.9
B2C model	1,089,428	42.9	1,353,044	48.6	1,539,757	54.9
General trade	644,179	25.4	599,847	21.6	732,395	26.1
Cross-border e-commerce	445,249	17.5	753,197	27.0	807,362	28.8
Service fee method						
Provision of services	47,210	1.8	48,709	1.8	34,573	1.2
Total	2,540,961	100.0	2,781,719	100.0	2,800,846	100.0

Our revenue generated from B2B through general trade decreased from RMB1,014.6 million in 2019 to RMB841.6 million in 2020, primarily because we stopped selling products of brand A in 2020. Our revenue from our provision of services business decreased from 2019 to 2020 because we stopped providing online operating services to TCC in 2020.

The following table sets forth the breakdown of revenue, gross profit and gross margin for the periods indicated, for each of the B2B model (in terms of e-commerce platforms under the distribution arrangement and the consignment arrangement, and other distributors), the B2C model (in terms of mono-brand stores and multi-brand stores) and our provision of services business:

	Year ended December 31,								
	2018			2019			2020		
	Revenue	Gross profit	Gross margin (%)	Revenue	Gross profit	Gross margin (%)	Revenue	Gross profit	Gross margin (%)
	(RMB in thousands except for percentages)								
B2B model	1,404,323	139,272	9.9	1,379,966	131,725	9.5	1,226,516	167,860	13.7
Distribution arrangement	743,941	76,689	10.3	727,055	62,628	8.6	524,428	84,209	16.1
Consignment arrangement	499,570	58,892	11.8	497,897	60,951	12.2	513,547	83,918	16.3
Other distributors[(1)]	160,812	3,691	2.3	155,014	8,146	5.3	188,541	(267)	(0.1)
B2C model	1,089,428	458,800	42.1	1,353,044	645,653	47.7	1,539,757	702,170	45.6
Mono-brand stores	1,051,966	449,478	42.7	1,311,159	632,551	48.2	1,503,113	689,799	45.9
Multi-brand stores	37,462	9,322	24.9	41,885	13,102	31.3	36,644	12,371	33.8
Provision of services	47,210	18,273	38.7	48,709	26,084	53.6	34,573	18,084	52.3
Total	2,540,961	616,345	24.3	2,781,719	803,462	28.9	2,800,846	888,114	31.7

Note:

(1) Among the other distributors, revenue generated from sales to offline distributors was RMB0.2 million, RMB16.2 million and RMB39.4 million in 2018, 2019 and 2020, respectively. Sales to offline distributors had negative gross profit of RMB13,410 and negative gross margin of 8.1% in 2018 because we offer such customers discounted prices during the early stage to attract potential customers. The gross profit for our sales to offline distributors was RMB0.2 million and RMB0.6 million in 2019 and 2020, respectively. The gross margin of our sales to offline distributors was 1.3% and 1.5% in 2019 and 2020, respectively.

The revenue generated from the distribution arrangement under the B2B model remained generally stable in 2018 and 2019 with a slight decrease in 2019. The revenue generated from the distribution arrangement decreased from RMB727.1 million in 2019 to RMB524.4 million in 2020, primarily due to our cessation of cooperation with brand A in 2020. The revenue generated from the multi-brand stores under the B2C model decreased in 2020 compared with

that in 2019 mainly due to the decrease in sales of sanitary napkins of a brand in the UNQ official flagship store on Tmall. We decided to shift the sales of such products to the relevant flagship store of such brand to optimize our business operation.

Our Business Models

We provide our brand e-commerce retail and wholesale solutions to our brand partners through distribution method and service fee method. Under the distribution method, we primarily operate our B2C and B2B businesses, where we derive profit from the price spread between procurement from brand partners and sales to customers, which has taken into account the volume rebates received from our brand partners as a reduction to the procurement price. Under the service fee method, we primarily provide our brand e-commerce services to our brand partners for service fee, usually at a pre-agreed amount and/or performance-based service charge. During the Track Record Period, we mainly provided our brand e-commerce retail and wholesale solutions using the distribution method. Under both the distribution method and the service fee method, we assist our brand partners in developing and executing their e-commerce strategies and offer them one or several of the following brand e-commerce solutions such as brand analysis, store operations, digital marketing, customer services and logistics management. For details of such e-commerce solutions, see "– Our Businesses – Our Brand E-Commerce Retail and Wholesale Solutions". According to the CIC Report, the distribution method and service fee method we adopt for business operation are in line with market practice in the PRC.

We set forth below some details on our three business segments:

Business Model	Our Business Segment	Services provided	Values and benefits obtained by brand partners	Features
Distribution method Derive price spread from the procurement from brand partners and the sales to customers which has taken into account the volume rebates received from our brand partners as a reduction to the procurement price	**B2C model** Purchase products from selected brand partners and sell the same to end-consumers through online stores, providing e-commerce solutions to brand partners during the process	Brand analysis, store operations, digital marketing, customer services and logistics management	• We assist brand partners in promoting the brand image in online channels, increasing products popularity, building an online presence and achieving growth in online sales. • Brand partners have less inventory pressure and lower backlog risk. • Brand partners have more certainty in products sales.	• We take the ownership of the products and need to make more efforts in inventory management. We assist our brand partners in organizing the whole logistics process, coordinating logistics and warehousing and adjusting logistics plans in accordance with sales conditions. • With the control of inventory, it will be more flexible for us to (i) execute sales strategies, particularly when there are large promotional events on the e-commerce platforms; (ii) make adjustments according to consumers' evolving needs and the fashion trend in a timely manner; and (iii) react to a change of sales strategies by competitors. • Compared with the service fee method, we take a more active role with regard to the pricing of the products we procure, largely due to our ownership of the branded products. With better control over pricing, it will be more flexible for us to execute marketing and advertising campaigns. • We open and own the flagship stores under the B2C model. • We are involved in multiple stages of our brand partners' operations.
	B2B model Purchase products from selected brand partners and distribute the same to e-commerce platforms or other distributors, providing e-commerce solutions to brand partners during the process	Brand analysis, digital marketing and logistics management. We do not provide store operations and customer services under B2B model.		
Service fee method Charge service fees to brand partners for services provided either in a fixed amount or on a commission basis	**Provision of services** Provision of online operating and digital marketing services	Brand analysis, store operations, digital marketing and customer services. We are generally not responsible for logistics management in operating provision of services business.	• We assist brand partners in promoting the brand image in online channels, increasing products popularity, building an online presence and achieving growth in online sales. • Brand partners maintain better control over marketing and sales of products.	• We do not take ownership of the products in the course of our service. • Compared with the distribution method, we take a more passive role with regard to the pricing of the products. We typically do not determine product prices, but may be able to adjust prices under certain circumstances subject to consent of the brand partners. • We do not own the flagship stores which we operate for brand partners. • We do not stock any inventories and are generally not responsible for logistics management.

As illustrated in the chart above, the distribution method has several features and benefits which the service fee method would not be able to provide. We primarily operate our business through the distribution method during the Track Record Period primarily because: (i) we believe that the adoption of the distribution method can effectively strengthen our relationship with brand partners by getting involved in multiple stages of their operations and providing them with inventory support; (ii) we believe the distribution method could set us apart from competitors with less financing capabilities, and it has contributed to our track record of serving a portfolio of renowned Japanese brand partners; (iii) the distribution method would generally increase brand partners' products sales with certainty, reduce their inventory and backlog risk, and therefore would encourage a deeper and more stable cooperative relationship between brand partners and us; and (iv) we believe that by adopting the distribution method in incubating new brands, we would be able to have greater control over marketing strategies and pricing of such brands, so that we can seize market opportunities more quickly and increase the success rate of incubation. As a result, while the service fee method may enjoy a higher gross margin, we value the overall performance of our business and the term and depth of our cooperation with brand partners, which would benefit our business in the long run.

Brand partners are attracted by brand e-commerce solutions provided under the distribution method and the service fee method for different reasons. Brand partners normally, together with us, decide which profit method to use after considering different features of the distribution method and service fee method. See "Industry Overview – China Brand E-commerce Service Market – Overview of the China Brand E-commerce Service Market" for a comparison of the distribution method and service fee method, and "Financial Information – Revenue Recognition" for more information on different accounting treatments of our three business segments.

During the Track Record Period, we primarily operate our business through the distribution method. Depending on each brand partner's specific needs and its product characteristics, we provide solutions to our brand partners primarily by assisting their sales of products under either the B2C model or a combination of B2C and B2B models. According to the CIC Report, the B2C model facilitates brand incubation activities and enhances consumer loyalty as flagship stores are showcases of brand images, while the B2B model focuses on popular products with a large sales volume and provides access to a more diverse consumer base. Gross margin of our business under the B2C model is generally higher than that of the business under the B2B model, mainly because we provide more value-added services under the B2C model, such as delivery of products to consumers, more marketing activities and customer services. During the Track Record Period, we were dedicated to developing our business under the B2C model, from which the revenue generated as a percentage of our total revenue for the same periods gradually increased from 42.9% in 2018, to 48.6% in 2019 and further to 54.9% in 2020. To fully utilize our omnichannel marketing capabilities, as well as expand the sales and distribution channels, we usually propose that our brand partners adopt both the B2C and B2B models, and we work together with them to pin down the specific sales channels, based on factors including, among others, the portfolio of the brand partners' products and the popularity of sales channels.

Traditional distributors primarily deal with buying and selling goods as well as maintaining distribution networks, according to the CIC Report. To enable brand partners to achieve success in China's e-commerce market, instead of relying on distribution networks as traditional distributors do, brand e-commerce solution providers offer high-value services such as brand analysis, product selection and analysis and digital marketing, which traditional distributors normally do not provide. Generally, traditional distributors lack the experience and capability to offer those services which we provide to the brand partners, primarily including:

(i) product selection and marketing plans formation driven by data analytics, which require capabilities in data processing and presentation, data applications and model building;

(ii) expertise and experience in China's e-commerce industry, such as competitive landscape, e-commerce platform rules and regulations, operating strategies and online marketing tools;

(iii) experience and techniques to use innovative marketing methods such as live streaming, KOL endorsement as well as social media e-commerce platforms;

(iv) though traditional distributors' procurement and settlement may involve supply chain management, they are inexperienced in providing integrated and complex supply chain management services across multiple e-commerce marketplaces which requires seamless collaboration with various parties, inventory management as well as cross-border logistics and warehousing arrangements; and

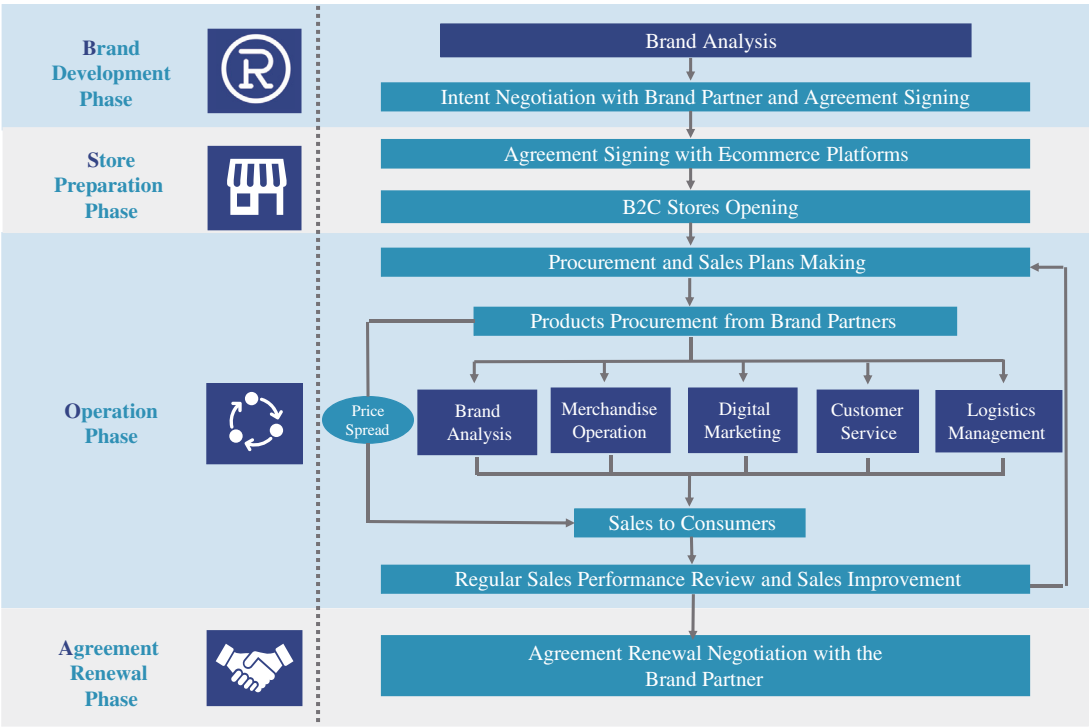
(v) last but not the least, traditional distributors do not have the capabilities to provide a complete suite of integrated e-commerce services enabling brand partners to achieve success in China's e-commerce market, especially for new brands without customer base in China.

Our brand partners have benefited from our industry knowledge, experience and resources which a traditional distributor would not generally possess. We have rich experience in the e-commerce industry and were one of the first movers to provide cross-border e-commerce solutions in China and possess well-established cross-border supply chain management capability. Through our wholly-owned subsidiary, Shanghai Fuli, which specializes in digital marketing and advertising via the internet and new media, we are capable of providing a wide spectrum of marketing and advertising services to our brand partners. We are one of Alibaba's Certified Brand Databank Services Partners, which allows us to access the latest information in the Alibaba Databank and various data analytics tools. We had 732 employees as of December 31, 2020, the majority of whom work on different phases of the e-commerce value chain, including e-commerce operations, brands, IT and data, supply chain, new media and social platform e-commerce, etc. With such resources and our substantial experience in the Chinese e-commerce market, we believe we have created value for our brand partners including promoting their brand images in online channels, increasing their products popularity, building an online presence, diversifying distribution channels and achieving growth in online sales.

B2C Model

We purchase products from selected brand partners, manage Chinese and cross-border supply chains, identify and reach target consumers through omnichannel marketing, and sell products to consumers through online marketplace stores operated by us, which we refer to as the B2C model. Under the B2C model, the purchase amount and the revenue generated in 2020 were RMB1,818.9 million and RMB1,539.8 million, respectively. The take rate, defined as revenue divided by purchase amount, under the B2C model was approximately 84.7% in 2020. Our various service modules are usually integrated as a one-stop solution under the B2C model. Under the B2C model, our brand partners are deemed to be our suppliers. In connection with our purchase of products from our brand partners, we are generally required to provide the brand partners with one or several of the following brand e-commerce services under our agreements with them: (i) brand analysis, where we assist brand partners in formulating strategies in respect of their e-commerce operation, marketing and target consumer groups; (ii) store operation, where we are primarily responsible for the design and maintenance of online stores, merchandise management and order processing; (iii) digital marketing, where we provide brand partners with marketing and advertising services, the content and form of which are subject to the approval of brand partners, or are subject to the agreement between brand partners and us; (iv) customer services, where we provide pre-sale and post-sale services to consumers of online stores; and (v) logistics management, where we are required to maintain proper warehousing and to arrange for delivery of the branded products to end consumers. In accordance with such agreements, we periodically reported to our brand partners our fulfillment of such services. Such reports cover topics such as sales performance and inventory information of certain branded products, general market conditions, pre-sales consultation and after-sales complaints from consumers of the online stores and summaries of marketing and advertising campaigns.

With our industry knowledge, experience, resources and the services we provide, we assist our brand partners in promoting the brand image in online channels, increasing products popularity, building an online presence and achieving growth in online sales. See "– Our Brand Partners – Brand Incubation – Case Study: Incubation of Attenir" and "– Our Brand Partners – Brand Incubation – Case Study: Incubation of one of Kobayashi's Popular Products". The following flowchart illustrates how we provide brand e-commerce solutions under the B2C model:



Brand development phase: We have implemented a business development process that includes target brand analysis, early negotiation with the brand partner, mid-term business negotiation and agreement signing. In selecting new brands, we conduct assessments based on various factors, such as the brand's product structure, popularity and existing sales channels. We put forward sales and promotion strategies for introducing the brand into the Chinese market, and continue to communicate with the brand about its future growth in China. For details of our brand development process, see "– Our Brand Partners – Brand Partner Development and Services."

After negotiating further details of the cooperation, we negotiate and enter into an agreement with the brand partner. See "– Our Brand Partners – Agreements with Brand Partners."

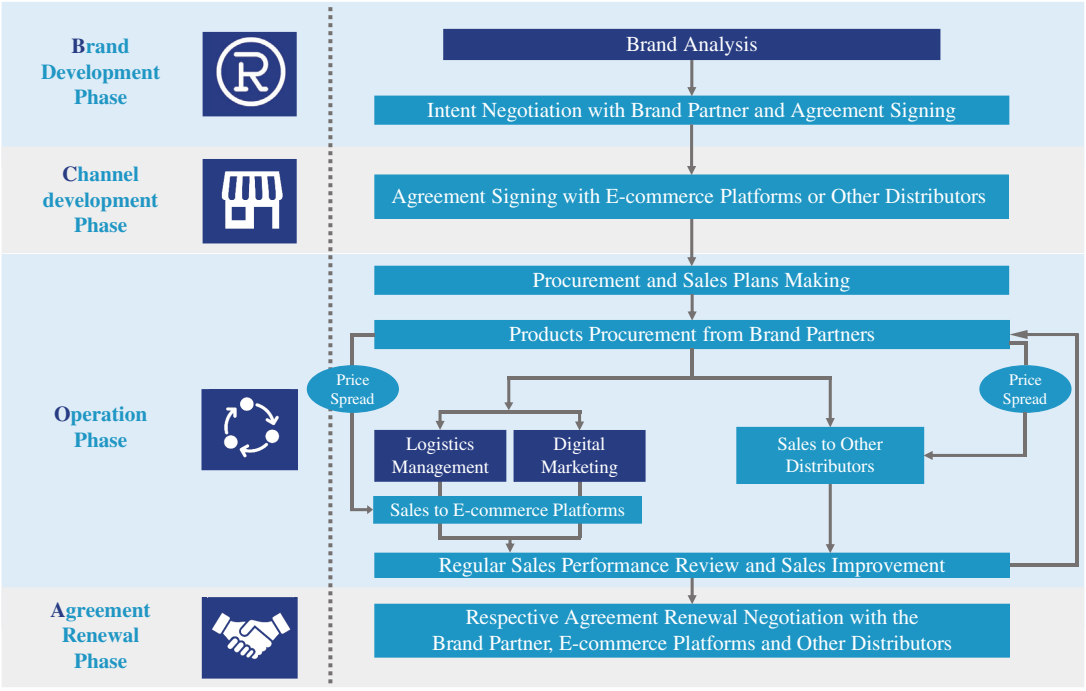
Store preparation phase: After signing the agreements, we are authorized to carry out brand e-commerce solutions for our brand partners, and will cooperate with e-commerce platforms to set up and operate marketplace stores. See "– E-commerce Platforms – Relationship with E-Commerce Platforms under the B2C Model."

Operation phase: We offer tailored brand e-commerce solutions that include store operations, digital marketing, customer service and logistics management that satisfy the brand partners' needs and help increase brand awareness among Chinese consumers. See "– Our Businesses – Our Brand E-commerce Retail and Wholesale Solutions." We believe the value provided for the brand partners by our services or solutions for establishing their online presence, promoting their product popularities, operating their distribution channels and increasing their online sales volume which do not generate direct revenue is embedded in the price spread we earn from product sales to our customers.

Agreement renewal phase: We negotiate with our brand partners on their intention regarding agreement renewal, and renew the agreement upon mutual agreement.

B2B Model

Under the B2B model, we sell the products sourced from our brand partners to e-commerce platforms or other distributors, which, in turn, sell to end consumers. Our brand partners are deemed to be our suppliers under the B2B model. We provide similar services to brand partners under the B2B model, except that we do not provide online store operation services or customer services because such functions are mainly fulfilled by the relevant e-commerce platforms which sell the branded products to end consumers through their self-operated supermarkets. As a result, we mainly provide our brand partners with digital marketing and logistics management services under the B2B model pursuant to our agreements with them. Through such services, we assist our brand partners in selecting and recommending competitive brands that we believe have sales potential to the e-commerce platforms' self-operated supermarkets, carrying out advertising campaigns for the sales of the branded products and monitoring the sales performance under the B2B model. The following flowchart illustrates how we provide brand e-commerce solutions under the B2B model:



Brand development phase: The process is similar to that under the B2C model. See "– Our Businesses – Our Business Models – B2C Model – Brand development phase."

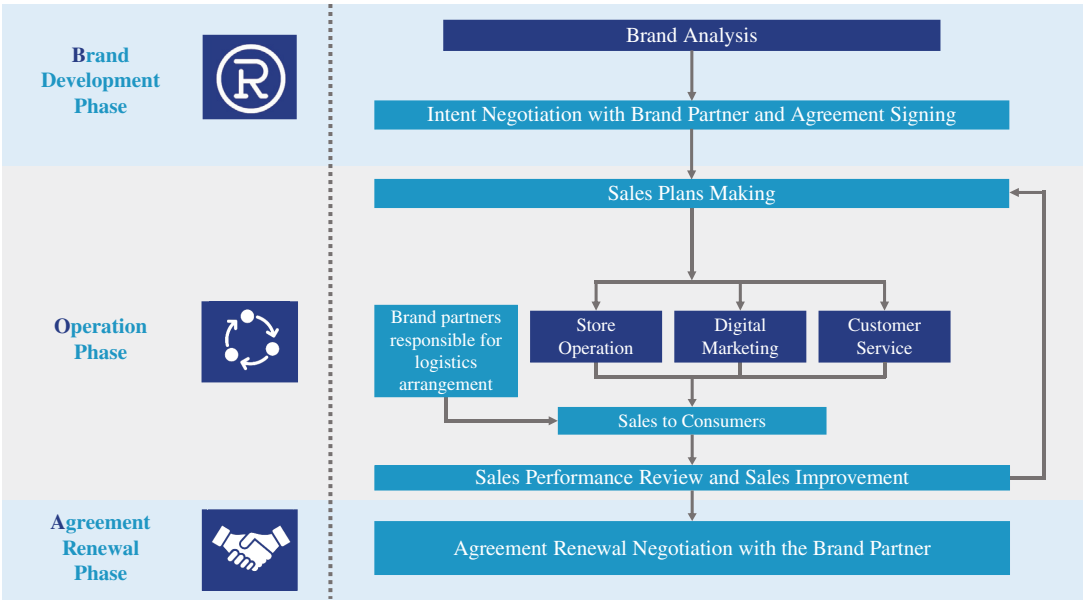
Channel development phase: We discuss with e-commerce platforms and other distributors the commodity quality, commodity inspection, delivery, payment method and other relevant matters to be included in the agreement, and finally enter into agreements with them. For details of our relationships with e-commerce platforms and other distributors under the B2B model, see "– E-commerce Platforms – Relationship with E-Commerce Platforms under the B2B Model" and "– Other Distributors."

Operation phase: We make procurement and sales plans. After the distributors place the purchase order with us, we deliver the goods according to the specific requirements such as commodity type, quantity, delivery time and delivery place, as specified in the purchase order. For our sales to e-commerce platforms, brand partners can benefit from our digital marketing and logistics management services.

Agreement renewal phase: We negotiate with our brand partners on their intention regarding agreement renewal, and we renew the agreement upon mutual agreement. We will also discuss with e-commerce platforms and other distributors about renewing the agreement respectively if there is mutual agreement.

Provision of services

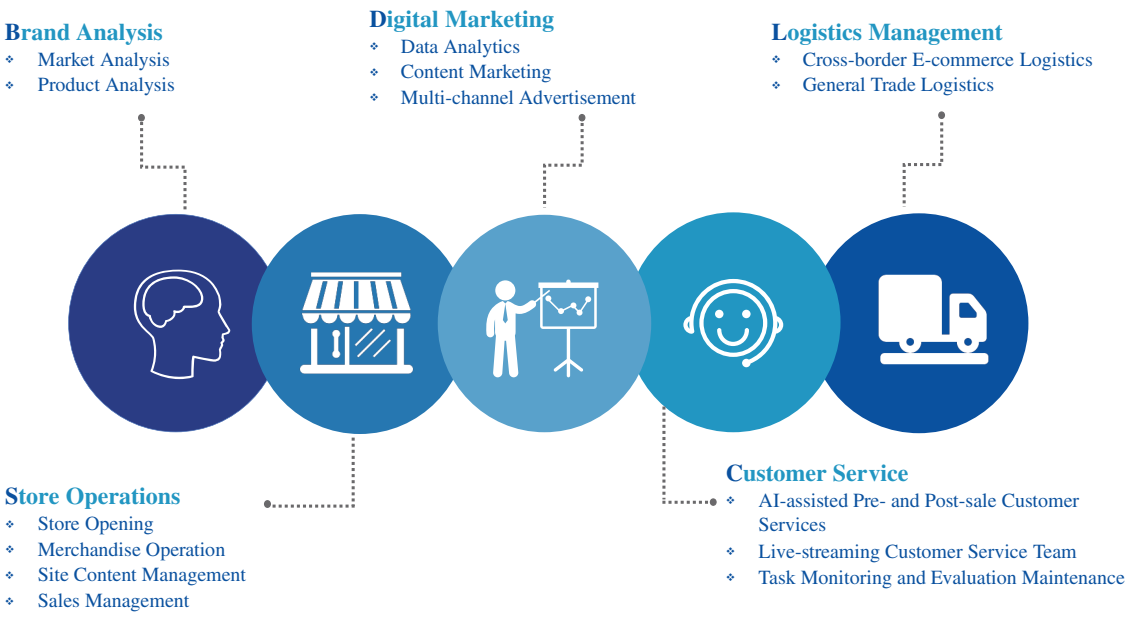
As a supplement to our B2B and B2C models operated under the distribution method, we also provide our e-commerce solutions, mainly including online operation and digital marketing services, to brand partners or other customers under service fee method, where we charge brand partners or other customers service fees usually at a pre-agreed amount and/or performance-based service charge. We adopt the service fee method for our provision of services business, under which we do not take the ownership of the products from our brand partners and our brand partners are deemed to be our customers. We provide similar services under the provision of services business to those we provide under the B2C model, except that we are generally not responsible for logistics management under our provision of services business as we do not purchase products from the brand partners. We believe that our customers of our provision of services business benefit from our industry knowledge, experience, resources and services provided by us, through which we assist such brand partners in promoting the brand image in online channels, increasing products popularity, building an online presence and achieving growth in online sales. The following flowchart illustrates how we provide brand e-commerce solutions under the provision of services business:



The e-commerce solutions offered by us under the service fee profit model include store operations, digital marketing and customer service. Other than the digital marketing service, our other e-commerce solutions cannot be sold separately to serve customers. We provide our digital marketing service module for a pre-agreed service fee. In 2018, 2019 and 2020, our revenue generated from service fees for e-commerce solutions was RMB12.7 million, RMB23.2 million and RMB11.5 million, respectively. During the same period, revenue generated from service fees for digital marketing services was RMB34.5 million, RMB25.5 million and RMB23.1 million, respectively.

Our Brand E-Commerce Retail and Wholesale Solutions

In operating our business under B2C, B2B and provision of services, we offer brand e-commerce retail and wholesale solutions that are tailored to meet our brand partners' unique needs, and are optimized for serving cross-border e-commerce. These solutions are a combination of service modules that encompass various operations in the e-commerce value chain, including brand analysis, store operations, digital marketing, customer service, and logistics management. The structure of our service models is illustrated by the diagram below.



Brand Analysis

Our brand analysis service module provides research and analysis of the market development and trends for formulating strategies for new brand partners that intend to enter into the Chinese e-commerce market, and existing brand partners that intend to revitalize their brands and products, leveraging our rich experience accumulated from serving a large portfolio of brands and products, strong data analytics capabilities and comprehensive category knowledge. The services we provide in this module are categorized as market analysis and product analysis.

Market Analysis

Overall market condition and competitive landscape analysis: We develop insights into the product category to which the brand belongs from data analysis and closely track the market trend. We also compare and analyze major competitors to provide our brand partners with advice on overall market condition and the competitive landscape.

Product Analysis

Product and consumer profile analysis: We systematically identify the brand's consumer groups, and conduct consumer profiling based on personalized tags such as occupations, locations and consumption capabilities. In the meantime, we analyze consumer demands and track product sales in the market to better understand the evolving needs of business and optimize product management. We also help design product mix and set marketing preferences.

Store Operations

Our store operations service module supports the daily upkeep of our online marketplace stores, through our experienced operations team and technology support. As of the Latest Practicable Date, we operated 88 online stores on Principal E-commerce Platforms, and nine stores on other e-commerce platforms. The services we provide in this module are broadly categorized as store opening, merchandise operation, site content management and sales management.

Store Opening

We jointly decide the plan for opening stores on various e-commerce platforms with our brand partners, and design the sales target for our new stores by referring to the historical performance of our stores in the same product category on the same e-commerce platform with comparable target consumers. It typically takes us approximately 60 days in opening a new online store.

Merchandise Operation

Product portfolio management: Leveraging our experiences and knowledge of market trends, as well as our brand analysis, we propose product mix strategies and identify the association selling effect of products to assemble an effective product portfolio. We identify potential top-selling products for a brand and categorize the brand's products into different tiers to optimize resource allocation across the product portfolio and achieve higher sales. We then strategically conduct marketing campaigns and assist in incubating the potential top-selling products of the brand. We review the store's sales performance periodically, and optimize the sales plans in a timely manner, with an aim to boost sales.

Inventory management: We procure products to maintain an appropriate level of inventory by forecasting the quantities to purchase, based on factors such as our sales experience, track record, the schedule of large sales activities and our agreements with brand partners. We keep track of the inventory data and sales performance, and restock in a timely manner according to our analysis of market trends and customers' preferences, to better satisfy our business needs.

Site Content Management

To attract consumers' attention, we design and update the online content on stores and make it consistent with the brand style. We design content that matches product features to be displayed for both desktop and mobile online users, and help ensure that online stores are artfully presented and updated in order to keep up-to-date with our brand partners' latest advertising campaigns and reflect our content marketing efforts.

Sales Management

We assist our brand partners in determining sales targets according to our market analysis, and, guided by our consumer profile analysis, we make specific sales plans. We also make strategic plans for traffic management and engage in driving traffic to brands' online stores in a variety of ways. We monitor and analyze sales performance regularly, and adjust promotional plans in a timely manner.

Digital Marketing

We have been gradually building up our data analytics capabilities during the Track Record Period. Our digital marketing service module attracts visitor traffic to online platforms and increases transaction volume, leveraging our data-driven planning and execution, content-generating capability and broad social media coverage.

In addition, this module can be provided as a stand-alone service to third parties as well as our brand partners. We believe that we possess marketing, planning and execution capabilities comparable to those of traditional advertising companies, and are equipped with e-commerce operation and sales management capabilities that traditional advertising companies do not have. With our strong data analytics capabilities, we provide services through Shanghai Fuli in this module which are broadly categorized as content marketing and multichannel advertising.

Data Analytics

Utilizing and analyzing the data collected from our reporting system and through data services provided by e-commerce platforms, our operation team understands consumers' online shopping habits and applies these insights to marketing campaigns for our brand partners. The following is a summary of our data analytics process:

Data processing and presentation: After data cleansing and tagging, our collected data are then associated with each other, and intelligently matched with specific groups of consumers.

Data analysis: We develop an insight into consumer behavior to enrich consumer profiles. This helps us enhance the accuracy of consumer-demand forecasting, and optimizes targeted marketing and platform operations, in order to increase marketing efficiency and boost sales.

Databank applications and model building: We categorize consumers by analyzing consumer profiles and preferences in multiple marketing channels, and conduct data analysis based on the changes in consumers' "Awareness-Interest-Purchase-Loyalty" (AIPL) journey, based on which we develop sales strategies across a wide range of advertising channels. We make use of a FAST (Fertility-Advancing-Superiority-Thriving) framework to evaluate consumer operation and a "Gain-Retain-Boost-Widen" framework to seek more growth for the brand. We also measure consumer lifetime value by applying the RFM (Recency, Frequency, Monetary) framework, with the application of multidimensional statistical modeling such as consumer lifetime value models. Under general framework analysis, we set up models with multiple personalized tags based on our understanding of the market. As of December 31, 2020, we developed over 1,300 consumer behavior analytic models, which help generate results of product recommendations and suggest promotion options after we input relevant data. We have become one of Alibaba's Certified Brand Databank Services Partners since September 2020, which allows us to access the latest information in the Alibaba Databank and various data analytics tools and helps us better capture and analyze consumer behavior, and more effectively execute data-driven marketing initiatives for our brand partners.

Data-driven business analysis and advice: We apply data analytics throughout our services provided to our brand partners, and we give improvement advice accordingly to help optimize their brand marketing strategies and business operations in China. We monitor transaction and operational data to evaluate our business status, compare them with targets and make business adjustments when necessary. By applying this data-driven approach, we conduct marketing campaigns aimed at consumers more precisely through various channels, and reach our target audience with customized product recommendations with sales promotions such as discounts or free products, which helps increase traffic to online stores.

Case Study: Data Analytics for Koh Gen Do

In 2015, Koh Gen Do, a Japanese cosmetic brand, entered into the Chinese market through cross-border e-commerce for the first time, and engaged us to be its e-commerce solutions partner to promote its presence in China. Undertaking market research in combination with brand analysis, we conducted marketing campaigns utilizing our data analytics capabilities and succeeded in promoting brand recognition among Chinese consumers.

In order to offer the right product recommendations to consumers to stimulate their stickiness, we used our ECRP system to organize and analyze data, such as product information, purchase history and consumer profiles, and exported the processed data to identify products with similar consumer groups. For example, identifying that the consumer groups for liquid foundation and those for loose powder were similar to each other, we therefore recommended these two products to consumers when reaching out to target groups, and generated customized storefront homepages that directed them to purchase pages showing customized recommendation when they visited the online store. We grouped together products of a longer purchase cycle and of a shorter purchase cycle to be sold in a specially designed gift box. In the makeup product category, we suggested that the brand partner sell liquid foundation gift boxes and makeup remover gift boxes. During the 2019 Singles Day pre-sale from October 21, 2019 to November 10, 2019, over 34,000 liquid foundation gift boxes and nearly 20,000 makeup remover gift boxes were sold during the same period.

Leveraging the data collected from Databank, we worked to reactivate our existing consumers, especially those inactive consumers who had not made a purchase through our online store for a certain period, and reached out to them with product recommendations based on the insights we gained from our consumer behavior analytic models. In the meantime, we helped expand the consumer base by reaching out to new consumers visiting the store site, at whom we targeted marketing and sales promotions based on our analysis of the AIPL model. In improving promotion efficiency, we set a consumer behavior analytic model that precisely identified target consumer groups, and reached out to these consumers accordingly with relevant content across multiple distribution channels. With our strong data analytics capabilities, we successfully addressed challenges faced by Koh Gen Do regarding low repeat purchase rate, low promotion efficiency and an unbalanced sales structure. On 2020 Singles Day, our existing consumers, who had previously made a purchase from our Koh Gen Do Tmall Global store operated by us, accounted for 28.74% of total consumers as compared to 23.08% on 2019 Singles Day and 10.57% on 2018 Singles Day, which demonstrates the effectiveness of our data-driven marketing efforts to improve our repeat purchase rate.

Case Study: Data Analytics for Attenir

In 2019, Attenir, a Japanese cosmetics brand under FANCL group, engaged us as its e-commerce solutions provider to promote its presence in China. Taking advantage of the Databank, we analyzed the consumer data based on our AIPL crowd-profiling analysis. We accurately identified the target consumer groups, which helped our marketing team reach the core consumer group effectively. Leveraging our strong data analysis capabilities and the GTA (GMV to AIPL) model, we successfully predicted the sales achievement for the Attenir overseas flagship store on Singles Day, and developed corresponding marketing strategies, which helped the store achieve a GMV of approximately RMB16.5 million during the Singles Day Promotion period from October 29 to November 11, 2020. According to the Databank, the active number of consumers on Attenir's overseas flagship store on Tmall Global increased from approximately 1.34 million on 618 Promotion in 2020 to approximately 2.72 million on Singles Day Promotion of the same year, representing an increase of approximately 103%.

In May 2020, we launched the Attenir membership system. We developed a four-level membership, ranging from "entry-level" to "diamond-level", to meet the needs of different customer groups. With the help of our data analytics and our strategy to deploy multiple marketing channels, as of the Latest Practicable Date, the store had 167,546 registered members. During the Chinese New Year promotion period from January 17 to January 25, 2020, 3,930 new members joined the Attenir membership system. Sales to registered members of the store reached RMB702,640 during such Chinese New Year promotion period, accounting for approximately 41.3% of the total sales of the store during the same period.

Leveraging our data analytics tools, we succeeded in stimulating the purchase by customers who had not repurchased for a certain period of time. Based on the insights gained from our customer relationship management platform, we provided matching product recommendations to better suit such customers. As a result, the purchase amount paid by repeat customers at the Attenir overseas flagship store on Tmall Global increased from RMB244,130 on 2019 Singles Day to RMB905,718 on 2020 Singles Day, accounting for 5.4% and 21.4% of the total purchase amount of the store on 2019 Singles Day and 2020 Singles Day, respectively.

Content Marketing

Leveraging our appealing online content, which has proven to be popular as demonstrated by our over 17 million followers of the stores we operate on major e-commerce platforms in China as of the Latest Practicable Date, and our customer base, we have developed an expertise in content marketing, which broadly falls into two categories: content generation and promotion; and KOL incubation and engagement.

Content generation and promotion: We produce content based on our experience in conducting brand analysis in China. We analyze consumer profiles, classify consumers into different groups and assign them with personalized tags. By analyzing the characteristics and preferences of each group, we identify which platform these consumers are most likely to visit, thereby outputting targeted content to draw their attention. Understanding that products are crucial to a brand's development, we advise our brand partners to promote products tailored to a Chinese demographic, based on which we plan for targeted content to be used in a wide range of marketing channels.

We provide our brand partners with our expertise in producing digital content, such as pictures and videos made by our in-house team. Making use of the content, we provide visitors with product information and shopping guidance, and by focusing on an "A Thousand People, A Thousand Faces" (千人千面) approach that aims to generate personalized storefronts and product pages for consumers, we manage to showcase the brand's products, with customized recommendations, to different groups of our consumers.

In combination with our content-generating capabilities, we carry out content promotional activities through diverse distribution channels in order to make the content available to more people and expand the brand's reach. We plan marketing campaigns for new arrivals and store promotions, and take advantage of multiple channels, including Taobao, Weibo, Weixin, Xiaohongshu and Douyin on which we engage influencers to publish engaging and relevant content on their accounts that would be visible to their followers.

KOL incubation and engagement: We established our subsidiary, Litun Culture, in 2019 as an MCN to incubate KOLs in China's beauty and personal care product markets. Our MCN team targets users with a proportion of followers on Taobao, Weibo, Xiaohongshu, Douyin, and assists them in producing creative articles, pictures and videos to be posted on their social media accounts, which helps reach a wider audience.

We engage KOLs' and actors/actresses' recommendations for new products and promotions and invest effort in popular content channels to boost marketing effectiveness. For example, we engage fashionable brand ambassadors and arrange for them to attend and host video broadcast sessions to endorse our cooperating brands on various social media channels. These advertising activities create topics among users on various social media channels and promote engagement with users, increasing the brand's social media exposure.

Multichannel Advertisements

Acknowledging that consumer groups engage differently with brands, we devise various advertising approaches for our brand partners. We plan for the implementation of promotional activities, and advertise brand products through Taobao Train, Diamond Show and Taobaoke which gain much online traffic, and conduct text marketing campaigns targeted at individuals by sending them direct messages together with promotional information.

Case study: Digital marketing for Calbee

Since 2015, we have worked closely with Calbee, a major Japanese snack food maker, to enhance its presence in China. We generated engaging and creative content, and engaged in multichannel marketing campaigns to expand its consumer base. For example, in January 2018, we proposed the idea of "Calbee Breakfast Revolution" and conducted marketing and promotions on Tmall's Happy Gathering Day, and, through marketing campaigns conducted both online and offline, the brand received over 100 million page views on Weibo in total during the month. In addition, we assisted in the brand's cooperation with NetEase Comics for customized joint packaging planning, and showcased the packaging to visitors during the China International Cartoon and Animation Festival in 2018. In 2019, Calbee's curry-flavored cereal made its debut online in China, and with our creative marketing and recommendations on various cereal recipes, it sparked online discussion, and we were awarded 2019 Mawards Best E-commerce Marketing Innovation Award – Bronze Award. In the meantime, we advertised the brand products through social medial channels, including Youku (優酷), an online video platform, on which we shared interesting video content, to endorse the brand and attract consumers' attention.

Customer Service

Our customer service module combines technology and well-trained customer service teams to provide real-time pre-sale and post-sale customer services.

AI-assisted pre- and post-sale customer services: Pre-sale customer services comprise answering customers' inquiries about product details, recommending suitable products and guiding customers through the online shopping process. Post-sale customer services comprise handling complaints and product return requests. To ensure that satisfactory shopping experiences are achieved in a cost-effective manner, we use AI technology to provide online customer services for stores operated by us on Tmall and Tmall Global, including using supporting chatbots provided by Alibaba to handle customer interactions in a human-like manner, supported by a library of approximately 3,000 scripts per store on Tmall on average. As of the Latest Practicable Date, 30 stores we operated on Tmall and Tmall Global maintained a seller rating of 10% higher than the average rating of its respective industry. In 2017, our Sofy Official Flagship Store was recognized as Outstanding Intelligent Trainer of Ali Intelligent Promotion Plan (阿里智能大促計劃優秀智能訓練師) and our MamyPoko Official Flagship Store was recognized as Best Intelligent Service Store. In 2020, our Sofy Official Flagship Store was awarded Dianxiaomi Singles Day Top Stores – Bronze Award (店小蜜雙十一蜂神榜銅蜂獎), which demonstrated the store's ability to utilize artificial intelligence technology to provide online customer services on Singles Day where there is generally heavy customer traffic.

Live-streaming customer service team: We established an in-house live-streaming customer service team to transform customer service into an effective marketing tool. As of December 31, 2020, we had a live-streaming customer service team consisting of 27 anchors for some of the online stores operated by us. The team undertakes activities, including brand promotion, and sales promotion with the e-commerce platform and new product shows.

Task monitoring and evaluation maintenance: We quickly create a task list when we receive a post-sale complaint, and inform consumers in a timely manner of how it will be resolved. Meanwhile, we deal with evaluations from consumers periodically, analyzing the information and producing monthly reports for our brand partners.

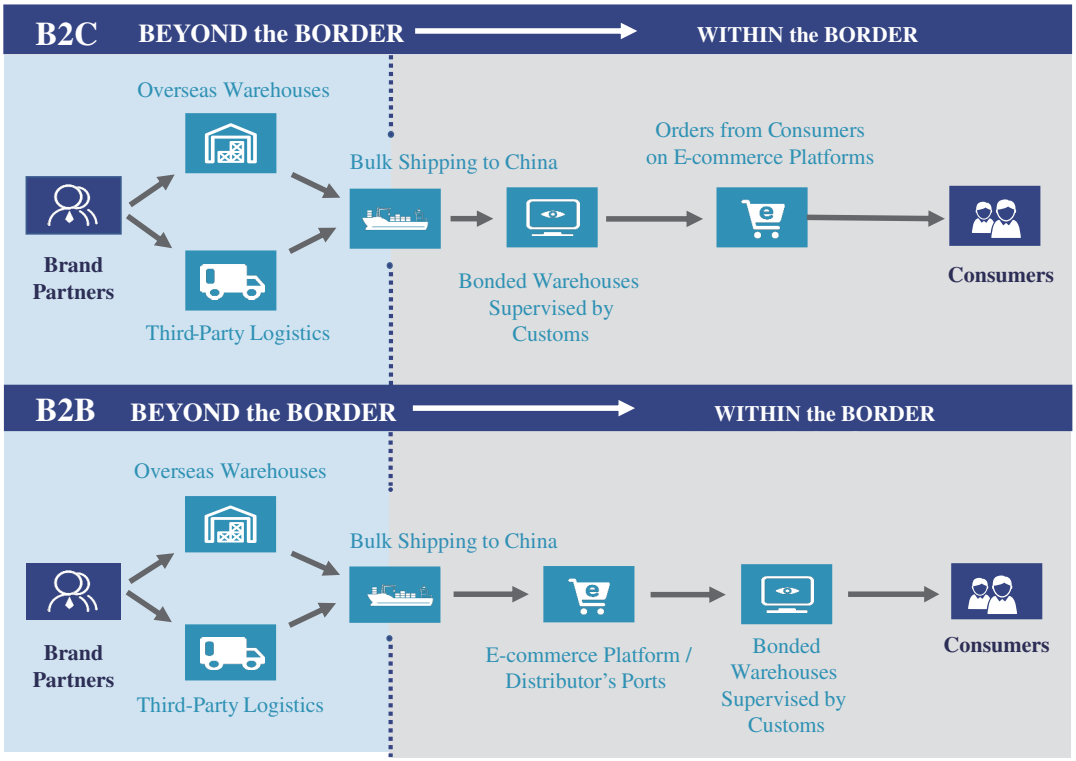
Logistics Management

Our logistics management service module supports a smooth shopping experience for domestic and overseas products alike. We have gained access to a robust logistics network in the PRC, Hong Kong and Japan, and built strong warehousing capacity by engaging established warehousing and logistics service providers. We took advantage of UNQ Japan and UNQ HK as part of our cross-border e-commerce solutions, and have accumulated knowledge and experience in handling customs-related regulations and policies in the PRC, Japan and Hong Kong, therefore allowing us to more effectively coordinate the cross-border logistics management process. We closely monitor the speed and service quality of our engaged logistics service providers through feedback from our consumers to ensure their satisfaction. Our outstanding logistics capabilities were recognized by Tmall Merchant Supply Chain Management Excellence Award in 2018 and Tmall Beauty Award for Outstanding Logistics Service Brand in 2019. According to the CIC Report, we were one of the first movers using bonded warehouses in China to support Tmall Global's cross-border fulfillment operations.

The majority of our products sold are sourced from overseas, in particular from Japan, primarily as part of the solution for cross-border e-commerce. According to the CIC Report, cross-border e-commerce facilitates the direct import of products that are usually the same as those sold in the country of origin, and simplifies the usually complex and time-consuming entry requirements of general trade. For details of the advantages of cross-border import, see "Industry Overview – China Brand E-commerce Service Market – Overview of China Cross-border Import Brand E-commerce Service Market." Cross-border e-commerce requires more sophisticated supply chain management and better coordination among participants in the supply chain.

We arrange bulk shipment to cross-border bonded zones in China. Under the B2C model, once a consumer places an order and makes payment, we, through logistics service providers, clear the products through customs and make the necessary tax payment with the amount of money we collect in advance from the consumer, and then have the products delivered. Under the B2B model, after e-commerce platforms or other distributors place orders, we arrange for delivery of products to places of delivery as designated by them, and the e-commerce platforms or other distributors, rather than us, are generally responsible for managing the bonded warehouses. It is comparatively easier to source products from overseas under the general trade

model, where bonded zones are not involved, which, according to the CIC Report, is primarily because a brand e-commerce solutions provider operating under general trade does not necessarily need to source products directly from overseas entities through cross-border logistics arrangement. Depending on the brand e-commerce solutions provider's business arrangement with its brand partner, it may have the option to source the branded products from the brand partner's affiliates or distributors in China, without going through the cross-border importation procedure. On the contrary, a brand e-commerce service provider operating under cross-border e-commerce must, by virtue of the regulatory requirement for cross-border e-commerce, have overseas entities to connect to overseas brand partners. It also needs to manage cross-border logistics if the brand e-commerce service provider engages in B2C business. For example, brand e-commerce solutions providers under cross-border import are usually involved in the management of products stored in the bonded warehouses, in which the imported products are stored before being ordered by individual consumers. We usually engage third-party logistics partners to carry out this process. The following flowcharts illustrate our cross-border logistics management process:



Depending on the contracts we signed with brand partners, the ownership of products are transferred to us either when the goods are delivered to and accepted by our warehouse, or when the goods are accepted by third party logistic companies contracted by us at the designated place.

There is no limitation on the number of e-commerce platforms under cross-border import and, as of the Latest Practicable Date, we cooperated with a total of seven e-commerce platforms under cross-border import. We primarily operate stores on Principal E-commerce Platforms featuring cross-border e-commerce, including Tmall Global, JD Worldwide, Xiaohongshu and Pinduoduo.

As an early mover in the cross-border e-commerce, we have formed well-established cross-border supply chain management operations which, as of December 31, 2020, consisted of the right to use bonded warehouses in the PRC, and overseas warehouses in Japan and Hong Kong, among which we directly engaged three warehousing service providers in Japan to provide us with three overseas warehouses for use. As advised by our PRC Legal Advisor, no relevant PRC laws or regulations place limits on the length of the period that we are entitled to use bonded warehouse in China, and we are authorized to use bonded warehouses in accordance with the agreements between us and our warehousing and logistics partners. Thus, the period during which we store goods in the corresponding bonded warehouse is subject to agreement with the relevant warehousing service provider. Based on our existing agreements with warehousing and logistics partners, the valid period that we are entitled to store goods in the corresponding bonded warehouse shall not exceed one year, and we believe that there is no difficulty or legal impediment to renewing the agreement with the relevant warehousing and logistics partner upon the expiration of the relevant agreement. We continue to enhance and optimize our cross-border supply chain to improve our operational efficiency, such as by participating in a centralized import procurement (CIP) project for Moony and Kobayashi.

The table below sets forth our logistics arrangements under different operational models. See "– Internal Control and Risk Management – Inventory Management" and "– Logistics Partners" for details about our inventory management policy and our management of third-party logistics partners, respectively.

Model	Inbound logistics	Warehousing	Outbound logistics	
B2B model – Sales to e-commerce platform (including distribution and consignment arrangements) – Sales to other distributors (including sales to offline retail stores through Shanghai Xuyi)	Brand partners are typically responsible for delivering the products to warehouses managed by third-party logistics partners.	Third-party logistics partners are responsible for managing the warehouses.	Third-party logistics partners are responsible for delivery.	Deliveries are made to: – e-commerce platform – other distributors The e-commerce platforms, or other distributors, are responsible for further delivering the products to the end-consumers.
B2C model				Deliveries are made to end-consumers by logistics service providers.
Provision of services	Brand partners are typically responsible for the logistics.			

OUR BRAND PARTNERS

We source products from brand partners that may operate multiple brands under their management. As of the Latest Practicable Date, we provided brand e-commerce solutions to 28 brand partners with 66 brands, among which 58 brands were from Japan. Our brand partners primarily focus on Japanese-branded FMCG; in particular, beauty and personal care products. To appeal to China's consumers with different age, gender, and income levels, we have successfully built a diverse portfolio of highly recognizable Japanese life and health brands. As of the Latest Practicable Date, we supported product categories, including personal care products for adults, personal care products for babies, beauty products, health products and others. The following table sets forth the selected products of a selection of brands we served as of the Latest Practicable Date:

Category	Selected Brand Partner[1]	Selected Brand	Selected Product
Personal care products for adults	Shiseido (資生堂)	FINO (芬濃)	Hair mask
	Shiseido (資生堂)	KUYURA (可悠然)	Shower gel
	Shiseido (資生堂)	AQUAIR (水之密語)	Shampoo
	Unicharm (尤妮佳)	Sofy (蘇菲)	Sanitary napkin
	Unicharm (尤妮佳)	Silcot (舒蔻)	Cosmetic cotton
	Cow Brand Soap Kyoshinsha (牛乳石鹼)	Cow Brand Soap Kyoshinsha (牛乳石鹼)	Body soap
	Sunstar (盛勢達)	Ora2 (皓樂齒)	Mouthwash
	Bioeffect (蓓欧菲)	Bioeffect (蓓欧菲)	Repair essence
Personal care products for babies	Unicharm (尤妮佳)	Moony	Diapers
	Unicharm (尤妮佳)	MamyPoko (媽咪寶貝)	Diapers
Beauty products	Koh Gen Do (江原道)	Koh Gen Do (江原道)	Foundation
	Kose (高絲)	Softymo	Cleansing oil
	FANCL (芳珂)	Attenir (艾天然)	Cleansing oil
	Noevir (諾薇雅)	SANA (莎娜)	Cleansing mousse
	Mandom (漫丹)	Mandom (漫丹)	Eye and lip makeup remover
Health products	Kobayashi (小林)	Kobayashi (小林)	Cooling gel sheet
	Lion (獅王)	Lion (獅王)	Acne cream
	Taisho (大正製藥)	Taisho (大正製藥)	Stomatitis patch
	Nichiban (大判)	Nichiban (大判)	Roihi-Tsuboko (止痛穴位貼)
Others	Earth (安斯)	ARS (安速)	Cockroach bait
	Earth (安斯)	Hakugen (白元)	Desiccant

Note:

(1) We built the relationship with Shiseido and Sunstar in 2011, and have cooperated with Unicharm, Cow Brand Soap Kyoshinsha and Bioeffect since 2014, 2017 and 2020 respectively. We started to cooperate with Koh Gen Do, Kose, FANCL, Noevir and Mandom in 2015, 2012, 2019, 2011 and 2011, respectively. In 2010, 2015, 2018 and 2019, we respectively started cooperation with Kobayashi, Lion, Nichiban and Taisho, and since 2010, we have cooperated with Earth.

The following table sets forth a breakdown of our revenue by product category for the periods indicated:

	Year ended December 31,					
	2018		2019		2020	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB in thousands except for percentages)					
Personal care products for adults	1,066,262	42.0	1,390,815	50.0	1,757,741	62.8
Personal care products for babies	821,549	32.3	778,915	28.0	425,895	15.2
Beauty products	481,343	18.9	396,012	14.2	338,323	12.1
Health products	86,641	3.4	137,982	5.0	191,541	6.8
Others[(1)]	85,166	3.4	77,995	2.8	87,346	3.1
Total	2,540,961	100.0	2,781,719	100.0	2,800,846	100.0

Note:

(1) Others mainly include household necessities and watches.

In 2018, 2019 and 2020, we generated 98.0%, 97.9% and 97.3%, respectively, of total revenue from sales of products procured from, and 1.9%, 1.8% and 1.0%, respectively, of total revenue from provision of services to, Japanese brand partners. In 2018, 2019 and 2020, we generated 97.1%, 96.8% and 96.0%, respectively, of our total gross profit from sales of products procured from, and 3.0%, 3.2% and 1.7%, respectively, of our total gross profit from provision of services to, Japanese brand partners. In 2018, 2019 and 2020, the gross margin of our sales of products procured from Japanese brand partners was 24.0%, 28.6% and 31.3%, respectively, and the gross margin of our provision of services to Japanese brand partners was 38.7%, 53.6% and 56.7%, respectively.

As we deepened our relationship with our brand partners, our revenue from the sale of products sourced from them generally recorded a steady growth during the Track Record Period. We believe that our brand e-commerce solutions for four brands with which we cooperated as of the Latest Practicable Date, namely Sofy, Kobayashi, Silcot and ARS, had achieved strong performance among our brands portfolio during the Track Record Period. The total revenue generated from products sourced from these four brands increased from RMB571.2 million in 2018, to RMB715.8 million in 2019 and further to RMB888.0 million in 2020.

Established Brand Partners

As of the Latest Practicable Date, our terms of cooperation with brand partners ranged from one month to ten years, and we had cooperated with 40 brands for more than three years, primarily including the brands of Unicharm, Shiseido, Kose, Sunstar and Kobayashi.

Specifically, we have been cooperating with Unicharm, one of the top three diaper companies in Japan in terms of sales revenue in 2019 according to the CIC Report, for over five years. We assist Unicharm to access a wide range of authorized sales channels, including e-commerce platforms featuring general trade such as Tmall, Tmall Supermarket, and e-commerce platforms featuring cross-border e-commerce such as Tmall Global and Tmall Direct Import. Meanwhile, we are actively involved in its brand Moony's centralized import procurement arrangement with Tmall. We have cooperated with Shiseido, one of the top three cosmetic groups in Japan in terms of sales revenue in 2019, according to the CIC Report, since 2011 in China, and assisted it in establishing its market presence and launching products on a wide range of authorized sales channels, including e-commerce platforms featuring general trade such as Tmall, Tmall Supermarket, JD.com, Xiaohongshu, Kaola, and e-commerce platforms featuring cross-border e-commerce such as Tmall Global and Tmall Direct Import.

We have grown together with our brand partners. The following tables sets out significant milestones in our cooperation with them.

Year	Milestones in Cooperation with Unicharm
2014	We started our business relationship with Unicharm.
2016	Sofy Tmall flagship store (Sofy flagship store) generated an annual GMV of over RMB100 million.
2017	GMV of Moony Tmall Global overseas flagship store (Moony overseas flagship store) on 618 Promotion from June 1 to June 20, 2017 increased by 1,420% compared to that of 2016 618 Promotion from June 1 to June 20, 2016. Sofy brand ranked No. 1 in terms of sales in Tmall's sanitary napkins category in November 2017.
2018	Tmall flagship store of Silcot (Silcot flagship store) sold over 560,000 boxes of cosmetic cotton and generated GMV of over RMB8 million on Singles Day. Sofy flagship store ranked No. 1 in terms of sales in Tmall's pant style sanitary napkins category in November 2018.

Year	Milestones in Cooperation with Unicharm
2019	Moony overseas flagship store's annual GMV exceeded RMB243 million, and the store ranked No. 1 in terms of sales in Tmall Global's paper diaper category in November 2017, 2018 and 2019 respectively. The GMV of Silcot flagship store on Singles Day exceeded RMB17 million, and the annual GMV exceeded RMB43 million, representing an increase of 59% compared to that of 2018. Sofy flagship store's GMV exceeded RMB100 million on Singles Day, and the store ranked No. 1 in terms of sales in pant style sanitary napkins category in November 2019.
2020	Moony overseas flagship store ranked No. 1 in Tmall Global's paper diaper category in terms of sales in November 2020. Silcot flagship store ranked No. 1 in terms of sales in Tmall's beauty tools category during Singles Day Promotion in 2020. Sofy flagship store's GMV exceeded RMB130 million on Singles Day, and the store ranked No. 1 in terms of sales in Tmall's pant style sanitary napkins category in November 2020.

Year	Milestones in Cooperation with Shiseido
2011	We started our business relationship with Shiseido.
2016	Tmall Global Shiseido overseas flagship store (Shiseido overseas flagship store) made its debut on Singles Day with GMV exceeding RMB5 million.
2017	Shiseido overseas flagship store's GMV exceeded RMB10 million on Singles Day.
2018	Shiseido overseas flagship store's annual GMV increased by 284% compared to that of 2017, and exceeded RMB155 million, with GMV exceeding RMB30 million on Singles Day.
2019	UNO, a brand of Shiseido, ranked No. 1 in Tmall Global's male personal care category in terms of annual GMV; and FINO hair mask ranked No. 1 in Tmall Global's hair mask category in terms of sales in November 2019.

Year	Milestones in Cooperation with Shiseido
2020	UNO, a brand of Shiseido, ranked No. 1 in Tmall Global's male facial cream category in terms of GMV on Singles Day 2020. Shiseido's FINO hair mask ranked No. 1 in the hair mask category on Tmall Global in terms of sales in November 2020.

Our top five brand partners in terms of revenue generation attributable to sales of their respective branded products in 2020 include Unicharm, Shiseido, Kobayashi, Kose and Sunstar, with whom we had cooperated for six years, nine years, ten years, eight years and nine years as of the Latest Practicable Date, respectively. In 2018, 2019 and 2020, we generated 89.1%, 87.3% and 86.5% of our total revenue from the sales of the products of such top five brand partners, respectively. The following table sets forth our revenue generation attributable to sales of branded products of such brand partners during the Track Record Period.

		Year ended December 31,					
		2018		2019		2020	
	Years of cooperation as of the Latest Practicable Date	Revenue generation attributable to sales of branded products	% of total revenue	Revenue generation attributable to sales of branded products	% of total revenue	Revenue generation attributable to sales of branded products	% of total revenue
	(years)	*(RMB in millions except for percentages)*					
Unicharm	six	1,195.0	47.0	1,213.2	43.6	1,111.2	39.6
Shiseido	nine	707.4	27.8	864.8	31.1	963.2	34.4
Kobayashi	ten	86.3	3.4	130.1	4.7	143	5.1
Kose	eight	179.6	7.1	125.3	4.5	108.5	3.9
Sunstar	nine	96.3	3.8	95.5	3.4	98.2	3.5
Total		**2,264.6**	**89.1**	**2,428.9**	**87.3**	**2,424.1**	**86.5**

Some of our existing brand partners have had years of cooperation with us, and we source a large portion of our products from them. See "Risk Factors – Risks Relating to Our Business and Industry – We are subject to concentration risks as a material part of our purchase was made from and revenue was generated from sales of products of a limited number of brand partners."

Brand Incubation

Our experienced product selection team carefully curates selections of quality products with good value to fulfill the evolving needs of consumers in China, based on our understanding of their demographics and preferences. Our strong execution capability enables us to identify potential top-selling products and successfully incubate these new brands. We believe that our brand e-commerce solutions for three up-and-coming brands with which we cooperated as of the Latest Practicable Date, namely Silcot, ARS and Cow Brand Soap, had achieved strong performance during the Track Record Period. The average of revenue generating from products sourced from these three brands, calculated by dividing their total revenue of RMB55.9 million in 2018, RMB106.2 million in 2019, and RMB137.2 million in 2020 by three, respectively, increased from RMB18.6 million in 2018 to RMB35.4 million in

2019 and further to RMB45.7 million in 2020. Among the new brands with which we started cooperation during the Track Record Period, two new brands, namely Attenir and Taisho, performed especially well. Revenue generated from Attenir and Taisho reached RMB47 million and RMB13.7 million, respectively, in 2020, the second year of our cooperation with such brands. We exert a strong influence on the store operation and digital marketing of the above-mentioned up-and-coming overseas brands that we introduced, and we continue to contribute to the growth, in both visibility and GMV, of these brands. In 2019, we were awarded New Stores Engagement Star by Tmall Global. In 2020, we were awarded Stores Incubation of Scale Award (規模化商家孵化獎) by Alibaba.

Case Study: Incubation of Attenir

Attenir, a famous Japanese cosmetics brand, has engaged us as its e-commerce solutions provider to promote its presence in China since 2019. We have designated different teams for Attenir responsible for different sales channels, have participated in planning and marketing for the brand, and have helped Attenir enter several mainstream channels in China.

Through accurate analysis of user data and purchase behavior such as product preferences and average monthly spending, we matched products with different target consumer groups. See "– Our Businesses – Our Brand E-commerce Retail and Wholesale Solutions – Digital Marketing – Data Analytics – Case Study: Data Analytics for Attenir."

We assisted Attenir in formulating marketing plans and promotion strategies for its target customers. In 2020, we focused on maintaining and enhancing awareness of the brand in the makeup remover category. From the opening of the Attenir overseas flagship store on Tmall Global in August 2019 to the end of 2020, we cooperated with KOLs with large fan base to carry out 60 live broadcasts for the brand (including 13 live broadcasts by top-tier KOLs who have 10 million fans or more in Taobao and 47 broadcasts by middle-level KOLs whose fans in Taobao are fewer than 10 million). With strong support from KOL live promotions, the sales of the store reached RMB51 million in 2020. In August 2020, we invited a celebrity to participate in the product campaign for Attenir's makeup remover, receiving overwhelming attention and discussion on Weibo and becoming the No. 6 hot topic on Weibo. In November 2020, we invited a Douyin KOL with more than seven million followers to further promote Attenir's makeup remover from November 1, 2020 to the Singles Day of 2020. We also tailored and prepared multiple promotion strategies, aiming to stimulate purchases by members of Attenir overseas flagship store and incentivise fans to join as members of the store. The promotion campaigns helped Attenir's overseas flagship store achieve success in selling over 110,000 bottles of makeup remover during the Singles Day Promotion period from October 29 to November 11, 2020, ranking it in second place on Tmall Global in terms of the makeup remover category in November 2020.

Case Study: Incubation of one of Kobayashi's Popular Products

After analyzing the online market size for traditional brands of chewing gum in China in 2018, we found that the growth rate of the chewing gum category was far higher than that of the candy category. Moreover, there were few competitors and top-selling products in Tmall Global's cross-border candy market. After analyzing Kobayashi products and comparing them to other branded products of the same category in the market, we suggested to our brand partner that the strategic focus should be on its breath-care chewing pill. To establish its first-mover advantages, we crafted and successfully executed the following plan.

To capture consumer attention efficiently, we engaged KOLs on Douyin in the endorsement of the breath-care chewing pill. In February 2019, Kobayashi overseas flagship store received 0.17 million visitors in a single day. In addition, we introduced the concept of "Sugar for Kissing" in 2019 to further expand the market. In the process, we conducted a marketing campaign that engaged celebrity endorsement and carried out various content promotions through a wide range of distribution channels to increase consumer stickiness. These marketing and promotion campaigns helped promote the brand in the Chinese market, and, in June 2019, Kobayashi's breath-care chewing pill ranked No. 1 in Tmall Global's chewing gum sub-category in terms of sales, while gaining high popularity among Chinese consumers.

With the determination to expand the target market so as to make Kobayashi's breath-care chewing pill the top-selling product in its category in China, we further strengthened the marketing campaign during Singles Day in 2019. For example, we continued engaging multiple KOLs to post branded content on various social media platforms, and participated in Tmall Global's promotional campaign during Singles Day Promotion, including posting interesting content about the breath-care chewing pill on Tmall Global's official account on Weibo. The promotional campaign received much online discussion, which demonstrated the success of our marketing efforts. In the meantime, we distributed creative content on Douyin and Xiaohongshu to reach out to a wider audience. On Singles Day in 2019, Kobayashi's breath-care chewing pill ranked No. 1 in terms of sales in Tmall Global's chewing gum sub-category, and the store ranked No. 1 in terms of sales in Tmall Global's chewing gum category. Through our continuous efforts in 2020, the store ranked No. 1 in Tmall Global's chewing gum sub-category in terms of sales in November 2020.

Brand Partner Development and Services

We intend to grow our business by adding new brand partners and brands. We strive to provide solutions that assist them in growing their e-commerce business in China more efficiently than they do on their own, to attract new brand partners. We have been able to use the capabilities we have developed for our existing brand partners to attract new brand partners. We have implemented a thorough brand-selection process. We strategically select

both renowned established brands and up-and-coming brands for FMCG, in particular, personal care products that suit the taste of our target consumers. We have focused our attention on identifying new brand partners in Japan, Europe, the United States and Southeast Asia. Our management team identifies market opportunities and analyses the prevailing consumer trends. We assess potential new brands from various perspectives by taking into account their product structure, popularity and existing sales channels, and we also consider their willingness to cooperate with us to explore the potential of the Chinese market, and its expectation for future growth. We carefully select prospective brand partners, and only work with those that have long-term potential and have sparked some interests among Chinese consumers. We also seek to deepen our relationships with existing brand partners by expanding their brand portfolio subject to our cooperation.

We explore the opportunity for cooperation with potential brand partners through our business development and referrals by e-commerce platforms. We have extensive experience in the marketing and the e-commerce industry, and maintain a close relationship with major e-commerce platforms. In order to better identify products suitable for consumers in China, we have built up a localized team in Japan that is principally responsible for business development and dedicated to product selection and liaison with potential brand partners.

We entered into an agreement with Eisenberg, a French brand for both women and men that sells a range of personal care products, to operate its Tmall Global overseas flagship store. In March 2020, we started to cooperate with Bioeffect, a high-end beauty brand from Iceland, and to operate its overseas flagship store on Tmall Global. The store delivered a strong performance and our revenue generated from the store reached RMB20.2 million in 2020, in less than 10 months following its inception. Bioeffect overseas flagship store achieved sales of RMB9.5 million during the Singles Day Promotion period from October 21 to November 11, 2020, ranked top five on Tmall Global in terms of sales by new stores. We will continue to explore the opportunity to develop cooperation with brand partners in the United States and Europe.

Leveraging our brand e-commerce retail and wholesale solutions experience and accumulated knowledge of the Chinese market, we are able to explore and identify brands with potential in categories other than beauty and personal care products. For example, we began to operate the official marketplace store on Tmall Global for Taisho in 2019, and became one of the few brand e-commerce solutions providers for OTC drugs on Tmall Global. Since then, we have started to build up our warehousing and logistics capabilities, as well as the professional pharmacist and customer service team, for the expansion of this product category. As of the Latest Practicable Date, we provided our brand e-commerce solutions to seven health product brand partners under both B2B and B2C models. Under B2B model, UNQ HK or UNQ Japan procures OTC drugs for its customers, all of which are companies incorporated outside of China. Under B2C model, UNQ Japan sells OTC drugs directly to consumers in China through its cross-border online retail stores on third-party cross-border e-commerce platforms including Tmall Global, JD Worldwide and Kaola Offshore.

We conduct due diligence reviews on our prospective brand partners' qualifications, including whether they hold proper business operation licenses, safety, sanitary and/or quality certifications, trademark registration certificates and/or license agreements in relation to their branded products. For those involving product import, we also check the brand partners' import customs declaration, tax return filing, tax receipt and import registration certificate.

The following table sets forth the changes in the number of brands we cooperated with during the Track Record Period and up to the Latest Practicable Date.

	Year ended December 31,			From January 1, 2021 to the Latest Practicable Date
	2018	2019	2020	
At the beginning of the period	51	59	61	72
Cooperation with new brands	10	10	21	3
Termination of cooperation	2	8	10	9
Net increase	8	2	11	(6)
At the end of the period	59	61	72	66

We maintain good relationships with our brand partners and continue to share success grounded in our collective ability to bring products to Chinese consumers that cater to their evolving preferences. We believe our solutions are competitive compared with those provided by other e-commerce service providers or the option of operating online sales by brand partners' in-house teams, because: (i) building up an online retail business or their own e-commerce platforms in China independently can be burdensome and challenging for certain overseas brands who are not familiar with the complicated e-commerce environment in China, and the opportunity cost of learning various new channels through trial and error is high; (ii) owing to economies of scale, we integrate our resources to provide brand e-commerce services with higher efficiency; (iii) we have broad sales channels under both B2B and B2C models, as well as omnichannel marketing capabilities to increase the exposure of brand partners' products to consumers; (iv) our first-mover advantage in cross-border e-commerce appeals to brand partners; and (v) we have historically satisfied the procurement targets set by our brand partners.

We evaluate our brand portfolio regularly to include new brands that cater to Chinese consumers' needs and interests. Meanwhile, we review the sales performance of products sourced from brands with which we cooperate, and may terminate the relationship with certain brand partners or change the brands we service, from time to time, to increase sales volume and GMV by optimizing our own brand portfolio. We have actively explored business opportunities with 41 new brands, and sourced products of different categories during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we ceased providing services to 29 brands under 17 brand partners for various reasons, which may be out of weak sales performance of relevant brands, our active business adjustment, changes in the brand partners' business strategies and brand partners' business decision of not renewing agreements. The following table sets forth a breakdown of the reasons for cessation of cooperation for the periods indicated:

	Year ended December 31,			From January 1, 2021 to the Latest Practicable Date
	2018	2019	2020	
Reasons for cessation of cooperation[(1)]				
Weak sales performance[(2)]	2	4	6	5
Our active business adjustment[(3)]	–	2	–	–
Changes in the brand partners' business strategies[(4)]	–	–	2	4
Brand partners' business decision of not renewing agreements[(5)]	–	2	2	–
Total	2	8	10	9

Notes:

(1) The cessation of cooperation with a brand may be due to multiple reasons. For the purpose of this table, we categorize the respective reasons for cessation of cooperation with each brand based on the main reason. Out of the 29 brands to whom we ceased servicing during the Track Record Period and up to the Latest Practicable Date, to our best knowledge based on publicly available information, 14 of them continued to operate online stores either on their own or through other brand e-commerce solutions providers.

(2) In 2018, 2019, 2020 and from January 1, 2021 to the Latest Practicable Date, we ceased servicing two, four, six and five brands due to their sales performance falling short of our expectation, which in turn, was primarily attributed to one or a combination of the following reasons: (i) product was at the end of its life cycle or did not evolve according to the changing demands, and became less attractive to customers; (ii) the authorized sales channels did not perform as well as we expected; and/or (iii) the brand partners did not invest sufficient resources in the relevant products in the Chinese market or shrank their presence in China generally. These brands included five beauty product brands, ten personal care product brands and two health product brands. In 2018, 2019 and 2020, sales of products under these brands in the aggregate contributed to less than 0.5% of our total revenue for the corresponding period.

(3) In 2019, we actively chose to cease servicing two brands out of our business adjustment consideration in light of the changing market conditions. These involved one watch brand which does not fit in our overall brand portfolio, and one household necessities brand which in our opinion has limited growth potential with its resources spent. In 2018 and 2019, sales of products under these brands in the aggregate contributed to less than 1.3% of our total revenue for the corresponding year.

(4) In 2020 and from January 1, 2021 to the Latest Practicable Date, we ceased servicing two and four brands due to our brand partners' changes of business strategies, including discontinuing of production, ceasing operation under cross-border e-commerce and switching to different operation strategy. Such changes did not affect our cooperation with the brand owners on other brands. These terminated brands include one beauty product brand, three health product brands and two personal care product brands. During the Track Record Period and up to the date of termination, sales of products under three of such six brands were mixed with those of other brands under the same brand partners in their respective flagship stores. In 2018, 2019 and 2020, sales of products under such three brands in the aggregate contributed to less than 1.5% of our total revenue for the corresponding period. Sales of products under the remaining three brands were not carried out and had no contribution to our revenue during the Track Record Period and up to the date of termination.

(5) In 2019 and 2020, agreements for two and two brands, respectively, were not renewed, due to our brand partners' decision to switch to other brand e-commerce solutions providers. In 2018, 2019 and 2020, sales of products under three of these four brands, including a personal care brand A, two beauty brands B and C, in the aggregate contributed to approximately 10.7%, 8.3% and 1.7% of our total revenue for the corresponding year. For the remaining brand which was a personal care brand, sales of products under such brand were mixed with those of other brands under the same brand partner in the flagship store, and sales of products under such brand contributed to less than 0.5% of our total revenue in 2018, 2019 and 2020, respectively. Three of these four brands belong to the same brand partner, with whom we maintain amicable business relationship. For example, while we ceased servicing ten brands under this brand partner during the Track Record Period and up to the Latest Practicable Date, we also started servicing 12 new brands under this brand partner for the same period.

We do not consider the cessation of cooperation with the brands during the Track Record Period and up to the Latest Practicable Date materially and adversely affected our business for the following reasons: (i) most of the brands terminated during this period did not have material contribution to our revenue during the Track Record Period; (ii) we believe adjustment of brand portfolios from time to time to meet the evolving needs of consumers are not uncommon in the cosmetics industry and are natural results of our cooperation with brand partners to constantly identify new brands with high potential; (iii) we have been actively exploring business opportunities with new brand partners and brands which we believe have high potential. As a result, despite the cessation of cooperation with certain brands as set out above and the impacts on cosmetics industry by COVID-19, we managed to achieve stable growth in revenue during the Track Record Period with a CAGR of 5.0%.

To maintain good relationships with our existing brand partners, we plan to (i) maintain frequent dialogues with them to share our insights into the Chinese FMCG market, consumers and products, and regularly engage with them to share our observations on the latest macro-market trends; (ii) provide our brand partners with continuous consumer feedback on their products and, from time to time, offer improvement suggestions for reverse customization. We believe our feedback and suggestions have, on many occasions, helped our brand partners fine-tune their product designs and product promotion to cater to consumer preferences. For example, we helped Koh Gen Do brand design and produce better products for the Chinese market by way of reverse customization, and advised on gift box sales resulting in that, during the 2019 Singles Day pre-sale from October 21, 2019 to November 10, 2019, over 34,000 liquid foundation gift boxes and nearly 20,000 makeup remover gift boxes were sold. In addition, our dedicated operation team commits to maintaining the brand image, and our localized team in Japan will continue to focus on business development and liaise with existing brand partners; in the meantime, our sales and marketing team responsible for

customer service is equipped with sufficient knowledge and understanding of the products and will continuously work to provide our brand partners with helpful information and appropriate sales techniques to cater to consumers' different needs and preferences.

Given that our revenue continued to grow from 2018 to 2020, our Directors are of the view that such business adjustment is natural in the ordinary course of our business, and did not and would not materially affect our business operations and financial performance. See "Risk Factors – Risks Relating to Our Business and Industry – If we fail to retain or maintain stable cooperation with our existing brand partners, especially certain major brand partners from whom we generate a large portion of our revenue, or we are unable to attract new brand partners, our results of operations and prospects might be materially and adversely affected."

Agreements with Brand Partners

Our relationship with our brand partners is principally governed by the agreements entered into between them and us. Under these agreements, we agree to purchase products sourced from our brand partners for resale to end-consumers, and/or for distribution to downstream e-commerce platforms and other distributors.

In connection with the execution of such agreements and prior to our purchase of products from a brand partner, we provide e-commerce solutions services to the brand partner, including conducting research and analysis of market development and trends for formulating strategies, making plans for digital marketing strategies and preparing for store opening on various e-commerce platforms. Moreover, pursuant to our agreements with our brand partners, we are generally required to provide our brand partners with one or several of the brand e-commerce services including brand analysis, store operation, digital marketing, customer services and logistics management. See "– Our Businesses – Our Business Models". As the registered operator of the stores on e-commerce platforms and owner of the products sold on these stores under the B2C model, we usually have full discretion to decide the product portfolio of the store.

The following table sets out the principal provisions of our existing agreements with our brand partners:

Duration	Our agreements usually have a term of one year and are typically renewable upon mutual agreement or automatically extended for another year if no party raises any objection within the prescribed time prior to the expiration of the agreements.
Designated channels	Our agreements typically have restrictions on designated channels as approved by our brand partners, where we are authorized to sell the relevant products.
Exclusivity	We are typically authorized to sell the brand partners' products on a non-exclusive basis. When we cooperate with a brand partner under the B2B model, the brand partner may authorize other merchants including our competitors to sell their branded products through flagship stores operated on different e-commerce platforms, as our cooperation with the brand partner is typically on a non-exclusive basis. When we cooperate with a brand partner under the B2C model, since certain e-commerce platforms such as Tmall and Tmall Global allow one brand to set up or authorize to set up only one brand flagship store on each platform, for the flagship stores we operate on these e-commerce platforms, we operate them on an exclusive basis. However, as our cooperation with the brand partner for online channels is typically on a non-exclusive basis, our brand partner may authorize other merchants including our competitors to set up a new brand flagship store selling the products under the same brand name on another e-commerce platform where we do not operate a flagship store.
Pricing policy	Our brand partners usually set uniform recommended retail prices for their products, and we purchase products from them at a discount to such recommended retail prices.
Retail pricing control	The agreements are usually silent as to our right of retail pricing control.

Procurement targets and minimum procurement requirements	Our agreements usually provide monthly, semi-annual and/or annual procurement targets for us and, in some cases, our brand partners place minimum procurement requirements on us. If we fail to meet these targets or requirements, such may negatively affect the rebate available to us, as well as our ability to renew the agreement with the corresponding brand partner upon the expiration of the relevant agreement.
Procurement rebate	Under some agreements, our brand partners agree to offer us volume rebates for products purchased which are calculated based on purchase volumes over a period of time, and/or reimbursement for the expenditures incurred for brand marketing and promotion activities, subject to prior approval of the brand partners.
Delivery	Products are generally delivered to us at designated locations under the brand partners' arrangement, after which we are responsible for providing sufficient storage capacity and logistics and distribution of the products.
Title and risk transfer	Title to products and legal risks typically pass to us after the products are examined and accepted by us.
Payment terms	We usually pay the purchase price of the branded products within a certain period of the receipt of settlement statements or invoices, which would usually not exceed 60 days upon the receipt and acceptance of goods by us. In some cases, we pay the purchase price of the branded products before delivery of the branded products.
Return or exchange of products	In cases of incorrect quantity of the products delivered, or any defects on or damage to products attributable to the brand partners, we are generally allowed to exchange or return such products within a specified period of time from the date of delivery.
Termination	Typically, our agreements may be terminated upon mutual agreement or by either party in case of: 1) *force majeure*; 2) insolvency, bankruptcy or liquidation; 3) a material breach of the agreement; or 4) a failure to rectify a breach of the agreement within a certain period of time.

We sometimes enter into service agreements with a small portion of our brand partners and other customers to offer online operating services. In such cases, our brand partners typically pay us a fixed monthly service fee and/or performance-based service fee. Such performance-based service fees are determined by factors such as our annual GMV, annual rating of the online store operated, effectiveness of marketing and promotion and frequency of live streaming of the online store. Such service agreements generally have a term of one year and can be renewed upon mutual agreement upon expiration.

During the Track Record Period and up to the Latest Practicable Date, there were no material breaches of agreements between us and any of our brand partners.

As of the Latest Practicable Date, we sourced products from 28 brand partners comprising 66 brands. Our agreements with brand partners usually have a term of one year. As of the Latest Practicable Date, among the 66 brands we were operating, we were not aware of any potential cessation of cooperation with these brands. According to public information, Shiseido has entered into an agreement with a private equity fund, under which Shiseido agreed to transfer its global personal care business to a joint venture to be established and held by Shiseido with 35% stake and the private equity fund with 65% stake. As of the Latest Practicable Date, our agreements with Shiseido in respect of the brands under the relevant personal care business have all been renewed. We are not aware of any intention from Shiseido to terminate or suspend their cooperation with us over such brands. See "Risk Factors – Risks Relating to Our Business and Industry – We are subject to concentration risks as a material part of our purchase was made from and revenue was generated from sales of products of a limited number of brand partners."

COORDINATION BETWEEN DIFFERENT SALES CHANNELS

Under the B2C model, we mainly cooperate with e-commerce platforms to set up and operate marketplace stores. For the same brand, we may set up its mono-brand store such as a flagship store and overseas flagship store for general trade and cross-border e-commerce, respectively. We also operate multi-brand stores, including the UNQ official flagship store on Tmall, Yikemai beauty and personal care store, Yikemai imported beauty store and Spot home life store on Pinduoduo, UNQ personal care flagship store and UNQ personal care overseas flagship store on JD.com, covering a brand portfolio offering a variety of beauty and personal care products. Under the B2B model, we directly sell products to various e-commerce platforms and other distributors. According to the CIC Report, it is an industry norm for brand partners to sell their products at different online stores on the same e-commerce platforms. We understand that it is not uncommon for branded products from the same brand partner to be sold on the same e-commerce platform concurrently in a flagship store, multiple authorized stores and the e-commerce platform's self-operated supermarket, since these stores can attract more consumer traffic from different sources to increase sales of the branded products. Different stores have different features, creating different shopping experiences and attracting consumers with different preferences from different sources. Therefore, consumers are attracted by flagship stores, authorized stores and online supermarkets for different reasons. Flagship stores feature comprehensive product selection and stable supply for a specific brand, and customized

online shopping experience with professional pre-sales and post-sales customer services. Self-operated supermarkets feature a one-stop shopping solution by enabling consumers to purchase products of different categories and diversified brands in one transaction, but would not offer products from a given brand with the same level of breadth and depth as a flagship store. Even if different stores on the same e-commerce platform adopt promotional events from time to time, the selling prices of the same branded products are generally well maintained, and, through such promotional events in different stores, brand partners' products are able to reach a wider consumer group, and could potentially achieve better sales. As we sell branded products through diverse sales channels to expand our sales coverage and strategically help promote brand awareness in China, we adopt measures with the aim to avoid or minimize competition between various sales channels based on our analysis of branded products, consumer behavior and the relevant e-commerce platforms. We adapt our store operations and digital marketing strategy to the different features and diverse targeted consumer groups of various e-commerce platforms.

Different e-commerce platforms target different consumer groups and have different sources of online traffic. According to the CIC Report, Tmall's consumer base contains a higher proportion of female users than that of JD.com. Tmall and JD.com focus more on white-collar consumers who are more affluent, while Pinduoduo pays more attention to consumers in lower-tier cities. Besides, innovative e-commerce platforms primarily appeal to youths who pursue a trendy lifestyle. For instance, Xiaohongshu as a content-sharing e-commerce platform targets young female consumers who are engaged in appearance management, and Kaola, as a cross-border e-commerce platform, gathers consumers who want to purchase global products at fair prices. In addition, Tmall has strong intra-Tmall online traffic sources such as Taobao Live (淘寶直播) and Weitao (微淘), while JD.com has access to WeChat and Weixin, which are not directly accessible through Tmall links. Therefore, our marketing campaigns on different media feature stores on different e-commerce platforms. To attract new consumers and boost traffic to our online stores, we also invest in diversified marketing efforts on different social media channels; for example, we consider WeChat as a platform for direct interaction between brands and consumers, and therefore focus on posting and sharing interactive content through channels such as official WeChat accounts, to communicate and to interact with consumers, and to obtain feedback from them. In the meantime, we focus more on social media such as Weibo to increase brand exposure, which serves as a platform for showcasing the brand and its products, which helps to reach new consumers. In addition, we sometimes design different product combinations and packaging for similar products sold across different e-commerce platforms to avoid direct comparison. Furthermore, since different e-commerce platforms adopt their own membership systems and consumers tend to stick to those that they use most frequently and habitually, consumers usually place orders on their familiar platforms even if the same products are sold on other marketplaces.

To prevent cannibalization between our mono-brand stores and multi-brand stores, we typically differentiate the combination of the merchandise, even though they are under the same brand, and adopt different marketing and promotion strategies. To minimize competition between stores operated by us and e-commerce platforms' own online supermarkets, we help

to introduce different combinations of merchandise sold through these channels, and cater to consumers' different needs – consumers are attracted by flagship stores and online supermarkets for different reasons. Flagship stores feature comprehensive product selection and stable supply for a specific brand and customized online shopping experiences with professional pre-sales and post-sales customer services. Online supermarkets feature one-stop shopping solutions by enabling consumers to purchase products of different categories and diversified brands in one transaction, in addition to which offer a more responsive logistics service with generally shorter delivery times. Other distributors use sales channels in which we have less coverage, such as Taobao stores and newly established e-commerce platforms. These channels generally have different strategies, are favored by different brand partners and tend to attract consumers with different preferences and thus do not give rise to substantial direct competition. As a result of the foregoing, we believe our broad sales coverage channel has contributed to the steady growth of our revenue during the Track Record Period without substantially impairing our profitability. We work on increasing our gross profit margin by providing more services under the B2C model, such as delivery of products to consumers, more marketing activities and customer service, and intend to increase the proportion of business under the B2C model through the operation of mono-brand flagship stores.

During the Track Record Period, we operate our business with a combination of cross border e-commerce and general trade to satisfy the needs of different brand partners at various development stages. The cross-border e-commerce would usually be a preferred sales channel for brands newly entering into China's market. Cross-border e-commerce facilitates the direct import and sales of products that are usually the same as those sold in the country of origin, and simplifies the usually complex and time-consuming entry requirements of general trade, which makes it particularly suitable for introducing to China personalized and high-quality overseas FMCG in a cost-effective manner, especially for overseas brands seeking to enter the Chinese market. When a brand partner gradually builds its presence in the Chinese e-commerce market, general trade would be helpful to increase the efficiency of its products sales, which will benefit large volume trade. It is comparatively easier to source products from overseas under the general trade where bonded zones are not involved, which, according to the CIC Report, is primarily because a brand e-commerce solutions provider operating under general trade does not necessarily need to source products directly from overseas entities through cross-border logistics arrangement. The decision of adopting cross-border import or general trade is primarily discussed and agreed between brand partners and us after taking into various factors, including without limitation the position of the relevant brand in Chinese e-commerce market and whether the brand partner has a subsidiary or factory in China. For purpose of increasing sales performance and expand sales channels, brand partners would strategically balance their business between cross-border import and general trade, rather than choose only one of them. We also operate our B2C and B2B businesses through both sales methods to achieve a more balanced development of our business.

E-COMMERCE PLATFORMS

We primarily generate our revenue from selling the products to consumers through online marketplace stores operated by us on e-commerce platforms under the B2C model, or to e-commerce platforms under the B2B model. Being the bridge between brand partners, e-commerce platforms and consumers, we believe that our stable cooperation with e-commerce platforms will play an important role in our sustainable development in the future. We have strategically cooperated with both established e-commerce platforms, such as Tmall Platforms, JD Platforms and Kaola Platforms, and emerging social e-commerce platforms such as Pinduoduo Platforms and Xiaohongshu Platforms. The above-mentioned e-commerce platforms are collectively referred to as Principal E-commerce Platforms, on which our operated stores generated revenue of RMB1,085.5 million, RMB1,337.4 million and RMB1,516.4 million, accounting for 99.6%, 98.8% and 98.5% of our B2C revenue in 2018, 2019 and 2020, respectively, and which contributed to revenue of RMB1,007.7 million, RMB1,113.1 million and RMB966.1 million, accounting for 71.8%, 80.7% and 78.8% of our B2B revenue in 2018, 2019 and 2020, respectively. We have also expanded into other e-commerce platforms in recent years to reach a large and diversified consumer base. As of the Latest Practicable Date, we operated 88 online stores on Principal E-commerce Platforms and nine stores on other e-commerce platforms under the B2C model. As of the same date, all of these stores were self-operated. As of the same date, we sold products sourced from brand partners to nine e-commerce platforms under the B2B model.

Our cooperation with Tmall can be traced back to 2010, when we opened our UNQ official flagship store on Tmall. We were among the first batch of e-commerce solutions providers that started operation on Tmall Global shortly after Tmall Global was established. We also received the 2019 JD Best JDP Operation Jingmei Award.

Relationship with E-Commerce Platforms under the B2C Model

Under the B2C model, we cooperate with e-commerce platforms to set up and operate marketplace stores, and revenue is primarily generated from the sales of products on these stores. We primarily use a mono-brand store format where the products of a single brand partner under the same brand or related brand family are sold in the store. Such mono-brand store is opened and operated by us and is not the property of the brand partner. As of the Latest Practicable Date, most stores we operated were mono-brand stores. These stores are usually named as the relevant brand's flagship store. As of the Latest Practicable Date, we operated 74 flagship stores on Principal E-commerce Platforms. Since Tmall and Tmall Global allow each brand to set up only one brand flagship store, we assist our brand partners exclusively to operate these flagship stores for their brands on Tmall and Tmall Global respectively.

For the platforms where we operate stores under general trade, the stores are usually named as the brands' flagship stores.

Moony Tmall flagship store

Ora2 JD.com flagship store

Sekkisei Kaola flagship store

For the platforms where we operate stores under cross-border e-commerce, the stores are usually named as the brands' overseas flagship stores.

Shiseido JD Worldwide overseas flagship store

Kobayashi Tmall Global overseas flagship store

Koh Gen Do Xiaohongshu overseas flagship store

In addition to mono-brand stores, we operate certain multi-brand stores, including the UNQ official flagship store on Tmall, Yikemai beauty and personal care store, Yikemai imported beauty store and Spot home life store on Pinduoduo, and the UNQ personal care flagship store and UNQ personal care overseas flagship store on JD.com, covering a brand portfolio offering a variety of beauty and personal care products. The multi-brand stores, contributed 3.4%, 3.1% and 2.4% of our revenue under the B2C model in 2018, 2019 and 2020, respectively. They serve as supplements to our mono-brand stores. We adopt different marketing approaches featuring brands' characteristics and are strategized to strengthen their brand awareness and boost online traffic to our multi-brand stores. There are certain cases where the same products are sold in a multi-brand store and mono-brand stores on the same e-commerce platform, and they generally have similar listed prices. However, to prevent cannibalization between our mono-brand stores and multi-brand stores, we typically differentiate the combination and packaging of the merchandise sold in our mono-brand stores and multi-brand stores, even though they are under the same brand, and adopt differentiated marketing and promotion strategies. Generally, there are no provisions under the existing agreements with our brand partners that impose restrictions on the product portfolio in different stores. The allocation of products between mono-brand stores and multi-brand stores is primarily our business decision.

Store Performance

We track the key performance indicators such as purchase amount, number of purchases, number of consumers, average amount per transaction purchase, average amount per customer transaction, and frequency of purchases of the major stores we operate on a daily basis to analyze and optimize our operations. The table below sets forth the operational data for the top 10 stores that we operated as of December 31, 2020 under the B2C model in terms of purchase amount in 2020, comprising six stores featuring general trade, namely the Sofy flagship store, Moony flagship store, MamyPoko flagship store, UNQ official flagship store, Ora2 flagship store and Silcot flagship store, and four stores featuring cross-border e-commerce, namely the Shiseido overseas flagship store, Moony overseas flagship store, Attenir overseas flagship store and Kosecosmeport overseas flagship store. These 10 stores are all on Tmall Platforms. The total purchase amount of these 10 stores accounted for 66.7%, 69.7% and 71.2%, respectively, of our total purchase amount under the B2C model in 2018, 2019 and 2020.

	For the years ended December 31,		
	2018[8]	**2019**	**2020**
Total purchase amount[1] (*RMB in millions*)	870.6	1,098.0	1,294.2
Number of purchases[2]	7,082,362	9,090,993	11,584,619
Number of consumers[3]	5,452,016	7,163,736	9,132,172
Average amount per transaction purchase[4] (*RMB*)	122.9	120.8	111.7
Average amount per customer transaction[5] (*RMB*)	159.7	153.3	141.7
Frequency of purchases[6]	1.30	1.27	1.27
Conversion rate[7] (%)	6.5	5.7	5.9

Notes:

(1) Total purchase amount represents the aggregate amount of purchases for the top 10 stores for a period. For six stores featuring general trade, the calculation of purchase amount within a period is based on the store's shipping time; for stores featuring cross-border e-commerce, the calculation of purchase amount within the same period is based on consumer's payment time as the store's shipping time is not generally accessible.

(2) For six stores featuring general trade, number of purchases represents the number of purchases shipped within a period; for four stores featuring cross-border e-commerce, number of purchases represents the number of purchases paid by consumers within the same period.

(3) Consumers who made multiple purchases from stores within the same calendar year were counted once.

(4) Average amount per transaction purchase equals the total purchase amount for a period divided by the number of purchases for the same period.

(5) Average amount per customer transaction equals the total purchase amount for a period divided by the number of consumers for the same period.

(6) Frequency of purchases equals number of purchases for a period divided by the number of consumers for the same period.

(7) Conversion rate equals number of consumers for a period divided by the number of visitors for the same period, and multiplied by 100%.

(8) Attenir overseas flagship store was not opened in 2018, and it started operation in 2019. As a result, the total purchase amount, number of purchases, number of consumers, average amount per transaction purchase, average amount per customer transaction, frequency of purchases and conversion rate for 2018 reflect the conditions of the remaining nine stores only.

The total purchase amount, number of purchases and number of consumers of these top 10 stores recorded continuous growth for 2018, 2019 and 2020. Such growth was primarily attributable to a significant increase in sales of products of the Shiseido overseas flagship store, Moony overseas flagship store and Sofy flagship store in 2019, as well as a significant increase in sales of products of the Shiseido overseas flagship store, Moony flagship store and Sofy flagship store in 2020, driven by our effective promotional efforts and success of the incubation of top-selling products.

The average amount per customer transaction of these 10 stores decreased from RMB159.7 in 2018 to RMB153.3 in 2019, mainly attributable to the adjustment to discount strategy in the Kosecosmeport overseas flagship store, due to which consumers were more motivated to purchase one item at a time instead of bulk buying.

The average amount of per customer transaction of these 10 stores decreased from RMB153.3 in 2019 to RMB141.7 in 2020 and the average amount of per transaction purchase decreased from RMB120.8 in 2019 to RMB111.7 in 2020, mainly attributable to the decrease of the average amount of per customer transaction and the average amount of per transaction purchase of the Moony overseas flagship store and Silcot flagship store. Specifically, in advance of 618 promotions in 2020, Moony overseas flagship store conducted promotions by offering diapers product trial at RMB5 per unit, and offered more than 20,000 pieces of paper diapers in May 2020, which significantly lowered the store's average amount of per customer transaction and average amount of per transaction purchase for 2020 as compared to 2019. Besides, due to a change of packing size of the royal series of the Moony overseas flagship store, the series' price was about 30% cheaper, which also contributed to the decrease in the store's average amount of per customer transaction and average amount of per transaction

purchase. The Silcot flagship store engaged KOLs to carry out many live promotions in 2020, offering Silcot products at a greatly discounted price, as a result of which the store's average amount of per customer transaction and average amount of per transaction purchase became lower.

The frequency of purchases decreased in 2019 as compared to 2018, as the Moony overseas flagship store changed the discount strategy for diapers and offered a volume discount that incentivizes consumers to buy in large quantities at once, leading to a decrease in purchase frequency.

The conversion rate decreased from 6.5% in 2018 to 5.7% in 2019, primarily due to a decrease in conversion rate in the Sofy flagship store and Kosecosmeport overseas flagship store. In 2019, our marketing efforts for the Sofy flagship store brought in more online traffic which did not translate into an immediate increase in the number of purchases, leading to a decrease of conversion rate as compared with 2018. In the same year, we changed the discount strategy for the Kosecosmeport overseas flagship store, and offered fewer discounts to consumers, which led to a decrease in the number of purchases, which in turn lowered the conversion rate. The conversion rate slightly increased from 5.7% in 2019 to 5.9% in 2020, primarily due to an increase in the conversion rate of the Attenir overseas flagship store. In 2020, we collaborated with KOLs to carry out live broadcasts for Attenir, invited a celebrity and a Douyin KOL with more than seven million followers to participate in different product campaigns, and succeeded in, turning online traffic to the Attenir overseas flagship store into a rise in the number of consumers.

During the Track Record Period, the cross-buying rate of the Koh Gen Do overseas flagship store increased rapidly from 14.6% in 2018, to 26.8% in 2019 and to 51.8% in 2020. The growth from 2018 to 2019 was primarily attributable to the sales of decorative liquid foundation gift boxes and makeup remover gift boxes during the promotion days since 2018. Attracted by lower selling prices per unit for products sold through gift boxes, as well as our sales promotions, consumers in need of liquid foundation and makeup remover were encouraged to buy gift boxes, and, in order to satisfy the minimum purchase amount to qualify for discounts, they purchased liquid foundation and makeup remover gift boxes together, thereby driving the sales of these two kinds of gift boxes. The growth of the cross-buying rate from 2019 to 2020 was primarily due to the lowering of the threshold of using shopping coupons in the store in 2020, which we believe motivated consumers to purchase two or more products at a time in order to use the relevant shopping coupons.

Number of Stores

The table below sets forth the number of stores operated by us on Principal E-commerce Platforms as of the dates indicated.

	Principal E-commerce Platforms	As of December 31, 2018	2019	2020	As of the Latest Practicable Date
General trade	Tmall	17	15	20	18
	JD.com	3	3	4	3
	Kaola	2	5	4	4
	Xiaohongshu	13	9	8	8
	Pinduoduo	1	6	6	9
Cross-border e-commerce	Tmall Global	12	19	28	26
	JD Worldwide	5	7	8	7
	Kaola cross-border e-commerce	3	5	5	5
	Xiaohongshu cross-border e-commerce	10	13	11	7
	Pinduoduo cross-border e-commerce	0	1	2	1
Total		66	83	96	88

The table below sets forth the revenue for stores operated by us on Principal E-commerce Platforms for general trade and cross-border e-commerce during the Track Record Period.

	Year ended December 31, 2018	2019	2020
	(RMB in thousands)		
Stores for general trade	640,260	591,666	710,829
Stores for cross-border e-commerce	445,249	745,691	805,225
Total	1,085,509	1,337,357	1,516,053

Our total revenue for stores operated on Principal E-commerce Platforms increased from RMB1,085.5 million in 2018 to RMB1,516.1 million in 2020, primarily due to the increase of revenue generated from cross-border e-commerce for stores operated on Principal E-commerce Platforms. In 2019, there was a decrease in the revenue generated from general trade for our

stores operated on Principal E-commerce Platforms, primarily because we ceased to provide service to brand B, a beauty product brand, which achieved significant growth in sales in 2018, the revenue generated from sales of which was RMB133.7 million and RMB11.8 million, respectively, in 2018 and 2019, representing 5.3% and 0.4% of our total revenue of the corresponding year. The brand partner decided not to renew the cooperation agreement with us regarding this brand B in 2019, primarily because it made some adjustment to the cooperation with its e-commerce service providers and decided to cooperate with another e-commerce service provider over such brand B instead, based on our belief, as a part of the change of its overall operating strategies that year. Our Directors are of the view that the brand partner's cessation of cooperation with us over such brand B was purely a commercial decision made in the ordinary course of business, and it was neither due to dissatisfaction with e-commerce solutions provided by us, nor due to any dispute between the brand partner and us. See "– Our Brand Partners – Brand Partner Development and Services." In 2019, we strategically prioritized the growth of our cross-border e-commerce. In the same year, we had a net increase of 15 stores on Principal E-commerce Platforms under cross-border e-commerce, and our total revenue for all stores for cross-border e-commerce operated on Principal E-commerce Platforms increased by 67.5% compared to that in 2018, resulting in an increase of our total revenue on Principal E-commerce Platforms from RMB1,085.5 million in 2018 to RMB1,337.4 million in 2019, which partially offset the decrease in revenue from general trade.

In 2020, our revenue for stores operated by us on Principal E-commerce Platforms for both general trade and cross-border e-commerce continues to grow, largely because the increase of revenue generated from major flagship stores operated by us such as Shiseido overseas flagship store and Sofy flagship store.

The following table sets forth the changes in the number of our stores we operated on Principal E-commerce Platforms during the Track Record Period and up to the Latest Practicable Date.

	Year ended December 31,			From January 1, 2021 to the Latest Practicable Date
	2018	**2019**	**2020**	
At the beginning of the period	51	66	83	96
Start of operation	18	27	24	6
Cessation of operation	3	10	11	14
Net increase/(decrease)	15	17	13	(8)
At the end of the period	66	83	96	88

During the Track Record Period, we stopped operating certain stores on Principal E-commerce Platforms due to reasons such as weak sales performance, our active business adjustment and/or changes in the brand partners' business strategies and brand partners' business decisions of not renewing agreements. In particular, in 2020, we started to operate 24 new stores and ceased to operate 11 stores on Principal E-commerce Platforms, with an aim to optimize our sales network. A breakdown of the reasons for the cessation of operation of stores on Principal E-commerce Platforms during the Track Record Period and up to the Latest Practicable Date is as follows:

	Year ended December 31,			From January 1, 2021 to the Latest Practicable Date
	2018	2019	2020	
Reasons for cessation of operation[1]				
The store's weak sales performance[2]	2	8	3	11
Our active business adjustment and/or changes in the brand partners' business strategies[3]	1	1	2	3
Brand partners' business decisions of not renewing agreements[4]	–	1	6	–
Total	3	10	11	14

Notes:

(1) The cessation of a particular store may be due to more than one reason. For the purpose of this table, we categorize the respective reasons for closure of each store based on the main reason. Among all stores we ceased to operate during the Track Record Period, six were stores on Tmall Platform, and 18 were stores on other Principal E-commerce Platforms.

(2) We believe the store's weak performance was attributable to the following reasons: (i) the product was at the end of its life cycle or did not evolve according to the changing demand and became less attractive to consumers; (ii) the authorized sales channels did not perform as well as we expected; and/or (iii) the brand partners did not invest sufficient resources into the Chinese market or intentionally shrank their presence in China.

(3) Our active business adjustment and/or changes in the brand partners' business strategies included (i) the product category of the brand did not match our major product categories which mainly focus on FMCG; and/or (ii) we considered the potential for growing the brand was limited.

(4) See "– Our Brand Partners – Brand Partner Development and Services" for details of the reasons for cessation of cooperation with certain brands.

Notwithstanding the fact that we ceased the operation of a number of stores during the Track Record Period and up to the Latest Practicable Date, we also started to operate 75 stores during the same period. Our Directors consider that the cessation of stores and setting up of new stores from time to time is a natural evolutionary change in our e-commerce business.

Agreements with E-commerce Platforms under the B2C Model

We have entered into service agreements with the e-commerce platforms to operate and manage our online stores on their platforms under the B2C model. The service agreements usually have a term of up to one year and are typically renewable upon mutual agreement. The e-commerce platforms generally provide us with online information services, software technology services and marketing and promotion resources. In addition, to further promote our operated stores and increase exposure to branded products sold by us, we usually procure additional advertising services offered by e-commerce platforms to attract consumers. These marketing tools primarily include Diamond Show, Zhitongche, Pinxiaobao and Taobaoke on Tmall Platforms, and Jingzhuntong (京准通) and Flash Sale (秒殺) on JD Platforms, which expose selected products or stores to a substantial amount of online traffic through display advertising such as banner ads on the most visible areas of the platform, relevant displays on the search results page showcasing the relevant products and stores, and recommendations on branded products on promotional websites. Given the fierce competition in acquiring online traffic, we carry out promotions using these tools frequently, indeed almost on a daily basis.

The e-commerce platforms usually charge us monthly or annual fixed service fees and commission fees based on our transaction amounts. For example, we pay Tmall and Tmall Global an annual software/technology service fee of either RMB30,000 or RMB60,000 per store based on the corresponding product category, and a commission fee according to a certain percentage of our sales (excluding shipping costs), which is within a range of 2.0% and 5.0%. JD.com charges us a fixed rate of RMB1,000 per month per store as a platform usage fee and a commission fee of 6.0% respectively, based on our sales, for beauty products and personal care products. For our online stores operated on Kaola and Xiaohongshu, we pay these platforms a commission fee of approximately 6.0% to 7.0% and 15.0%, respectively. During the Track Record Period, the vast majority of our B2C transactions took place on Tmall and Tmall Global. For each of 2018, 2019 and 2020, revenue from B2C model derived from transactions on Tmall and Tmall Global were RMB994.2 million, RMB1,228.7 million and RMB1,408.0 million, accounting for 91.3%, 90.8% and 91.4% of our total revenue from B2C model, respectively. As a result, during the Track Record Period, we paid most of the fixed service fees and commission fees to Tmall and Tmall Global. For each of 2018, 2019 and 2020, e-commerce platform commission fees charged by Tmall and Tmall Global were RMB31.7 million, RMB35.7 million and RMB42.3 million, respectively. For the same periods, the fixed service fees charged by Tmall and Tmall Global, comprising annual technical service fees (技術服務年費) charged by Tmall and annual fees (天貓國際年費) charged by Tmall Global, were RMB1.4 million, RMB1.5 million and RMB2.2 million, respectively, all or part of which could be returned to us the next following year of a relevant year (i) if our performance in the relevant years satisfied certain exemption or discount thresholds set by Tmall or (ii) pursuant to specific policies stipulated by Tmall Global from time to time. These e-commerce platforms

first collect payments for products from consumers and then settle with us within a certain period. For example, Tmall and Tmall Global settle the payment of products with us after the products are delivered and consumers confirm receipt of products, which usually takes approximately 10 to 30 days and less than 30 days depending on the mode of delivery, respectively. Furthermore, by entering into these service agreements, we are subject to the merchants' code of conduct of these e-commerce platforms, especially their designated policy of goods return and quality assurance.

Relationship with E-commerce Platforms under the B2B Model

Based on the agreements with our brand partners, we sell products sourced from brand partners to various e-commerce platforms which have access to a large consumer base to increase the sales volume and the coverage of the products. We evaluate the experience and background, including market reputation, creditworthiness, strength of sales channel and customer base of a potential e-commerce platform before choosing to sell our products to that e-commerce platform. We enter into distribution or consignment arrangements with these e-commerce platforms, utilizing their established sales network for sale of products. These e-commerce platforms may then sell the products to end-consumers through their self-operated stores. The relationship between us and these cooperating e-commerce platforms is that of seller and buyer. Our engagements in distribution and consignment arrangements with e-commerce platforms do not result in any substantial changes to our business models and are generally in line with industry practice.

Under the distribution arrangements, we primarily sell products to various e-commerce platforms for their distribution to end-consumers, under the conditions of which those e-commerce platforms sell to consumers on their own behalf and we recognize the revenue when the e-commerce platforms accept the products upon delivery. In 2018, 2019 and 2020, our revenue generated from sales to e-commerce platforms under the distribution arrangements amounted to RMB743.9 million, RMB727.1 million and RMB524.4 million, respectively, representing 29.3%, 26.1% and 18.7% of our total revenue for the same periods.

Under the consignment arrangements, we mainly engage with certain e-commerce platforms to sell products to their end-consumers, and recognize the revenue when consumers confirm acceptance on those e-commerce platforms. In 2018, 2019 and 2020, our revenue generated from sales to e-commerce platforms under the consignment arrangements amounted to RMB499.6 million, RMB497.9 million and RMB513.5 million, respectively, representing 19.7%, 17.9% and 18.3%, respectively, of our total revenue for the same periods. During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with e-commerce platforms and maintained good relationships with them.

The following table sets forth the changes in the number of e-commerce platforms we cooperated with under the B2B model during the Track Record Period.

	Year ended December 31,		
	2018	**2019**	**2020**
At the beginning of the period	14	13	9
Cooperation with new platforms	1	0	2
Termination of cooperation	2	4	2
Net increase/(decrease)	(1)	(4)	0
At the end of the period	13	9	9

Notes:

(1) The calculation of the number of e-commerce platforms is based on whether the e-commerce platforms are operated under the same brand name. For e-commerce platforms operated under the same brand name, we categorize them into one e-commerce platform when computing the number of e-commerce platforms.

(2) Kaola and/or its related e-commerce platforms are computed separately from Tmall-related e-commerce platforms, since Kaola operates independently under its current brand name.

During the Track Record Period, we terminated cooperation with certain e-commerce platforms due to factors such as sales performance that fell short of our expectations and the platform's exit from the Chinese market, and such termination did not result in material adverse effect on our business operations. After the Track Record Period and up to the Latest Practicable Date, the number of e-commerce platforms we cooperated with under the B2B model remained stable.

The following table sets out the principal provisions of our existing distribution and/or consignment agreements with our downstream e-commerce platforms under the B2B model:

Duration and renewal	Our distribution and/or consignment agreements usually have a term of approximately one year, and are typically renewable upon mutual agreement, or automatically extended for 90 days or until the signing of a new agreement if no party raises any objection within the prescribed time prior to the expiration of the agreements.
Exclusivity	The agreements typically do not set a restriction of exclusivity on e-commerce platforms.

Pricing policy	In some cases, we offer the e-commerce platforms a discount on the product price as the sales price. Some e-commerce platforms require that such discount or sales price shall be no less favorable than that we offered to other third parties in the market. The e-commerce platforms typically have the discretion to adjust the retail price offered to their end-consumers.
Delivery	Products are generally delivered to the e-commerce platforms at their designated locations at our cost.
Title and risk transfer	Under the distribution agreements, the title to products and legal risks typically pass to the e-commerce platforms when products are delivered to and accepted by the e-commerce platforms. Under the consignment agreements, the title to products and legal risks do not transfer to consignees until the products are sold and delivered to end-consumers and end-consumers confirm receipt of products.
Goods return arrangements	Under distribution agreements, e-commerce platforms are typically allowed to return products purchased from us, without a cap on the return amount and a limitation to period for return, usually triggered by the circumstance of high inventory stocks not resolved in a timely manner, which is in line with industry practice. Under the consignment agreements, we have the right to call back our goods from e-commerce platforms at any time before the acceptance of goods by end-consumers, and products are returned to us, typically without a cap on the return amount and a limitation to period when returned by end-consumers, and we typically accept returns from e-commerce platforms for products returned by their end-consumers that are unsuitable for resale.
Payment terms	E-commerce platforms typically make their payment for procured products within five to seven working days upon receipt of the settlement statements or invoices from us.

Discount rate for settlement amount	For the calculation of the settlement amount, in some cases, we and the e-commerce platforms will agree in advance, unless there are special circumstances, that the settlement price will be the selling price of the product multiplied by a discount rate.
Termination	Typically, our agreements may be terminated upon mutual agreement or by the e-commerce platforms in case of: 1) insolvency, bankruptcy or liquidation; 2) illegal acts to evade debts such as transfer of property and withdrawal of funds; 3) serious deterioration of business operations; 4) a material breach of the agreement; or 5) a failure to rectify a breach of the agreement within a certain period of time.

We generate a big portion of our revenue from our cooperation with a small number of major e-commerce platforms. See "Risk Factors – Risks Relating to Our Business and Industry – We rely on e-commerce platforms to conduct our business. If we fail to maintain our relationships with such major e-commerce platforms, or if e-commerce platforms otherwise curtail or inhibit our ability to provide e-commerce retail and wholesale solutions with their platforms, our solutions would be less appealing to existing and potential brand partners."

OTHER DISTRIBUTORS

Under the B2B model, we sell products sourced from our brand partners to other distributors in addition to the e-commerce platforms. Such other distributors sell products sourced from us through either e-commerce channels or offline channels. In 2020, the top three other distributors in terms of revenue generated include Fuqun Group, Shanghai Xuyi and Songzuo Group. Revenue generated from each of Fuqun Group, Shanghai Xuyi and Songzuo Group in 2020 was RMB42.4 million, RMB39.4 million and RMB26.6 million, respectively, and revenue generated from sales to them in aggregate accounted for 57.5% of the total sales to other distributors in the same period. See "– Our Customers and Suppliers – Our Customers" for details of the top three other distributors. We recognize the revenue when the distributors accept the products. During the Track Record Period, revenue generated from our other distributors amounted to RMB160.8 million, RMB155.0 million and RMB188.5 million in 2018, 2019 and 2020, respectively, representing 6.3%, 5.6% and 6.7%, respectively, of the total revenue for the same periods.

Other distributors who sell products through e-commerce channels use sales channels in which we have less coverage such as Taobao stores, as we focus on Tmall Platforms not including Taobao, and newly established e-commerce platforms such as Ping An Health, which in turn quickly and cost-effectively expand our brand partners' sales coverage and increase brand exposure. To our knowledge and understanding, one of our other distributors, namely Shanghai Xuyi, sells products sourced from us to certain offline retail stores. Based on our industry knowledge, we believe that our use of other distributors for sales of products is generally in line with industry practice. The following table sets forth the changes in the number of other distributors we cooperated with under the B2B model during the Track Record Period.

	Year ended December 31,		
	2018	**2019**	**2020**
At the beginning of the period	50	58	36
Newly appointed	44	23	43
Terminated	36	45	8
Net increase/(decrease)	8	(22)	35
At the end of the period	58	36	71

Note:

(1) Other distributors that entered into the agreements with us during the Track Record Period may be under the control of the same entity, and we regard such distributors as one distributor.

The turnover rate of our other distributors was approximately 67%, 96% and 15%, in 2018, 2019 and 2020, respectively (which is calculated based on the number of other distributors terminated for the period, divided by the average of the corresponding figures at the beginning and end of the period, and multiplied by 100%).

We consider other distributors to have terminated cooperation with us when they fail to renew their agreements with us in a timely manner, or when they have not placed any purchase order within a certain period, usually based on our year-end records. The termination of business relationships with other distributors was mainly due to our intention to manage distributors more effectively, with a focus on more successful distributors such as e-commerce platforms. In addition, since the revenue generated from other distributors during the Track Record Period was insubstantial, we allocated more resources to sales to consumers under the B2C model. In addition, our business relationships with them are usually governed by our standard terms of product sales. As such, we did not inquire as to the specific reasons for their cessation to purchase from us. Our Directors are of the view that it is purely a commercial decision of the other distributors as to whether to sign, extend or terminate the distribution agreements with us.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute with other distributors which we terminated or with which we did not renew the respective distribution agreement. According to the CIC Report, many distributors other than e-commerce platforms in this industry are medium or small enterprises, with features such as vulnerability to competition, changing business direction and low risk-bearing capacity. As a result, a high percentage of such distributors exit the market every year and are replaced by new entrants. Accordingly, our Directors are of the view that the fluctuation of this kind of distributor is not uncommon for our industry in the PRC.

The relationship between our Group and other distributors is that of seller and buyer. In particular, our other distributors should have: (i) obtained all necessary registrations, authorizations and/or approvals for conducting business in the PRC; and (ii) maintained a good financial status. We would also consider whether they agree to abide by our restrictions on distributors such as protection of intellectual property and other usual terms in our distribution agreements. If we are satisfied with the potential distributors upon assessment, we would proceed with negotiating the terms and the execution of the distribution agreements with the potential distributors.

To minimize the risk of cannibalization, we generally take the following measures in relation to our other distributors: (i) we only allow them to distribute on certain channels designated by us to avoid overlapping; (ii) our downstream distributors are not authorized to sub-license the distributorship to other third parties; and (iii) when there is a promotional event such as Singles Day, we will provide the other distributors with a set of recommended promotional prices, taking into consideration the brand partner's pricing policy. We were not aware of any material cannibalization or improper competition among our other distributors during the Track Record Period.

Benefiting from our bargaining power, the majority of the distribution agreements we entered into with our other distributors were based on our own template agreement. The following table sets out the principal provisions of our existing distribution agreements with our other distributors under the B2B model.

Duration and renewal	Our distribution agreements usually have a term of one year and are automatically extended for one year if no written objection is raised by either party within one month prior to the expiration of the agreements.
Exclusivity	Our distribution agreements are usually silent on exclusivity.

Designated channels	Our distribution agreements typically require that our other distributors can only sell the relevant brand partners' products on certain sales channels approved by us.
Pricing policy	We offer our other distributors a discount to the recommended retail price set by our brand partners as the sales price.
Delivery	Products are delivered to the distributors at their designated locations at our cost.
Title and risk transfer	Title and legal risks will pass to our other distributors when the products are accepted by them upon delivery.
Goods return arrangements	Our other distributors are typically not allowed to return products purchased from us unless they are defective, which is in line with industry practice.
Sales target and minimum purchase amounts	We typically do not set a minimum sales target or requirement for other distributors, but, under limited circumstances, we set a minimum sales target or requirement for them and offer them sales rebates or subsidies based on their procurement amount. Under certain distribution agreements, we require the minimum purchase amount per order to be no lower than RMB50,000.
Payment terms	Most of our other distributors are required to make full payment before the delivery of the products.

Termination	Distribution agreements with other distributors may be unilaterally terminated by either party in case of the other party's 1) breach of obligation under the agreement and failure to rectify within a reasonable period; 2) illegal acts in performance of the agreement; 3) cancellation of business license or suspension of business for rectification by governmental authorities or other loss of status or qualification for valid operation; 4) being unable to make payment, including, but not limited to, where checks or bills cannot be cashed and other serious deterioration of business operations; 5) occurrence of transfer of property, withdrawal of funds and other acts of avoidance of debt; 6) insolvency, bankruptcy or liquidation; or 7) other similar situations creating loss of reputation.

To the knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, all of our distributors are Independent Third Parties, and none of our Directors, their close associates or any Shareholders, which, to the knowledge of our Directors, own more than 5% of our Shares, has any interest in any of them.

LOGISTICS PARTNERS

We engage a network of reputable logistics partners that provide us with integrated logistics services. Once the products are delivered to the relevant warehouse, the logistics partners are responsible for storing the products in the warehouses, and then sorting and delivering them to individual consumers or the warehouses of e-commerce platforms or other distributors. We deliver orders placed on stores operated by us to all areas in China through logistics partners with nationwide coverage, such as Cainiao Network logistics services as well as other quality logistics services providers. We leverage our large-scale operations to obtain favorable contractual terms from logistics partners.

As of the Latest Practicable Date, we stored goods in warehouses operated by third parties in Zhejiang, Shanghai, Tianjin, Guangdong, Shandong, Sichuan, Hubei, Jiangsu, Hong Kong and Japan. Our logistics partners also provide optional services such as packaging, logistics services and customs declaration entrustment services. For example, our logistics partner Hitachi Transport System (China), Ltd. provides us with domestic warehousing and logistics services through its warehouses across China for products sourced from general trade. For our cross-border e-commerce, Cainiao Network provides us with one-stop logistics services which involve registration and filing processes for imported products, warehousing service in bonded warehouses, order processing, customs declaration entrustment services and domestic delivery services. We believe that the existing warehousing services provided to us are sufficient for our near-term needs.

We typically negotiate and enter into annual logistics agreements with our logistics partners, under which we agree to pay warehousing services fees based on the square meter of the warehouse used, and delivery fees based on the amount of the goods to be delivered, as well as the destination of delivery. The following table sets out the principal provisions of our existing agreements, which were entered into between us and third-party warehousing and logistics service providers.

Duration	Our agreements usually have a term from one to two years and may be renewable upon mutual agreement prior to the expiration of the agreements, or automatically extended to the date of completion of the transaction when a transaction occurs after the expiration of the agreement.
Storage liability	We maintain the title to products during their storage in third party warehouses, and our warehousing and logistics service providers are responsible for the storage and safety of the products stored in their warehouses, and shall compensate for any damage to the products if they fail to keep them properly. Our warehousing and logistics service providers typically shall conduct stocktaking and make a systematic count of all products on hand, and provide us with inventory data periodically.
Optional services	In respect of an agreement for products sourced from general trade, warehousing and logistics service providers are engaged to provide logistics and delivery services, and packaging services if requested by us; in respect of an agreement for products sourced for cross-border e-commerce, warehousing and logistics service providers are engaged to provide customs declaration entrustment services, in addition to the aforementioned services upon request.
Delivery	Warehousing and logistics service providers shall arrange for the delivery of products to the designated location per the agreed delivery time, upon the receipt of the delivery order.

Payment terms	In respect of an agreement for products sourced from general trade, we usually pay warehousing and logistics fees for services completed in the month within a certain period of the receipt of invoices. In respect of an agreement for products sourced from cross-border e-commerce, the relevant service fees will be deducted from our designated account after the completion of the transaction.

ORDER PAYMENT

Under the B2C model, we provide consumers with the flexibility to choose from a number of payment options. These payment options include online payments with credit cards and debit cards issued by major banks in China, and payment through third-party online payment platforms, such as Alipay and Weixin Pay. For overseas products in cross-border e-commerce, consumers still primarily make payments in RMB, and the payment companies collect RMB payments and handle currency conversions. Foreign currency of our choice will then be transferred to our receiving bank account during settlement. Under the B2B model, e-commerce platforms typically make their payments to us for procured products within five to seven working days upon receipt of the settlement statements or invoices from us. Other distributors will normally make full payment before delivery of the products, and, under limited circumstances, some of them will make a down payment before the delivery of the products and settle the rest of the payment with us within a certain period upon their receipt of the products.

SEASONALITY

Our overall operating results fluctuate from quarter to quarter as a result of consumers' spending habits and our periodical sales promotions. Historically, we experience the highest levels of revenue in the second and fourth calendar quarters of each year due to the 618 Promotion and the Singles Day Promotion when most merchants and e-commerce platforms organize online shopping festivals and sales promotions. We also experience lower levels of revenue in the first calendar quarter of each year due to the Chinese New Year holiday, during which time consumers generally spend less online, and some businesses in China are closed. We believe that seasonality may continue to impact our quarterly results. As a result, our results of operations may fluctuate from period to period, and a comparison of different periods may not be meaningful.

WARRANTIES AND RETURN POLICY

Under the B2C model, consumers are typically allowed to return products purchased from us if they are defective and, in particular, for products sourced from cross-border e-commerce, we also allow customers to return or exchange unopened products within seven days upon receipt of the shipment by submitting a return request online in China. Our customer service representatives will review and process the return request and contact the customer through the e-commerce platform communication system if there are any follow-up questions. Consumers can generally mail products to our warehouses. Upon receipt of the returned or to-be-exchanged product, we credit the customer payment account with the purchase price or deliver the replacement product to customers after inspection. Any defective products returned to us will subsequently be returned to the brand partners, after identifying and verifying the defects.

Under the B2B model, apart from accepting returns of defective products, we agree to accept returns of non-defective products, which are capable of being resold, from downstream e-commerce platforms to liquidate their inventories, especially in circumstances of a high level of inventory that cannot be resolved in a timely manner, which we believe is in line with industry practice. In such case, we will reallocate the returned products to meet the demand of other sales channels. Thus, we monitor and keep track of sales and inventory records of these e-commerce platforms to ensure the flexible allocation of our inventories. Other distributors are typically not allowed to return products purchased from us unless they are defective. In 2018, 2019 and 2020, our sales to downstream e-commerce platforms and other distributors were RMB1,404.3 million, RMB1,380.0 million and RMB1,226.5 million, respectively, while the value of goods returned to us by the e-commerce platforms and other distributors under the distribution agreements for general trade with us amounted to RMB17.2 million, RMB15.6 million and RMB12.6 million, respectively, and under the distribution agreements for cross-border e-commerce with us these amounted to RMB1.4 million, RMB0.1 million and RMB9.7 million, respectively, for the same periods. During the Track Record Period, very few goods were returned by the e-commerce platforms under their consignment arrangements with us.

During the Track Record Period and up to the Latest Practicable Date, we did not make (and, to our best knowledge after making all reasonable enquiries, our brand partners did not make) any product recalls in respect of the products distributed or sold by us which would cause any material adverse impact on our business and operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material product liability claim, nor did we have any material return, exchange or recall of our products due to defects. We have not experienced any material customer complaints with respect to the quality of our products during the same period. Based on our historical return rate, we make provisions for product warranty.

PRICING STRATEGY

Our brand partners typically set uniform recommended retail prices for their products. We purchase products from brand partners on a wholesale basis at a discount to such recommended retail prices.

We generally sell goods to individual consumers and e-commerce platforms at a price in line with general market practice, and take various factors into consideration, including cost of goods sold, warehousing and logistics expenses, selling and marketing expenses, other expenses related to operations, and our desired level of profits. When selling products to individual consumers, we also consider service fees and commission fees charged by the e-commerce platforms. We adjust the retail price in accordance with the changes in our cost of goods sold and selling and marketing expenses from time to time. In the case of promotional events, we have the discretion to adjust the price based on our marketing and sales strategies under the B2C model. When selling products through cross-border e-commerce, we also consider exchange rate fluctuations when deciding the price. Our downstream e-commerce platforms and other distributors typically have the discretion to adjust the retail price offered to their end-consumers. In the case of promotional or sales events, we will offer distributors recommended selling prices for the products consistent with the pricing policy of the relevant brand partner. We adhere to the brand partner's pricing policy to maintain a unified brand image. When a distributor's actions materially disrupt the retail prices of our products, we would communicate with the relevant distributor in a timely manner through active negotiations and provide them with guidance on promotion plans and other sales support. However, it is for the downstream e-commerce platforms and other distributors to decide how they would adjust the retail price.

TECHNOLOGY INFRASTRUCTURE

Our technology infrastructure consists primarily of licensed information technology systems from independent third parties to deliver solutions that aim to address e-commerce needs of our brand partners. We have also engaged independent third parties to co-develop and implement our information technology systems, which are then jointly maintained by our IT team and such third-party providers to support our business operations. Our technology infrastructure covers the whole e-commerce value chain, ranging from online store operation, order and warehouse management, to data collection and analysis.

We use our ECRP system to organize and analyze data, such as product information, transaction information, consumers' geographic location and purchase history, which can efficiently handle complex computing tasks of data instances from diversified dimensions. Based on our customers' purchase behaviors and usage patterns, we leverage big data analytics to enhance the accuracy of customer behavior predictions and customer profiling, and to optimize our operation, targeted marketing and user experience.

We currently use the Wang-store Tong (旺店通) system to control the processing of sales orders by our online retail stores, including order data fetching, transfer and fulfillment, monitoring and managing the inventory in warehouses, coordinating the flow of goods between the warehouses, and verifying the address for each package. The Banniu (班牛) system is equipped for all post-sales customer services. In addition, we use the K/3 system and the OA system for financial management and supply chain management.

We plan to develop our data middle platform that aims to unify our data assets to empower all business departments by providing readily available data models and tools to empower our business development, sales, marketing and consumer operations. Meanwhile, we plan to continue to upgrade and improve our information technology systems to support the growth and expansion of our business operations.

RESEARCH AND DEVELOPMENT

We have invested, and will continue to invest, sufficient resources in our research and development, or R&D, activities. As of December 31, 2020, we had 25 IT specialists who were involved in R&D activities, such as developing an online store system and improving data analytics capabilities. Our research and development expenses increased to RMB1.6 million in 2019 from nil in 2018, and further increased to RMB8.8 million in the year ended December 31, 2020.

OUR CUSTOMERS AND SUPPLIERS

Our Customers

Under the distribution method, our major customers are individual consumers under B2C model, and e-commerce platforms and other distributors under B2B model. Under the service fee method, our customers mainly include brand partners.

Our five largest customers were primarily e-commerce platforms. For 2018, 2019 and 2020, revenue generated from our five largest customers accounted for 47.4%, 43.8% and 38.9%, respectively, of our total revenue for those periods. Our largest customer accounted for 36.2%, 35.3% and 28.3% of our revenue for the same periods, respectively.

The following table shows the details of our five largest customers during the Track Record Period:

Customer	% of total revenue	Products/ services sold	Credit term	Commencement year of business relationship[1]	Principal business
2020					
Alibaba Group[2]	28.3	products sourced from brand partners	15 days after delivery of products	2013	specialized in core commerce, cloud computing, digital media and entertainment and innovation initiatives
JD Group[3]	6.1	products sourced from brand partners	seven Business Days from the payment date as confirmed by the parties	2014	primarily engaged in online retail and marketplace e-commerce businesses
Vipshop Group[5]	1.6	products sourced from brand partners	five Business Days after receipt of invoice	2015	primarily engaged in online discount retail for brands and offering high-quality branded products to consumers in China through flash sales
Fuqun Group[4]	1.5	products sourced from brand partners	nil[8]	2016	primarily engaged in sales of daily necessities, cosmetics, hygiene products, office supplies, maternity products (except food), toys, electronic products and electronic commerce (except telecommunication and finance)
Shanghai Xuyi[6]	1.4	products sourced from brand partners	up to 90 days after purchase	2015	primarily engaged in sales of daily necessities and cosmetics

Customer	% of total revenue	Products/ services sold	Credit term	Commencement year of business relationship[1]	Principal business
2019					
Alibaba Group[2]	35.3	products sourced from brand partners	15 days after delivery of products	2013	specialized in core commerce, cloud computing, digital media and entertainment and innovation initiatives
JD Group[3]	4.3	products sourced from brand partners	54 days after acceptance of delivery	2014	primarily engaged in online retail and marketplace e-commerce businesses
Vipshop Group[5]	2.4	products sourced from brand partners	10 Business Days after acceptance of delivery	2015	primarily engaged in online discount retail for brands and offering high-quality branded products to consumers in China through flash sales
Songzuo Group[7]	0.9	products sourced from brand partners	nil[8]	2017	specialized in personal care products
Suning Group[9]	0.9	products sourced from brand partners	45 days after acceptance of delivery	2015	primarily engaged in retail, real estate and financial service

Customer	% of total revenue	Products/ services sold	Credit term	Commencement year of business relationship[1]	Principal business
2018					
Alibaba Group[2]	36.2	products sourced from brand partners	30 days after delivery of products	2013	specialized in core commerce, cloud computing, digital media and entertainment and innovation initiatives
Vipshop Group[5]	4.8	products sourced from brand partners	five Business Days after issuance of invoice	2015	primarily engaged in online discount retail for brands and offering high-quality branded products to consumers in China through flash sales
JD Group[3]	3.6	products sourced from brand partners	54 days after acceptance of delivery	2014	primarily engaged in online retail and marketplace e-commerce businesses
Jumei Group[10]	1.8	products sourced from brand partners	30 days after delivery of products	2014	primarily engaged in offering beauty products, fashionable apparel and other lifestyle products
Xiaohongshu Group[11]	0.9	products sourced from brand partners	issuance of invoice on the 10th day of each month; for invoice received before the 15th day, payment shall be made before the 15th day; for invoice received after the 15th day, payment shall be made within three Business Days	2015	principally engaged in Xiaohongshu operation, technology services, consulting services, e-commerce business, etc.

Notes:

(1) Refers to the first year when we sold products or services to the customer under the B2B model.

(2) Alibaba Group consists of Alibaba, its consolidated subsidiaries and affiliated consolidated entities. Our sales to entities within the Alibaba Group were grouped together, including the sales to Kaola, which was acquired by Alibaba in September 2019. The sales to Shanghai Tianyi E-Commerce Co., Ltd. (上海天翌電子商務有限公司) which used to act as a contracting entity for Tmall Supermarket in the Track Record Period were included.

(3) JD Group consists of JD.com, Inc., its consolidated subsidiaries and consolidated affiliated entities, including Yihaodian. The sales to entities within the JD Group were grouped together.

(4) Fuqun Group consists of Shanghai Fuqun Trading Co. Ltd. (上海福群貿易有限公司) and Shanghai Yao Ge E-commerce Co. Ltd. (上海耀戈電子商務有限公司), companies incorporated under the laws of the PRC, which were two of our other distributors under common control during the Track Record Period.

(5) Vipshop Group consists of Vipshop Holdings Limited, its consolidated subsidiaries and its consolidated affiliated entities. The sales to entities within the Vipshop group were grouped together.

(6) As of the Latest Practicable Date, UNQ Supply Chain held 30% equity interests in Shanghai Xuyi.

(7) Songzuo Group consists of Songzuo (Shanghai) Industrial Co. Ltd. (松佐(上海)實業有限公司) and Beijing Tianbao Trading Co., Ltd (北京添寶商貿有限公司), companies incorporated under the laws of the PRC, which were two of our other distributors under common control during the Track Record Period.

(8) We usually do not extend credit term to other distributors.

(9) Suning Group consists of Suning Holdings Group Co. Ltd., its consolidated subsidiaries and consolidated affiliated entities. The sales to entities within the Suning Group were grouped together.

(10) Jumei Group consists of Jumei International Holding Limited, its consolidated subsidiaries and consolidated affiliated entities. The sales to entities within the group were grouped together.

(11) Xiaohongshu Group consists of Xingyin Information Technology (Shanghai) Co., Ltd. (行吟信息科技(上海)有限公司) and its consolidated subsidiaries and consolidated affiliated entities. The sales to entities within the Xiaohongshu Group were grouped together.

In respect of Shanghai Xuyi, which was one of our five largest customers in 2020, we have held a 30% equity interest in Shanghai Xuyi since 2018, and Mr. SHEN Yu, our executive Director, Chief Financial Offer and Vice President, is a director of Shanghai Xuyi as at the Latest Practicable Date. Sales to Shanghai Xuyi in 2020 amounted to RMB39.4 million, which represented 1.4% of our total revenue for the same year. Shanghai Xuyi owed certain receivables to us. See "Financial Information – Current Assets and Liabilities – Trade and Other Receivables." To the knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in 2018, 2019 and 2020 are Independent Third Parties, and none of our Directors, their close associates or any Shareholders, which, to the knowledge of our Directors own more than 5% of our Shares, has any interest in any of them.

Our Suppliers

Under the distribution method, our major suppliers are primarily brand partners. Under the service fee method, our suppliers are marketing service vendors.

For 2018, 2019 and 2020, our five largest suppliers contributed a total of 91.7%, 87.8% and 87.3% of our total purchases for the same periods, respectively. Our largest supplier accounted for 33.2%, 32.5% and 41.1% of our total purchases for the same periods, respectively. As of December 31, 2020, we had maintained business relationships with our five largest suppliers for five to ten years.

The following table sets forth our five largest suppliers and their respective contribution to our total purchases for the periods indicated:

Supplier	% of total purchases[1]	Products/services purchased	Credit term	Commencement year of business relationship[2]	Principal business
2020					
Shiseido	41.1	personal care products for adults and beauty products	Within 30 days after the completion of sales in the month (as confirmed by both parties)	2011	mainly revolving around cosmetics, such as skincare, makeup, and fragrance
Unicharm	31.0	personal care products for adults and babies, and household necessities	Nil or within six months after purchase for the purchases related to a major online shopping event for general trade business upon our request	2014	principally engaged in sales of baby and child care products, feminine care products, health care products, cosmetic products, household products, pet care products, industrial materials and food packaging materials, etc.
TCI Group	8.5	personal care products for babies and adults, and health products	within 30 days after the completion of sales in the month (as confirmed by both parties) or within two months after purchase in a given month[3]	2015	principally engaged in the provision of one-stop outsourcing services
Kobayashi	3.5	health products	within 30 days after the completion of purchases in the month (as confirmed by both parties)	2010	primarily engaged in manufacturing and sales of OTC pharmaceuticals, quasi-drugs, deodorizing air fresheners and sanitary products
Sunstar	3.3	personal care products	within 45 days after the completion of purchases in the month (as confirmed by both parties)	2011	principally engaged in oral care, health & beauty, motorcycle parts and chemicals

Supplier	% of total purchases[1]	Products/services purchased	Credit term	Commencement year of business relationship[2]	Principal business
2019					
Unicharm	32.5	personal care products for adults and babies, and household necessities	nil or within six months after purchase for the purchases related to a major online shopping event for general trade business upon our request	2014	principally engaged in sales of baby and child care products, feminine care products, health care products, cosmetic products, household products, pet care products, industrial materials and food-packaging materials, etc.
Shiseido	31.3	personal care products for adults and beauty products	within 30 days after the completion of purchases in the month (as confirmed by both parties)	2011	mainly revolving around cosmetics, such as skincare, makeup and fragrance
TCI Group	16.1	personal care products for babies and adults, and health products	within 24 days after the completion of sales in the month (as confirmed by both parties) or within two months after purchase in a given month[3]	2015	principally engaged in the provision of one-stop outsourcing services
Kose	4.2	beauty products	within 60 days after the completion of purchases in the month (as confirmed by both parties)	2012	focusing mainly on the manufacturing and marketing of cosmetics
Kobayashi	3.6	health products	within 30 days after the completion of purchases in the month (as confirmed by both parties)	2010	primarily engaged in manufacturing and sales of OTC pharmaceuticals, quasi-drugs, deodorizing air fresheners and sanitary products

Supplier	% of total purchases[1]	Products/services purchased	Credit term	Commencement year of business relationship[2]	Principal business
2018					
Unicharm	33.2	personal care products for adults and babies, and household necessities	nil or within six months after purchase for the purchases related to major online shopping events for general trade business upon our request	2014	principally engaged in sales of baby and child care products, feminine care products, health care products, cosmetic products, household products, pet care products, industrial materials and food-packaging materials, etc.
Shiseido	29.2	personal care products for adults, and beauty products	within 30 days after the completion of purchases in the month (as confirmed by both parties)	2011	mainly revolving around cosmetics, such as skincare, makeup and fragrance
TCI Group	19.7	personal care products for babies and adults	within 30 days after the completion of sales in the month (as confirmed by both parties) or within two months after purchase in a given month[3]	2015	principally engaged in the provision of one-stop outsourcing services
Kose	5.5	beauty products	within 60 days after the completion of purchases in the month (as confirmed by both parties)	2012	focusing mainly on the manufacturing and marketing of cosmetics
Sunstar	4.1	personal care products	within 45 days after the completion of purchases in the month (as confirmed by both parties)	2011	principally engaged in oral care, health & beauty, motorcycle parts and chemicals

Notes:

(1) Purchases from brands that belong to the same brand partner were grouped together.

(2) Refers to the year when we started to procure products from the supplier.

(3) Such credit term can be further extended to three months and fifteen days for purchases for Singles Day.

Our purchases from suppliers are generally settled by way of bank transfer.

To the best knowledge of our Directors, during the Track Record Period and as of the Latest Practicable Date, all of our five largest suppliers in 2018, 2019 and 2020 are Independent Third Parties, except for TCI Group, who is one of the Controlling Shareholders of our Company. For details of our relationship with TCI Group, see "Relationship with Our Controlling Shareholders."

According to public information, Shiseido has entered into an agreement with a private equity fund, under which Shiseido agreed to transfer its global personal care business to a joint venture (the "**New Company**") to be established and held by Shiseido with a 35% stake and the private equity fund with a 65% stake. The New Company will obtain Shiseido's global personal care business, including, but not limited to, the business of certain cosmetics brands of Shiseido currently served by us (the "**Personal Care Business**"). The transaction (the "**Transaction**") is expected to be closed by July 1, 2021 and is subject to customary closing conditions. Sales of branded products under the Personal Care Business contributed to the most of our revenue derived from sales of Shiseido products during the Track Record Period, whilst our revenue derived from sales of Shiseido products was RMB707.4 million, RMB864.8 million and RMB963.2 million in 2018, 2019 and 2020, respectively, accounting for 27.8%, 31.1% and 34.4% of our total revenue during the respective years. See "Risk Factors – Risks Relating to Our Business and Industry – We are subject to concentration risks as a material part of our purchase was made from and revenue was generated from sales of products of a limited number of brand partners."

Our Directors are of the view that we will continue to provide services to the Personal Care Business after the completion of the Transaction and the Transaction would not have a material adverse impact on our operation due to the following reasons:

- As of the Latest Practicable Date, our agreements with Shiseido in respect of the Personal Care Business have all been renewed until December 31, 2021. As of the date of this document, we are not aware of any facts or intentions that may lead to a termination or suspension of the existing arrangement with respect to our services to the Personal Care Business. As confirmed by Shiseido, upon the completion of the Transaction, the existing agreements between Shiseido and us with respect to the Personal Care Business will continue to be effective and enforceable on the New Company. Due to our outstanding track record in serving those brands under the Personal Care Business and our stable, long-term business relationship with Shiseido since 2011, Shiseido believes that (i) the Transaction will not have any

material or adverse effect on the cooperation between Shiseido and us, and (ii) our expertise and in-depth understanding of the brands under the Personal Care Business will be considered critical by the New Company in the continuing success of the Personal Care Business.

- We started our cooperation with Shiseido in 2011. After nearly a decade of cooperation, we believe that Shiseido and us have gradually formed a stable and complementary business relationship with mutual benefits to each other. Given that Shiseido will hold a 35% shareholding in the New Company, we believe our long-term cooperation with Shiseido will be beneficial to our business maintenance and development with the New Company.

  – ***Top ranking service provider:*** regarding the Personal Care Business in China, for each of 2018, 2019 and 2020, we were the largest e-commerce solution provider to Shiseido through cross-border e-commerce and the second largest one through general trade in terms of purchase amount in China. With the help of our digital marketing and content-generating capabilities, we have historically achieved strong sales for the brands under the Personal Care Business. Under our operation, UNO, a personal care brand of Shiseido, ranked No. 1 in Tmall Global's male personal care category in terms of annual GMV in 2019 and No. 1 in Tmall Global's male facial cream category in terms of GMV on Singles Day 2020. FINO, another personal care brand of Shiseido, ranked No. 1 in Tmall Global's hair mask category in terms of sales in both November 2019 and November 2020. Given our contribution to such brands' sales in China and our strong digital marketing and content-generating capabilities, we do not expect the New Company to replace us with other brand e-commerce solutions providers as its major brand e-commerce retail and wholesale solutions provider.

  – ***Strong brand operating capabilities:*** we have demonstrated to Shiseido our capabilities to operate the brands under the Personal Care Business with various achievements made during the past years. We have been operating the Shiseido overseas flagship store on Tmall Global since 2015 where we mainly sold personal care products of Shiseido such as FINO and UNO, among others, enabling us to obtain first-hand knowledge and understanding of Shiseido's products in the context of a fast-growing cross-border e-commerce market in China. As of the Latest Practicable Date, the store's followers exceeded 1.9 million; and its 2020 annual GMV increased by 40% compared with that of 2019, reaching RMB430 million.

  – ***Important functions:*** we believe our supply chain management, inventory management and financing capabilities have contributed to our long-term cooperation with Shiseido. We mainly adopt the distribution method in providing Shiseido with our brand e-commerce retail and wholesale solutions, which we believe can effectively strengthen our relationship with brand

partners by getting involved in multiple stages of their operations and providing them with inventory support. We believe our purchase of products from Shiseido has contributed to the increase of Shiseido's product sales, and reduced its inventory and backlog risk which would encourage a deeper and more stable cooperative relationship between us. As a result, in light of the important function roles we play and our deep involvement in supply chain management for certain brands of Shiseido, we believe we will not be replaced easily by other brand e-commerce solutions providers for the Personal Care Business. See "Industry Overview – China Brand E-commerce Service Market – Overview of China Cross-border Import Brand E-commerce Service Market."

- As a leading brand e-commerce retail and wholesale solutions provider in China, strategically focused on Japanese-branded fast-moving consumer goods, we believe our industry expertise and our past achievements in promoting sales of the brands under the Personal Care Business in China place us in a favorable position to further deepen our cooperation with such brands and the New Company.

  – According to public information, both shareholders of the New Company, namely Shiseido and the private equity fund, have expressed their intention to make continuous dedicated efforts in and willingness to further invest in the development of the Personal Care Business. Particularly, digitalization and overseas expansion were designated as two of the key areas with respect to the future development of the Personal Care Business, which may in turn bring more business growth opportunities to us. Since we have proven that we have the required expertise and the experience through providing digital marketing services to the Personal Care Business during the Track Record Period, we believe such expertise and experience will be helpful to serve the New Company's development in digital marketing and possible expansion in the Chinese market in the future.

  – We believe we are competent to assist the New Company in realizing its mission to drive digitalization and further increase product sales. As one of Alibaba's Certified Brand Databank Services Partners (品牌數據銀行認證服務商), we have access to the latest information in the Alibaba Databank and various data analytics tools, which enables us to better capture and analyze consumer behavior, and more effectively execute data-driven marketing initiatives for our brand partners. Based on data analytics, we provide actionable insights into digital marketing and operation management, focusing on increasing consumer engagement and marketing efficiency. Through our wholly owned subsidiary, Shanghai Fuli, which specializes in digital marketing and advertising via the internet and new media, we are capable of providing a wide spectrum of marketing and advertising services to our brand partners. In recognition of our digital marketing capability, Shanghai Fuli was awarded the

gold award for a social marketing case study at the DMCF 2019 Creative Digital Marketing Festival, the Golden Flag Award – E-commerce Marketing Golden Award and the Mawards E-commerce Marketing Excellent Work Award in 2020.

- While we value our cooperation with the Personal Care Business and believe we will maintain and further develop our cooperation with the Personal Care Business, we also proactively identify and incubate up-and-coming brands to diversify our portfolio. We have successfully incubated brands such as Koh Gen Do, Attenir, Bioeffect and Kobayashi, to enable them to quickly establish a brand presence in China and position them for growth. We strive to diversify our brand and product portfolio by expanding into high-growth areas identified through data analytics, such as Japanese health products, in particular OTC drugs. In 2019, we were awarded New Stores Engagement Star by Tmall Global. In 2020, we were awarded Stores Incubation of Scale Award (規模化商家孵化獎) by Alibaba. Given our achievement in brand incubation and our continuous efforts to identify and incubate new brands with great potential, we believe such new brand development and incubation will continue to offer new growth points for our business.

Entities Who Are Both Our Customers and Suppliers

During the Track Record Period, one of our major customers, JD Group, was both our customer and supplier, because, in 2019, we procured a small proportion of products from it. For 2019, the revenue we received from JD Group accounted for approximately 4.34% of our total revenue. During the same period, our purchases from it accounted for approximately 0.13% of our total purchases.

During the Track Record Period, five of our major suppliers, namely Shiseido, Unicharm, TCI Group, Kobayashi and Sunstar were also our customers, because we provided them with brand e-commerce solutions or marketing services under the service fee method in one or more than one years during the Track Record Period. This arrangement is in line with industry practice. For 2018, 2019 and 2020, our revenue generated from these groups under the service fee method accounted for approximately 1.0%, 1.5% and 0.8%, respectively, of our total revenue for the same periods. During the same period, our purchases from these groups accounted for 88.9%, 86.5% and 87.3%, respectively, of our total purchases.

QUALITY CONTROL

The quality of products offered for sale in our online retail stores is vital to maintaining our reputation and competitiveness. We have detailed standards and procedures for receipt and acceptance of goods. While our suppliers, who are mainly brand partners, ensure the quality of their products before they are shipped to us, we will conduct a visual inspection of the products when they arrive at our warehouses to check the package, including, but not limited to, the expiry date of the goods. Defective and unqualified goods will be returned to the suppliers. Owing to our strict quality control policies, during the Track Record Period and up to the Latest

Practicable Date, we did not, due to material quality issues, receive any significant product return request from our customers or receive any material complaints from our customers. During the Track Record Period and up to the Latest Practicable Date, we were not fined or penalized by regulatory bodies in the PRC due to the defective quality of our branded products.

INTELLECTUAL PROPERTIES

Protection of intellectual properties is of significant importance to our business. Our intellectual properties are in the form of trademarks, domain names and copyright.

As of the Latest Practicable Date, we had 51 registered trademarks, three work copyrights and 18 software copyrights, and were in the process of applying for the registration of 20 trademarks in the PRC. We have also registered five domain names that are material to our business, including myunq.com and youquhui.com. In addition, as we continue to expand internationally, we are in the process of applying for registration of eight trademarks to protect our intellectual properties and business operations in Japan. As of the Latest Practicable Date, we had seven registered trademarks in Japan and Hong Kong. In addition, we are licensed by our brand partners to use their brand partners' names, logos and other marks in connection with the operation and promotion of their e-commerce businesses.

We protect our intellectual properties in the PRC by relying on local laws and contractual restrictions. We also actively engage in monitoring and enforcement activities with respect to infringing uses of our intellectual properties by third parties. For example, we cooperated with an independent right protection company to make complaints to protect our intellectual properties. While we actively take steps to protect our proprietary rights, such steps may not be adequate to prevent the infringement or misappropriation of the intellectual property created by or licensed to us.

We also take steps to prevent infringement of intellectual properties held by third parties. We provide regular IP training to our employees. Despite all these efforts, we cannot be certain that our services do not or will not infringe valid patents, copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others, as discussed in "Risk Factors – Risks Related to Our Business and Industry – We may not be able to adequately protect our intellectual property rights. We may also be subject to intellectual property infringement lawsuits which could be expensive to defend and may result in our payment of substantial damages or licensing fees and reputational harm."

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement of our intellectual properties or any material disputes or claims against us in relation to the infringement of intellectual properties of third parties arising from our business.

EMPLOYEES

We had 457, 652 and 732 full-time employees as of December 31, 2018, 2019 and 2020, respectively. Their employment agreements with us are typically for a term of three years. A majority of our employees are based in the PRC. The following table sets forth the numbers of our employees categorized by function and geographic location as of December 31, 2020.

Function	Number of Employees	Percentage of Total Employees
E-commerce Operations Business	375	51.3%
Brand Business	115	15.7%
IT and Data Operations	31	4.2%
Supply Chain Business	39	5.3%
General and Administration	47	6.4%
Financial	26	3.5%
New Media Business	69	9.4%
Social Platform E-commerce Business	14	1.9%
UNQ Japan	16	2.2%
Total	732	100.0%

Location	Number of Employees	Percentage of Total Employees
Hangzhou	426	58.1%
Shanghai	198	27.0%
Bengbu	63	8.6%
Beijing	25	3.5%
Guangzhou	4	0.5%
Overseas	16	2.2%
Total	732	100.0%

Our success depends on our ability to attract, retain and motivate qualified personnel. We believe that we offer our employees competitive compensation packages and a collegial and creative working environment, and, as a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team. We compensate our employees with basic salaries, subsidies, performance-based and annual bonuses. We also enter into standard agreements with most of our executive officers, managers and employees regarding confidentiality obligations during and after their employment with us.

We recruit our employees based on a number of factors, including their work experience, educational background and personality, and based on our headcount. We primarily recruit our employees in China through online channels such as third-party employment websites and internal references and recommendations. We have also engaged employment agents to provide us with recruitment services.

As a matter of policy, we provide an extensive training program for new employees that we hire. We believe that such programs are effective in equipping them with the skill set and work ethics we require of our employees. We also provide regular and specialized training, both online and offline, tailored to the needs of our employees in different departments and at different levels. For instance, our UNQ College, a management-related training program, offers competitive and selected employees with high potential the opportunities to acquire comprehensive and systematic training, ranging from professional knowledge to team management and incentives. We believe our training offers employees sustainable, organized and target-oriented quality learning, which we believe can enhance their productivity.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity and unemployment benefit plans.

Our employees have not formed any employee union or association. We believe that we maintain a good working relationship with our employees and we did not experience any material labor dispute or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

COMPETITION

China's online retail market has experienced rapid growth over the past years as a result of the changes in consumption behavior of consumers, consumption upgrade and the increasing demands from lower-tier cities and rural areas in China. The growth potential of this market has attracted a number of domestic and cross-border e-commerce solutions providers, and the markets in which we operate are highly competitive. Our competitors consist primarily of China's large Japanese FMCG online retail operation service providers such as Leqee, UCO, Lily&Beauty, Kunchi, One Chance and Ruoyuchen. We believe that the principal competitive factors in our industries are brand partner resource accumulation, capacity in brand marketing and content production, brand incubation capabilities, technology capabilities, supply chain management capabilities, customer service capabilities and reputation. In addition, new and enhanced technologies may further increase competition in our industries. We believe that we are well-positioned to compete effectively based on the foregoing factors. However, some of our current or potential competitors may be able to develop solutions or services better accepted by brand partners and individual customers or may be able to respond more quickly and effectively than us to new or changing opportunities, technologies, regulations or clients' requirements. See "Risk Factors – Risks Relating to Our Business and Industry – The industry in which our business operates is highly competitive. If we fail to compete effectively with current and future competitors, our business will suffer." For more information of the competitive landscape of our industries, see "Industry Overview."

PROPERTIES

As of the Latest Practicable Date, we did not own any property, and operated our businesses mainly through the properties we leased according to 11 property lease contracts we entered into in Shanghai, Hangzhou, Guangzhou, Beijing and Bengbu (蚌埠), and five work stations in one shared office in Shanghai. These properties are principally used as office premises for our business operations. In addition, we operated through five leased properties in Japan, of which some are used as office premises and others are used as residential premises. As of the Latest Practicable Date, our leased properties had a total gross floor area of approximately 11,064.32 square meters in the PRC and 460.22 square meters in Japan.

In December 2020, Shanghai Fuli entered into a lease agreement in respect of a property with a gross floor area of approximately 859.3 square meters as office premise. According to the ownership certificate provided by the owner, such leased property is located on allocated land and the use of such leased property is not consistent with the designated use of land stated on the ownership certificate. However, as advised by our PRC Legal Advisor, such defects will not affect the validity or enforceability of the relevant lease agreement and will not likely affect the continued performance of the lease agreement. In addition, we consider the impact on our business and financial condition would be minimal since we do not anticipate any material practical difficulty in identifying premises for office use of Shanghai Fuli, should we be required to vacate such leased property. As of the Latest Practicable Date, save as disclosed above, all the lessors of our leased properties had provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban Development of the PRC. As of the Latest Practicable Date, we had not yet completed the registration of two property lease contracts we entered into in the PRC within the prescribed time pursuant to the applicable PRC laws and regulations. As advised by our PRC Legal Advisor, failure to complete the lease registration will not affect the validity of the lease agreements according to PRC law, but we may have a maximum penalty of RMB10,000 imposed on us for each non-registered lease if we fail to complete the registration of any of our future lease agreements after we are requested to do so by the competent PRC government authorities. As advised by our PRC Legal Advisor, since we have not been ordered to make corrections within a time limit by the competent local counterpart of Ministry of Housing and Urban Development, the risk of us being punished by the competent authorities is low.

According to Section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of December 31, 2020, each of our property interests had a carrying amount below 15% of our consolidated total assets.

INTERNAL CONTROL AND RISK MANAGEMENT

We are dedicated to the establishment and maintenance of a strong internal control system. We have adopted and implemented risk management policies and corporate governance measures in various aspects of our business operations such as data privacy, inventory management, emergency management and financial reporting management. Our Audit Committee is responsible for overseeing the overall internal control and risk management and assessing and updating our internal control and risk management policy on an annual basis.

Data Privacy

We collect different types of data in operating stores on e-commerce platforms for our brand partners, including transaction data available on e-commerce platforms and consumer personal data such as addresses of consumers, which are necessary for operating stores on e-commerce platforms and arranging delivery of goods to customers. We store such data in our database and do not delete such data unless otherwise requested by our customers. We usually back up such data in Microcloud to minimize the risk of data leakage or loss. Our data information team conducts backup data recovery tests at least once a year to check the status of the data backup system, and prepares various troubleshooting solutions, so as to deal with the problem efficiently in the case of an emergency. As of the Latest Practicable Date, we did not engage in, nor have we experienced a demand for, the cross-border transfer of personal information and important data. As confirmed by our PRC Legal Advisor, there is no time limitation to consumer personal data retention of our Group under PRC laws and regulations and we are in compliance with the relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date. We consider that sufficient maintenance, storage and protection of data and other related information is critical to our business.

We have adopted technical measures to protect personal sensitive information. As of December 31, 2020, eight members of our IT and Operations team are responsible for protection of data privacy, and for monitoring the operating status of our network devices, and respond to and deal with any issues that may arise in a timely manner. We have used the security measures in line with industry standards to protect consumers' personal information from unauthorized access, public disclosure, use, modification, damage or loss, and will take reasonable and feasible measures to protect consumers' personal information. Before making any personal data information available to employees, we redact and process the data to ensure no personal sensitive data is included. We maintain and update our company-installed software from time to time, and conduct regular inspections on a weekly basis. Instead of sharing the same account registered with the platforms or relevant systems within department or working team, employees are required to use their specific account. We regularly check all the system user operation logs on a weekly basis, particularly modules involving sensitive personal information, and check weekly whether the information downloaded through the system is within the ordinary course of scope of work of the relevant employees. In addition, we have established and implemented control over physical security, network separation, vulnerability scanning and threat prevention of the database and information technology system. Our IT team also adopts technical measures to monitor and record personal information security

incidents, and to discover and record in a timely manner abnormal behaviors using monitoring, auditing and other technical measures. We have also enacted a series of emergency treatment procedures, including event reporting, summary, evaluation, handling, prevention and modification in relation to any security incident of which we become aware through active monitoring or customer feedback.

To ensure information and data security, we have adopted a comprehensive data security management policy which applies to all data security management activities within our Group. Only our employees can access our internal databases and all confidential data is required to be properly kept and used by its production department. We restrict our employees' access to internal databases depending on their seniority, department functions and responsibilities, and revoke and withdraw such authority once the relevant employee resigns. Under circumstances when it is necessary to obtain certain information, employees are required to obtain authorizations from the department manager or director by email which shall be copied to the member of the senior management team. We also enter into confidentiality agreements with our employees who have access to confidential information, and ensure that all these employees are legally obligated not to misuse the internal information and are subject to punitive measures if they breach their confidentiality obligations or otherwise commit misconduct resulting in leakage of our confidential information. In addition, we have formulated and adopted various internal control measures in relation to data security and information protection, including "Company Information Confidentiality System" and "Company Network Security Management System" to avoid potential data breaches.

The data security management policy also provides detailed responsibilities of data owners who are responsible for data generation, usage and authorization, data managers who are responsible for the management and maintenance of data, and data security officers who are in charge of security evaluation and review during the whole life term of data and the provision and implementation of data security protection measures. Our data security management policy covers areas including data classification, data backup management, change of data, data transmission, data encryption, deletion of data and, particularly, the remedial measures to be taken under data security incidents such as data destruction and data leakage and non-compliant disclosure of data. Our data security management policy includes, but is not limited to the following: (i) in the case of data destruction, the data security officer shall work together with the data owner and the data manager to investigate the cause of the data destruction, evaluate losses caused by such destruction and take remedial measures such as apply data redundancy storage media, alternative data transmission channels and data restoration to minimize the losses caused by the destruction; (ii) in the case of data leakage or non-compliant disclosure of data, the data security officer shall work together with the data owner and the data manager to investigate the cause of the leakage or non-compliant disclosure, locate the source of such leakage or non-compliant disclosure, timely terminate the authorization of the relevant accounts and the relevant data transmission channel and preserve the relevant evidence of such leakage or non-compliant disclosure. Upon the occurrence of a data security incident, we shall prepare a security incident report for record and develop rectification plans to prevent similar data security incidents from happening in the future and (iii) those who violate the relevant

policies, steal or provide confidential information to others, or cause data leakage, which causes serious consequences or substantial economic losses, will be held liable according to our data security management policy and could be dismissed immediately.

As of the Latest Practicable Date, we did not experience any material information leakage or loss of our user data, individually or in the aggregate, which had a material adverse effect on our business, financial condition and results of operations. During the Track Record Period, we experienced a data leakage incident due to theft conducted by one of our employees, whose employment with us has been terminated. Due to thefts arising from the illegal acts of a then employee of our Group, who was later held criminally liable for infringing citizens' personal information, over 50,000 pieces of consumer personal information (including names, phone numbers and orders information) of certain stores operated by us on an e-commerce platform were leaked from September 2017 to May 2018. After the incident was identified, we immediately closed the relevant e-stores and removed all the products from the e-commerce platform and arranged an internal investigation. Upon investigating and identifying the suspected employee who leaked the consumer data, we, together with the e-commerce platform, reported the case to the police for further investigations. Although we were also an identified victim by the court in this incident, given the amicable cooperation relationship between us and the e-commerce platform, and as a gesture of goodwill, we voluntarily advanced the 32 victims who had suffered losses due to the leakage of personal information to some fraudsters for a total amount of RMB980,277.73 and obtained the right of recourse against the fraudsters on behalf of these victims. See "Risk Factors – Risks Relating to Our Business and Industry – Our business collects and processes a large amount of consumer data, and any improper use or disclosure of or unauthorized access to such data may harm our business and reputation and may result in threats of lawsuits, administrative penalty and related liabilities."

Based on due diligence, our confirmation and the compliance letters obtained by us from the competent authorities, our PRC Legal Advisor is of the view that (i) there has been no record of administrative penalties imposed on us in the PRC due to any violation of the relevant laws and regulations on Internet Information Security and Privacy Protection as of the Latest Practicable Date; and (ii) the Company Information Confidentiality System and internal control measures we have adopted are in compliance with the relevant laws and regulations on Internet Information Security and Privacy Protection.

Inventory Management

We monitor our inventory level on a regular basis. Taking into consideration factors such as our sales experience, track record, inventory level, the schedule of large sales activities, including 38 Promotion, 618 Promotion and Singles Day Promotion, and the procurement or sales targets and minimum procurement requirements under some of our distribution agreements with our brand partners, we prepare a sales forecast in advance. Our procurement team will place orders based on the sales forecast.

For products stored in third-party warehouses, we typically ask warehouses to conduct regular stocktaking and count all merchandise on hand, to ensure the consistency between system stock and physical stock in terms of product SKUs and quantity. They provide us with a monthly inventory report, which records inventory status, defective products and quality products for us to better track inventory data. To ensure the accuracy of inventory data, we also monitor our inventory level on a regular basis and check the stock levels each month.

We also adopted diverse approaches to track and predict the inventory level of the products purchased from us by certain e-commerce platforms under the B2B model as part of our inventory management efforts, considering that certain e-commerce platforms such as Tmall Platforms are typically allowed to return unsold products purchased from us, without a cap on the return amount and a limitation to the period for return, usually triggered by the circumstance of high inventory stocks not resolved in a timely manner. As of the Latest Practicable Date, among our Principal E-commerce Platforms, Tmall Platforms can return products under certain circumstances as specified under their agreement with us and JD Platforms can return products unconditionally for any reason. During the Track Record Period, revenue attributed to these two e-commerce platforms under the B2B model was RMB880.1 million, RMB989.6 million and RMB937.0 million in 2018, 2019 and 2020, respectively, representing 62.7%, 71.7% and 76.4% of our revenue generated under the distribution arrangement and consignment arrangement of the B2B model for the corresponding periods. According to the CIC Report, major e-commerce platforms such as Tmall usually have the right to return unsold quality products to brand e-commerce service providers. In 2018, 2019 and 2020, the product return rates of Tmall Platforms were 0.28%, 0.88% and 1.20%, respectively; during the same periods, the product return rates of JD Platforms were 2.98%, 0.36% and 6.14%, respectively. The product return rate of JD Platforms recorded an increase in 2020 largely due to our termination of cooperation with brand D. In connection with such termination, JD Platforms returned to us the products under such brand in an amount of approximately RMB4.5 million, representing 42.3% of the products returned from JD Platforms in 2020, which were in turn returned to the relevant brand partner by us.

Under consignment arrangements with e-commerce platforms, control of goods is transferred to e-commerce platforms and other distributors when end-customers confirm acceptance on e-commerce platforms. We track the amount of the products delivered to the warehouse controlled by Tmall Supermarket under the consignment arrangement, as the revenue generated from sales to Tmall Supermarket under the consignment arrangement accounted for 91.1% of the total revenue generated from sales to e-commerce platforms under the consignment arrangement in 2020. The book value of such products delivered to Tmall Supermarket's warehouse and remained unsold under consignment arrangement was RMB74.0 million and approximately RMB89.2 million as of December 31, 2020 and the Latest Practicable Date, respectively.

Under distribution arrangements with e-commerce platforms, control of products is transferred to e-commerce platforms when the products are delivered to e-commerce platforms. We communicate with the e-commerce platforms from time to time in respect of the unsold inventory of the products purchased from us, which is one of several factors to consider when

we make procurement plans. As of the Latest Practicable Date, we had access to the inventory information of Tmall Supermarket, JD Supermarket and Suning through system interfaces provided by such platforms. The inventory level fluctuates corresponding to the pace of promotion events and rises significantly before major promotion events, such as the Singles Day Promotion. During the Track Record Period, the total revenue generated from our distribution arrangements with Tmall Supermarket, JD Supermarket and Suning under the B2B model was RMB502.3 million, RMB575.3 million and RMB488.7 million for 2018, 2019 and 2020, respectively, representing 67.5%, 79.1% and 93.2% of our total revenue under distribution arrangements with e-commerce platforms for the corresponding periods. For e-commerce platforms whose inventory system interfaces are not available or not accessible to us, we maintained communications with them on the sales performance of the products purchased from us.

When we terminate cooperation with an e-commerce platform, it usually returns the unsold products purchased from us before the conclusion of our business relationship. During the Track Record Period, the amount of unsold products returned by Jumei and Freshippo, with whom we terminated cooperation relationships, was RMB5.2 million and RMB1.1 million, respectively. The amount of unsold products returned by other e-commerce platforms with whom we terminated cooperation relationships during the Track Record Period was insubstantial, as they contributed a very limited proportion of our revenue.

We do not monitor the inventory level of other distributors, primarily due to them not having product return rights unless the products are defective and the revenue generated from other distributors during the Track Record Period was insubstantial, which accounted for 6.3%, 5.6% and 6.7% of the total revenue in 2018, 2019 and 2020, respectively.

The return rate for Tmall Supermarket under the consignment arrangement, which is representative of the return rate for the entire consignment arrangement, was 0.55%, 0.57% and 0.30% in 2018, 2019 and 2020, respectively. The return rate was calculated by dividing the return amount from Tmall Supermarket to us of RMB2.2 million, RMB2.5 million and RMB1.4 million by the revenue generated from Tmall Supermarket under the consignment arrangement of RMB398.7 million, RMB438.1 million and RMB467.6 million in 2018, 2019 and 2020, respectively.

In the Track Record Period, the product return rate, which is the return amount as a percentage of our B2B revenue under distribution arrangements for the corresponding period, remained below 3.5%. We have been using a warehouse management system and an Enterprise Resource Planning system which is an integrated management tool of main business processes used to collect, store, manage, and interpret data from business activities to capture inventory data, including sales revenue and product expiry date. These systems are linked to our headquarters and our regional offices to facilitate timely and accurate data management. This allows us to collect information regarding consumer purchases, monitor consumer performance and make timely assessments regarding our products. Our business team closely monitors and analyzes the relevant data, which enables us to restock in a timely manner and respond to any

change in market trends and consumers' preferences promptly. For products that maintain a high level of inventory and have weak sales performance, we would report the situation to the relevant department and plan our marketing and promotions accordingly to reduce the inventory to a reasonable level.

For the years ended December 31, 2018, 2019 and 2020, our inventory turnover days were 67.1 days, 75.8 days and 102.3 days, respectively. We make provisions for impairment losses of inventories. We recognize these provisions as a cost in our consolidated statements of profit or loss. The amounts of these provisions depend on our estimates of the selling prices of inventories based on their remaining shelf life and the market conditions when the provisions are made.

Emergency Management

In the event of an emergency, which includes accident that can cause deaths or significant injuries to our employees, or disrupt operations, cause physical or reputational damage, or threaten the financial standing of our businesses, as well as the occurrence of a natural disaster, widespread health epidemic or other outbreaks, we have prepared and implemented effective corporate governance measures and emergency management policies. In cases of incidents that affect or threaten the health, safety or welfare of employees, property and infrastructure, we act with significant and coordinated responses such as identifying and making appropriate emergency management plans, reporting on actual situations according to certain procedures, and making improvements following the incident. In cases of natural disasters, a public health epidemic or other outbreaks that could have a material adverse effect on our business, financial condition and results of operations, we will take measures countering such adverse impacts, and may set up a specific committee composed of management team members of different departments. For example, in response to the spread of COVID-19 in China in early 2020, we established an *ad hoc* committee and adopted countermeasures including, but not limited to, flexible work-from-home practices and procurement of supplies for pandemic prevention and control for employees to mitigate the impact of the COVID-19 outbreak on the Group's operations.

Financial Reporting Risk Management

We have in place a set of policies in connection with our financial reporting risk management, such as financial system management, assets protection management, budget management and operation analysis management. We also have procedures in place to implement such policies, and our financial department reviews our management accounts based on such procedures. In addition, we provide training to our financial department staff to ensure that they understand our accounting policies and procedures.

Ongoing Measures to Monitor the Implementation of Internal Control and Risk Management Policies

Our Audit Committee and audit department monitor the implementation of our internal control and risk management policies across the Group on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our operations.

To monitor the ongoing implementation of our risk management policies and corporate governance measures, we have adopted, or will continue to adopt, among other things, the following risk management measures:

- instituting various policies to ensure compliance with the Listing Rules, including aspects related to risk management, connected transactions and information disclosure;

- providing training to our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of the directors and senior management of companies listed in Hong Kong; and

- when necessary, we engage external professionals, including compliance consultants, external legal advisor(s) and other advisors to render professional advice with respect to our compliance with statutory and regulatory requirements, as applicable to our Group from time to time.

Internal Control Review

In preparation for the Listing, we have engaged an independent third-party consultant (the "Internal Control Consultant") to perform a review over selected areas of our internal controls over financial reporting in January 2020 (the "Internal Control Review"). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity level controls and business process level controls, including revenue and receivables, purchases and payables, fixed assets, treasury, financial reporting, payroll, insurance, taxation, contract management, IP management and general controls of information technology.

The Internal Control Consultant performed follow-up reviews in June 2020 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the "Follow-up Review"). The Internal Control Consultant did not have any further recommendation in the Follow-up Review.

The Internal Controls Review and the Follow up Review were conducted based on information provided by us, and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Taking into account the internal control measures implemented by us, the ongoing monitoring and supervision by our Board with the assistance from professional external advisors where required, and the fact that, as confirmed by the Directors, the non-compliance incidents did not lead to fines, enforcement actions or other penalties, our Directors are of the view that our enhanced internal control measures are adequate and effective. Based on its review of the internal control report and other due diligence documents, discussions with our Directors, the Internal Control Consultant and our PRC Legal Advisor, and our Directors' confirmation, the Sole Sponsor concurs with the views of our Directors.

INSURANCE

We have maintained accident and medical insurance for our employees, and our warehousing and logistics partners usually procure property insurance for our inventory stored in their warehouses. Under limited circumstances, we, in line with general market practice, do not maintain any other business interruption insurance, insurance policies covering damages to our network infrastructures or information technology systems or product liability insurance, which are not mandatory under PRC laws. We believe that our existing insurance coverage is in line with general industry practice in China and is adequate for our existing operations. During the Track Record Period and up to the Latest Practicable Date, we did not make any material insurance claims in relation to our business. See "Risk Factors – Risks Relating to Our Business and Industry – We may not have sufficient insurance coverage."

HEALTH, SAFETY AND ENVIRONMENTAL MEASURES

We adhere to the management policies of sustainable environmental, social and governance ("**ESG**") development and is committed to taking corresponding measures from the ESG aspects effectively and responsibly, which our management believes are of great significance for our business operations. We attach high importance to environmental management in our businesses. We regard corporate social responsibility as a key to our sustainable growth and long-term development.

Power Usage

Since we are not engaged in manufacturing of products, our business operation does not involve material consumption of electricity. We have formulated policies, requiring efficient use of electricity, including procuring energy saving office equipment and efficient use of air-conditioners.

Water Usage

Since we are not engaged in manufacturing of products, our business operation does not involve material consumption of water. We have formulated policies, requiring efficient use of water, including procuring water saving office equipment and prohibition on waste of water.

Resource Consumption

Since we are not engaged in manufacturing of products and we do not directly perform the delivery of goods, we do not purchase any cartons or other packaging materials to package the products we sold under the distribution method. For the products we procured from our brand partners, their packaging involves usage of packaging materials such as packaging tapes, labels and cartons. We commit to reduce our environmental footprint by promoting responsible using of packaging materials. We adhere to the principles of simplicity, high efficiency and convenient use for customers, and advise our brand partners and logistics service providers to package the products in a more environment friendly manner. We hold a view that packaging of products should follow the principle of reduction, easy recycling, reusable, and refillable. We promote to use decomposable packaging materials as much as possible to reduce the use of non-degradable packaging materials.

Since we are not engaged in manufacturing of products, we do not currently have any material liabilities relating to health, work safety and environment, and do not expect that we will incur any material liabilities in this regard which could have any material adverse impact on our business and operating results. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any administrative penalty of the regulatory authorities for violating the applicable PRC environmental laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable PRC laws, regulations and rules relating to resources consumption and environmental protection in all material respects.

OUR SOCIAL RESPONSIBILITIES

We are committed to contributing to positive societal impacts, particularly those related to gender equality, environmental protection and education. Our achievements and initiatives in the area of corporate social responsibility include the following:

Gender equality

We highly value the contribution made by female at work, and are committed to broadening perceptions, removing obstacle for women's development, improving situations and celebrating women's achievements to help create a gender equal world. We encourage our female employees to lean in and take more initiatives and responsibilities at work to show their talents. We have endeavored to create a more friendly working environment for our pregnant employees, including automatic reduction of one hour at work every day and separate nursing rooms at work.

Environmental Protection

In May 2018 and June 2019, we organized a team of volunteers consisting of our employees to plant trees at the tree planting base in Dengkou County, Inner Mongolia, hoping to contribute to resolving the problem of land desertification through our own efforts. The followings are some pictures of those two activities.

Education

We believe in the power of education and strive to promote quality education in poverty areas. We organized student assistance activities to help students in poverty areas as well as for groups of children with economic difficulties.

In May 2018 and August 2020, we held two "Spring Bud Educational Assistance Program" to raise fund for and donate gifts to the children in poverty area, aiming to contribute to the development of education in primary and middle schools in certain rural areas in China. We set forth below some pictures of those two projects.

In June 2021, volunteers organized by us held a birthday party for special children (children with autism, cerebral palsy or mental retardation) at the auxiliary school in Changning District, Shanghai.

Community and COVID-19

We took a proactive role to combat the COVID-19 pandemic in China, and seek to increase the harmony in our community. In the summer of 2020, considering the summer heat in Shanghai and the norm of wearing masks as a prevention measure of the spread of COVID-19, we made donation of personal protective equipment to our local community.

LEGAL PROCEEDINGS AND COMPLIANCE

After consultation with our PRC Legal Advisor, our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had complied with laws and regulations in the PRC that are relevant to our PRC business in material respects. As of the Latest Practicable Date, we had presence and operations in Hong Kong and Japan. After consultation with legal advisors in the relevant jurisdictions, our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had complied with relevant laws and regulations in all material respects in Hong Kong and Japan.

Legal Proceedings

We are subject to legal proceedings, investigations and claims arising from the ordinary course of our business from time to time. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Based on the supporting materials and confirmation provided by us as well as the confirmations issued by the competent tax authorities, our PRC Legal advisor is of view that, during the Track Record Period, our PRC entities had completed the tax registration and complied with the applicable tax types and tax rates stipulated in the PRC tax laws and regulations, and had not been subject to any material tax administrative penalty from any competent tax authority.

Nevertheless, during the Track Record Period and up to the Latest Practicable Date, we received certain administrative penalties in relation to the violation of the PRC Advertising Law, the PRC Consumer Protection Law and the PRC Pricing Law. We set out below details of such non-compliance incidents and the primary remedial measures adopted:

Non-compliance Incident(s)	Remedial Measures
Background: During the Track Record Period and up to the Latest Practicable Date, we received 21 administrative penalties in relation to publishing advertisements that did not comply with the relevant requirements of the PRC Advertising Law, PRC Consumer Protection Law or PRC Pricing Law. Among them, 18 were related to violation of the PRC Advertising Law, out of which 13 non-compliance incidents resulted in fines for false advertising as we published advertising wording for functions of certain products on our online retail stores while the relevant products did not have such functions; two resulted in fines for using medical terms in advertisements for sanitary napkins; one resulted in a fine for using wording such as "highest level" and "best"; and two resulted in fines for illegally publishing advertisements as we failed to state the specification of gifts on our online store.	**Policies and procedures:** We have implemented internal control measures in March 2020 on the publication of advertising materials and the review of the product information page on our online stores. Such measures include internal review by various teams, including our legal personnel, to help ensure that the proposed advertisements comply with the relevant PRC laws and regulations. For example, after a product information page is created, it will be reviewed by the online store manager or its designated person before going online. **Screening mechanism:** We will use keyword search tools to screen sensitive words from time to time on the product information page and in other advertising materials.

Non-compliance Incident(s)	Remedial Measures
Legal consequences: The aggregate fines we paid for these 21 incidents amounted to RMB106,350. We have duly rectified the non-compliances and fully settled the penalties. Our PRC Legal Advisor is of the view that the above administrative penalties are not serious circumstances and we have paid all relevant fines, and the above administrative penalties will not have material adverse impact on our operations. Our Directors are of the view that such non-compliance would not have a material adverse operational or financial impact on us.	**Regular training:** We will organize regular advertising compliance training for our online store managers and relevant sales and marketing personnel to enhance their awareness of compliance. In addition, we have designated legal personnel to regularly provide updates on the latest changes in requirements for sales and marketing under the applicable laws and regulations, and to share such updates with our sales and marketing personnel.
Reasons: Such non-compliance incidents occurred primarily because: (i) we failed to update the product information page on our online stores in a timely manner due to internal omission; (ii) we failed to adequately train our relevant sales and marketing personnel to fully understand the requirements of the relevant PRC laws and regulations; and (iii) the product information was not strictly screened by our sales and marketing personnel.	**Internal control review:** See "– Internal Control and Risk Management – Internal Control Review" for the review of the remedial measures.

LICENSES AND PERMITS

The Group is required to obtain the following major licenses and permits to carry out business and operations:

License/permit	License/ permit holder	Issuing authority	Date of grant/filing	Expiry date
Customs Declaration Entity Registration Certificate of the PRC (海關報關單位註冊登記證書)	UNQ Supply Chain; Ningbo SPT; U.SUN Trading; UNQ Trading	Shanghai Customs; Ningbo Customs; Shanghai Customs; Shanghai Customs	January 16, 2019; January 26, 2018; August 9, 2017; November 2, 2016	Not applicable
China Foreign Trade Operator Registration Form (對外貿易經營者備案登記表)	UNQ Supply Chain; Ningbo SPT; U.SUN Trading; UNQ Trading	Foreign Trade Operator Registration Authority (Shanghai Pudong New Area); Foreign Trade Operator Registration Authority (Ningbo); Foreign Trade Operator Registration Authority (Shanghai Pudong New Area); Foreign Trade Operator Registration Authority (Shanghai)	October 31, 2018; January 24, 2018; July 11, 2017; October 21, 2016	Not applicable
Entry-Exit Inspection and Quarantine Inspection Enterprise Record Form (出入境檢驗檢疫報檢企業備案表)	Ningbo SPT; U.SUN Trading; UNQ Trading	Ningbo Entry-Exit Inspection and Quarantine Bureau; Shanghai Entry-Exit Inspection and Quarantine Bureau; Shanghai Entry-Exit Inspection and Quarantine Bureau	January 30, 2018; July 17, 2017; October 28, 2016	Not applicable
Consignor and Receiver of Import and Export Goods Record Receipt (海關進出口貨物收發貨人備案回執)	UNQ Medical Appliance	Shanghai Customs	April 30, 2020	Not applicable
Business Performance Permit (營業性演出許可證)	Shanghai Fuli	China (Shanghai) Pilot Free Trade Zone Lin-Gang Special Area Administration	May 24, 2021	May 24, 2023
Category II Medical Device Record Certificate (第二類醫療器械經營備案憑證)	UNQ Medical Appliance	Shanghai Pudong New Area Marketplace Supervisory Administration Bureau	April 14, 2020	Not applicable
License for Selling Pharmaceuticals (醫藥品販賣業許可)	UNQ Japan	Governor of Tokyo	November 1, 2018	October 31, 2024

According to our PRC Legal Advisor, we have obtained all requisite licenses, permits and approvals from the relevant government authorities, such licenses, permits and approvals were valid and remained in effect as of the Latest Practicable Date, and there existed no circumstance that might cause revocation or cancelation of any license, permit or approval. Our PRC Legal Advisor is of the view that there is no legal impediment to renew such licenses and permits, as long as we comply with the relevant legal requirements, and provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and schedule prescribed by the applicable laws and regulations of the PRC.

According to our PRC Legal Advisor, the laws and regulations governing the PRC pharmaceutical operation and internet pharmaceutical transaction services, including Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), the Regulations for Implementation of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》) and the Interim Provisions on Examination and Approval of Internet Drug Trading Services (《互聯網藥品交易服務審批暫行規定》) are not applicable to our dealing of OTC drugs, because such laws and regulations are applicable to the activities of OTC drugs production and transaction within the territory of the PRC, and we do not sell any OTC drugs through our own websites or provide any third parties with internet drug trading services. Our OTC business is generally carried out by two of our overseas subsidiaries, namely UNQ Japan and UNQ HK. Under B2B model, UNQ HK or UNQ Japan procures OTC drugs for its customers, all of which are companies incorporated outside of China. Under B2C model, UNQ Japan sells OTC drugs directly to consumers in China through its cross-border online retail stores on third-party cross-border e-commerce platforms including Tmall Global, JD Worldwide and Kaola Offshore. See "– Our Brand Partners – Brand Partner Development and Services." The third-party cross-border e-commerce platforms where we sell our OTC drugs through B2C business (i.e. Tmall Global, JD Worldwide and Kaola Offshore) are established and operated in Hong Kong. Pursuant to the Customer Notice (消費者告知書/用戶須知) displayed on the purchase websites of such third-party cross-border e-commerce platforms, purchases of products on such websites by our customers are deemed to be overseas purchases, which is acknowledged by both such e-commerce platforms and customers. As a result, UNQ Japan's sales of OTC drugs under such B2C business do not happen within the territory of the PRC. Based on the above, our PRC Legal Advisor is of the view that the PRC laws and regulations governing pharmaceutical operations and internet pharmaceutical transaction services shall not be applicable to our sales of OTC drugs under the B2C model.

During the Track Record Period and up to the Latest Practicable Date, our dealing of OTC drugs through UNQ Japan is primarily subject to the Pharmaceutical Affairs Act of Japan; and our dealing of OTC drugs through UNQ HK is primarily subject to the Pharmacy and Poisons Ordinance (Chapter 138) and Pharmacy and Poisons Regulations (Chapter 138A), Import and Export Ordinance (Chapter 60) and Import and Export Regulations (Chapter 60A), Chinese Medicine Ordinance (Chapter 549), Antibiotics Ordinance (Chapter 137), Dangerous Drugs Ordinance (Chapter 134) and Undesirable Medical Advertisements Ordinance (Chapter 231). Based on our communication with our legal advisors in Japan and in Hong Kong, respectively, our Directors are of the view that our dealing of OTC drugs by UNQ HK in Hong Kong, and by UNQ Japan in Japan, is in compliance with the aforementioned laws and regulations.

According to our PRC Legal Advisor, pursuant to the FIE Law, foreign investment under the FIE Law refers to any investment activity directly or indirectly carried out by foreign natural persons, enterprises or other organizations within the territory of the PRC under four circumstances. See "Regulatory Overview – PRC Laws and Regulations – PRC Laws and Regulations Relating to Foreign Investment – Laws and Regulations on Foreign Investment." Our PRC Legal Advisor is of the view that, our dealing of OTC drugs by UNQ Japan and UNQ HK, both of which are our overseas entities, shall not fall within the foreign investment activities as stipulated in the FIE Law, because such dealing of OTC drugs by UNQ Japan and UNQ HK shall not fall within any of the four circumstances as stipulated in the FIE Law and are not regarded as an investment under the FIE Law. The foreign investment restrictions under the FIE Law shall not apply to our dealing of OTC drugs.

DIRECTORS

The Board currently consists of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. All Directors are elected by the general meeting for a term of three years, which is renewable upon re-election. The major powers and functions of the Board include, but are not limited to, convening general meetings, reporting on its work at general meetings, implementing resolutions passed at general meetings, considering and approving the operational plans and investment plans of the Company, formulating the Company's strategic development plans, formulating annual financial budgets and final account plans, formulating profit distribution plans and plans on making up losses, and exercising other powers and functions as conferred by the Articles of Association.

The table below sets forth certain information about our Directors:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director	Relationship with other Directors and senior management
Mr. WANG Yong (王勇)	49	Chairman, Executive Director and Chief Executive Officer	Responsible for the overall operation and management of our Group; chairman of the nomination committee and member of the remuneration committee of the Company	August 5, 2010	October 31, 2019	None
Mr. SHEN Yu (沈宇)	48	Executive Director, Chief Financial Officer, Vice President and one of the Joint Company Secretaries	Responsible for financing activities, corporate governance, public relationship, legal and compliance affairs of the Group	September 5, 2016	June 12, 2020	None
Mr. MATSUMOTO Ryoji (松本良二)	57	Executive Director	Responsible for business development in Japan and maintenance of cross-border brands	July 1, 2015	June 12, 2020	None

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director	Relationship with other Directors and senior management
Mr. NAKAYAMA Kokkei (中山國慶)	57	Non-executive Director	Providing professional opinion and judgment to the Board	June 5, 2020	June 12, 2020	None
Mr. NG Kam Wah Webster (吳錦華)	47	Independent Non-executive Director	Providing independent opinion and judgment to the Board; chairman of the audit committee and member of the nomination committee of the Company	June 28, 2021	June 28, 2021	None
Mr. WEI Hang (魏航)	44	Independent Non-executive Director	Providing independent opinion and judgment to the Board; chairman of the remuneration committee, member of the audit committee and the nomination committee of the Company	June 28, 2021	June 28, 2021	None
Ms. XIN Honghua (辛洪華)	43	Independent Non-executive Director	Providing independent opinion and judgment to the Board; member of the audit committee and the remuneration committee of the Company	June 28, 2021	June 28, 2021	None

Executive Directors

Mr. WANG Yong (王勇), aged 49, was appointed as a Director in October 2019 and, re-designated as an executive Director and was appointed as the chairman of the Board and chief executive officer of the Company in June 2020. Mr. WANG currently also serves many positions within the Group, primarily including the chairman and the general manager of UNQ Supply Chain, a director of UNQ HK, UNQ Japan, Shanghai Fuli and Hangzhou SPT. Mr. WANG has over 20 years of experience in corporate management, Chinese e-commerce industry and Japanese cross-border trade. Mr. WANG is the founder of the Group by establishing UNQ Business Consulting in August 2010 and UNQ Supply Chain in October 2014, and his working experience within the Group primarily includes: serving as a director and the general manager of UNQ Business Consulting from July 2010 to December 2014, serving as an executive director of Hangzhou SPT since November 2014, consecutively serving as the director, chairman and the general manager of UNQ Supply Chain since December 2014, serving as a director of Shanghai Fuli since November 2016, serving as a director of UNQ HK since August 2015 and serving as a director of UNQ Japan since July 2017. Prior to establishing the Group, Mr. WANG's previous working experience primarily includes: serving in Beijing Itochu-Huatang Comprehensive Processing Co., Ltd. (北京伊藤忠華糖綜合加工有限公司) from January 2001 to June 2010 with his last position as the head of residential division.

Mr. WANG obtained a bachelor's degree in Japanese language from Guangdong University of Foreign Studies in Guangdong Province, the PRC in June 1995, a master's degree in business administration from University of Minnesota in Minnesota, the United States in July 2005.

As of the Latest Practicable Date, Mr. WANG was and will continue to be a Controlling Shareholder of the Company after the completion of the Global Offering.

Mr. SHEN Yu (沈宇), aged 48, was appointed as a Director in June 2020 and re-designated as an executive Director, and was appointed as the chief financial officer, and vice president of the Company in June 2020. Mr. SHEN was also appointed as one of the joint company secretaries with effect from June 28, 2021. Mr. SHEN currently also serves as the deputy general manager and chief financial officer of UNQ Supply Chain and general manager of Shanghai SPT. Mr. SHEN has over 15 years of experience in finance, marketing and corporate management. Mr. SHEN joined the Group in September 2016, and his working experience within the Group primarily includes: serving as the director of the financial department and the director of the personnel and administration department of UNQ Supply Chain from September 2016 to December 2017, serving as the deputy general manager and chief financial officer of UNQ Supply Chain since January 2018, serving as a director of UNQ HK since November 2018 and serving as the general manager of Shanghai SPT since June 2019. Prior to joining the Group, Mr. SHEN's previous working experience primarily includes: consecutively serving as the manager of the financial department and the head of the business management department of KOSÉ Cosmetics Co., Ltd. (高絲化妝品有限公司) (currently known as Kolmar Cosmetics (Hangzhou) Co., Ltd. (科歐瑪化妝品(杭州)有限公司)) from September 1995 to February 2004, and serving as the head of the administrative department and director of the business department of KOSÉ Cosmetics Sales (China) Co., Ltd. (高絲化妝品銷售(中國)有限公司) from March 2004 to August 2016.

Mr. SHEN obtained an associate diploma in financial accounting from Hangzhou Institute of Electronics Engineering (杭州電子工業學院) (currently known as Hangzhou Dianzi University (杭州電子科技大學)) in Zhejiang Province, the PRC, in July 1995 and an undergraduate diploma (correspondence program) in economic management from the Correspondence Institute of the C.P.C. Central Committee School (中共中央黨校函授學院) in Beijing, the PRC, in December 2004. Mr. SHEN obtained the qualification of medium-level accountant in May 2002 conferred by MOF. Mr. SHEN was recognized as "Outstanding Individual of Serving and Dedicating EXPO of Luwan District" (盧灣區服務世博、奉獻世博優秀個人) by the C.P.C. Shanghai Luwan District Committee (中共盧灣區委) and the People's Government of Shanghai Luwan District (盧灣區人民政府) in October 2010. Mr. SHEN was also recognized as "Excellent Competition Organizer" (優秀組織者) in a Shanghai Huangpu District competition called "Working Together to Ensure Growth, Keeping Harmony to Improve Development" (上海市黃浦區攜手保增長、和諧促發展立功競賽) and "Pioneer Worker" (工人先鋒號) by the Federation of Trade Union of Shanghai Huangpu District (上海市黃浦區總工會), the Federation of Industry and Commerce of Shanghai Huangpu District (上海市黃浦區工商業聯合會), the C.P.C. Social Working Committee of Shanghai Huangpu District (中共上海黃浦區社會工作委員會) and the Shanghai Huangpu District Association of Foreign Investment (上海市黃浦區外商投資企業協會) in December 2013.

Mr. MATSUMOTO Ryoji (松本良二), aged 57, was appointed as a Director in June 2020 and re-designated as an executive Director, and was appointed as the general manager of overseas business division of the Company in June 2020. Mr. MATSUMOTO currently also serves as a director and the general manager of the overseas business department of the UNQ Supply Chain and the chairman of the board of UNQ Japan. Mr. MATSUMOTO has over 16 years of experience in corporate management, FMCG Industry and overseas business development in Japan. Mr. MATSUMOTO joined the Group in July 2015, and his working experience within the Group primarily includes: consecutively serving as the general manager, a director and the chairman of the board of UNQ Japan since October 2014, serving as a director of UNQ Supply Chain since April 2016, and serving as the general manager of the overseas business department of UNQ Supply Chain since January 2018. Prior to joining the Group, Mr. MATSUMOTO joined Shiseido Company, Limited (株式會社資生堂) (a company listed on Tokyo Stock Exchange under the stock code of 4911) in April 1987, and served as the head of cosmetic marketing department of Shiseido (China) Investment Co., Ltd. (資生堂(中國)投資有限公司) from October 2005 to March 2013, and he resigned from Shiseido Company, Limited in September 2013.

Mr. MATSUMOTO obtained a bachelor's degree in economics from Gakushuin University (學習院大學) in Tokyo, Japan in March 1987.

Non-executive Director

Mr. NAKAYAMA Kokkei (中山國慶) (former name: XUE Guoqing (薛國慶)), aged 57, was appointed as a Director and re-designated as a non-executive Director of the Company in June 2020. Mr. NAKAYAMA currently also serves as the chairman of Transcosmos Information Creative (China) Co., Ltd. (大宇宙信息創造(中國)有限公司), an indirect subsidiary of TCI, and a director of Beijing Tensyn Digital Marketing Technology Joint Stock Company (北京騰信創新網絡營銷技術股份有限公司) (a company listed on Shenzhen Stock Exchange under the stock code of 300392). Mr. NAKAYAMA has over 22 years of experience in corporate management. Prior to joining the Group in June 2020, Mr. NAKAYAMA's previous working experience primarily includes: consecutively serving as executive officer (常務執行役員), general manager of overseas business (海外事業總括) and deputy head of the China business division of TCI (a company listed on Tokyo Stock Exchange under the stock code of 9715) since May 1998, and serving as a director of Beijing Tensyn Digital Marketing Technology Joint Stock Company (北京騰信創新網絡營銷技術股份有限公司) (a company listed on Shenzhen Stock Exchange under the stock code of 300392) since May 2015.

Mr. NAKAYAMA graduated from Shanghai Jiao Tong University (上海交通大學) with an undergraduate diploma in marine engineering in Shanghai, the PRC in July 1985 and he also obtained a master's degree and a doctor's degree in mechanical engineering from Nagoya University (名古屋大學) in Nagoya, Japan in March 1992 and March 1995, respectively. Mr. NAKAYAMA was awarded the Haihe Friendship Award (海河友誼獎) by the People's Government of Tianjin Municipal (天津市人民政府) in 2008.

Independent Non-executive Directors

Mr. NG Kam Wah Webster (吳錦華), aged 47, was appointed as an independent non-executive Director of the Company in June 2020 with effect from June 28, 2021. Mr. NG has over 25 years of experience in accounting and auditing. Prior to joining the Group in June 2020, Mr. NG's previous working experience primarily includes: consecutively serving as an audit clerk and an audit semi-senior of CHENG, IP & CO. CPA (鄭葉會計師事務所) (formerly known as FRANKIE K.K. CHENG & CO. CPA (鄭剛強會計師事務所)) from August 1994 to April 1997, serving as an audit semi-senior and an audit senior of DOMINIC K.F. LI & CO. CPA (李錦輝會計師事務所) from April 1997 to August 2001, and serving as an audit supervisor of H S WONG & COMPANY CPA (黃漢森會計師事務所) from September 2001 to January 2003. Mr. NG founded WEBSTER NG & CO. (吳錦華會計師事務所) in August 2001, and has served as the sole proprietor of the firm since then. Mr. NG has served as a non-executive director of eMPF Platform Company Limited (積金易平台有限公司) since March 2021.

Mr. NG assumes various positions in associations involving finance and auditing which primarily include: (i) consecutively serving as a council member, vice president and president of the Taxation Institute of Hong Kong (香港稅務學會) since September 2006, (ii) consecutively serving as (a) a member, vice president and president of the board of the Hong Kong Institute of Accredited Accounting Technicians (香港財務會計協會) since 2014, (b) a member and chairman of the board of the Examinations and Accreditation Board (考試及評審

委員會) of the Hong Kong Institute of Accredited Accounting Technicians from July 2017 to December 2018,(iii) serving as (a) the convener of QP New Module 5 Moderation Sub-Group since April 2016, (b) a member of CPA Qualifying Process Reform Working Group (資格審定改革專責小組) from January 2015 to December 2016, (c) a member of Practice Review Committee (執業審核委員會) since February 2018, (d) a member of Accountancy Manpower Research Advisory Group (會計人力資源研究顧問小組) from July 2015 to December 2019, (e) a member of Small and Medium Practices Committee (中小型執業所委員會) since February 2018, and (f) an ex-officio member of the Qualification Oversight Board of Hong Kong Institute of Certified Public Accountants (香港會計師公會) since February 2018 , (iv) serving as a member of the Small and Medium Enterprises Sub-committee of the Association of Chartered Certified Accountants (特許會計師公會中小企委員會) since September 2012, (v) serving as a council member of The Society of Chinese Accountants & Auditors (香港華人會計師公會) since December 2016, (vi) serving as a director of the Accounting Development Foundation Limited (會計專業發展基金有限公司) from January 2017 to March 2020, (vii) serving as a member of the Lotteries Fund Advisory Committee (獎券基金諮詢委員會) since September 2017, (viii) serving as a member of the Citizens Advisory Committee on Community Relations of the Independent Commission against Corruption (廉政公署社區關係市民諮詢委員會) since January 2019, (ix) serving as a member of the Lump Sum Grant Steering Committee (整筆撥款督導委員會) since April 2020, (x) serving as a member of the finance, audit and risk committee of Medecins Sans Frontieres (HK) Limited (無國界醫生(香港)) since March 2019, (xi) serving as an honorary auditor of the North Kwai Chung District Scout Council, Scout Association of Hong Kong (香港童軍總會北葵涌區區務委員會) since July 2013, and (xii) serving as the president of Rotary Club of Hong Kong Harbour (香港海港扶輪社) from July 2017 to June 2018.

Mr. NG graduated from HKU School of Professional and Continuing Education (香港大學專業進修學院) with a diploma in accounting in Hong Kong in September 1997. Mr. NG was admitted as a member of the Association of Chartered Certified Accountants in April 2001, an associate of the Taxation Institute of Hong Kong in August 2002, an associate of the Institute of Chartered Accountants in England and Wales in January 2005, a council member of The Society of Chinese Accountants & Auditors in December 2016, a fellow member of the Hong Kong Professionals and Senior Executives Association in June 2008 and a certified public accountant by the Hong Kong Institute of Certified Public Accountants in January 2020. Mr. NG was commended for dedicated service and outstanding contribution to the promotion of community building and improvement of community environment by the Secretary for Home Affairs Bureau of Hong Kong (香港民政事務局局長) in November 2018.

Mr. WEI Hang (魏航), aged 44, was appointed as an independent non-executive Director of the Company in June 2020 with effect from June 28, 2021. Mr. WEI currently serves as the executive vice president and a professor of operation and management of the College of Business, Shanghai University of Finance and Economics (上海財經大學商學院). Prior to joining the Group in June 2020, Mr. WEI's previous working experience mainly includes: serving as a visiting scholar of The Chinese University of Hong Kong (香港中文大學) from March 2005 to April 2005 and July 2008 to September 2008, consecutively serving as a lecturer and the vice executive president of the Shanghai University of Finance and Economics College

of Business since July 2006. Mr. WEI has rich experience in e-commerce research, commercial science and internet platforms, and his major research area includes Internet and operation management, operation and finance, new products and new technology management and service operation management. He published many thesis on the topics of management of supply chain, distribution and platforms, B2C platforms and online retail business, which are closely related to the businesses of the Company.

Mr. WEI obtained a doctor's degree in management science from Southwest Jiaotong University (西南交通大學) in Sichuan Province, the PRC in June 2006.

Ms. XIN Honghua (辛洪華) (alias: XIN Honghua (辛紅花)), aged 43, was appointed as an independent non-executive Director of the Company in June 2020 with effect from June 28, 2021. Ms. XIN current also serves as the vice president of Zhejiang branch of Jonten Certified Public Accountants (Limited Liability Partnership) (中天運會計師事務所(特殊普通合夥)浙江分所). Prior to joining the Group in June 2020, Ms. Xin's previous working experience primarily includes: serving as the financial manager of Hangzhou JNBY Finery Co., Ltd. (杭州江南布衣服飾有限公司) from March 2003 to August 2006, serving as the financial manager of Hangzhou Whole set Throttling Device Co., Ltd. (杭州成套節流裝置有限公司) from October 2006 to October 2011, serving as the audit project manager of the Hangzhou branch of Jonten Certified Public Accountants Co., Ltd (中天運會計師事務所有限公司杭州分所) from November 2011 to November 2013, serving as the department manager of Zhejiang Zhongruiweisida Certified Public Accountants Co., Ltd (浙江中瑞唯斯達會計師事務所有限公司) from November 2013 to November 2016, and serving as the vice president of the Zhejiang branch of Jonten Certified Public Accountants (Limited Liability Partnership) (中天運會計師事務所(特殊普通合夥)浙江分所) since December 2016.

Ms. XIN obtained an associate diploma in financial accounting (computerization) from Zhejiang University (浙江大學) in Zhejiang Province, the PRC in June 2003 and a bachelor's degree in business administration management from China Central Radio & TV University (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) in Beijing, PRC in January 2007. Ms. XIN has various qualifications in tax and auditing including: being certified as Certified Internal Auditor (國際註冊內部審計師) by China Institute of Internal Audit (中國內部審計協會) with the authorization from the Institute of Internal Auditors (國際內部審計師協會) in November 2010, Registered Tax Agent by the Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in September 2011, Certified Public Accountant by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in June 2014, Certified Public Valuer by the China Appraisal Society (中國資產評估協會) in January 2015, Senior Accountant (高級會計師) by Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳) in December 2016, Top Tax Talent (税務師行業高端人才) by The China Certified Tax Agents Association (中國註冊税務師協會) in December 2018, and qualification of Independent Director (獨立董事資格) by the Shanghai Stock Exchange in September 2018.

Ms. XIN served as a director of Yuhua Wisdom Financial Management Consulting Limited ("Yuhua Wisdom") (玉華慧財稅管理諮詢有限公司), a company incorporated in Hong Kong with limited liability, whose registered nature of business is corporation. Yuhua Wisdom was dissolved on November 13, 2020. As of the date of dissolution, Ms. XIN has confirmed that (i) there was no wrongful act on her part leading to the deregistration of Yuhua Wisdom; (ii) she was not aware of any actual or potential claim that has been or will be made against her as a result of the deregistration of Yuhua Wisdom; and (iii) Yuhua Wisdom was not in operation and was solvent at the time of its dissolution.

Save as disclosed above, none of our Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document.

Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Our Directors confirmed that they do not have any interests in any business which competes or is likely to compete, either directly or indirectly, with our Group's business that would require disclosure under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

The following table sets forth certain information about the senior management of the Company:

Name	Age	Position	Major duties	Date of joining our Group	Date of appointment as senior management of the Company	Relationship with other Directors and senior management
Mr. WANG Yong (王勇)	48	Executive Director and chief executive officer	Responsible for the overall operation and management of our Group; chairman of the nomination committee and member of the remuneration committee of the Company	August 5, 2010	June 29, 2020	None

Name	Age	Position	Major duties	Date of joining our Group	Date of appointment as senior management of the Company	Relationship with other Directors and senior management
Mr. SHEN Yu (沈宇)	48	Executive Director, chief financial officer, and vice president	Responsible for financing activities, corporate governance, public relationship, legal and compliance affairs of the Group	September 5, 2016	June 29, 2020	None
Mr. LAI Juncheng (賴俊成)	31	General manager of retail business division	Responsible for the overall operation and management of the business to customer	November 1, 2011	June 29, 2020	None
Ms. CHEN Weiwei (陳偉偉)	37	General manager of pharmaceutical and health division	Responsible for the overall operation and management of health-related products and over-the-counter drug	January 1, 2011	June 29, 2020	None

For details of the biography of Mr. WANG Yong (王勇), see "– Directors – Executive Directors".

For details of the biography of Mr. SHEN Yu (沈宇), see "– Directors – Executive Directors".

Mr. LAI Juncheng (賴俊成), aged 31, was appointed as general manager of retail business division of the Company in June 2020. Mr. LAI currently also serves as a director of UNQ Supply Chain, the general manager of the retail business department and Tmall operation department of UNQ Supply Chain and the deputy general manager of Shanghai SPT. Mr. LAI has over nine years of experience in e-commerce business operations. Mr. LAI joined the Group in November 2011, and his working experience within the Group primarily includes: consecutively serving as the manager, operating manager, and operation director of Hangzhou UNQ E-Commerce from November 2011 to January 2015, consecutively serving as deputy general manager and general manager of Hangzhou SPT since January 2015, serving as the deputy general manager of Shanghai SPT since January 2017, serving as general manager of Tmall operations division of UNQ Supply Chain since October 2017, serving as the general manager of the retail operation department of UNQ Supply Chain since January 2019 and serving as a director of UNQ Supply Chain since June 2020.

Mr. LAI obtained an associate diploma in computer application technology from Zhejiang Institute of Mechanical & Electrical Engineering (浙江機電職業技術學院) in Zhejiang Province, the PRC in June 2011 and a bachelor's degree (correspondence program) in business administration from Zhejiang University of Technology (浙江工業大學) in Zhejiang Province, the PRC in June 2014.

Ms. CHEN Weiwei (陳偉偉), aged 37, was appointed as the general manager of pharmaceutical and health division of the Company in June 2020. Ms. CHEN currently also serves as the general manager of the pharmaceutical and health department of UNQ Supply Chain. Ms. CHEN has over 10 years of experience in business operations and brand engagement. Ms. CHEN joined the Group in January 2011, and her working experience within the Group primarily includes: serving as the marketing head of the Hangzhou business operation department of UNQ Business Consulting from January 2011 to December 2014, marketing director of UNQ Supply Chain from December 2014 to January 2017, the general manager of the new media department of Shanghai Fuli from January 2017 to August 2019, and general manager of the pharmaceutical and health department of UNQ Supply Chain since September 2019.

Ms. CHEN obtained an associate diploma in TV and network advertising design from the Shanghai Art & Design Academy (上海工藝美術職業學院) in Shanghai, the PRC in July 2006.

Save as disclosed herein, none of the senior management of our Company held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document.

JOINT COMPANY SECRETARIES

For details of the biography of Mr. SHEN Yu (沈宇) one of our joint company secretary, see "– Directors – Executive Directors".

Ms. SZETO Kar Yee Cynthia (司徒嘉怡), aged 39, was appointed as one of the joint company secretaries of our Company in June 2020 with effect from June 28, 2021. Ms. SZETO is currently an assistant manager of the listing services department of TMF Hong Kong Limited. Ms. SZETO has over 10 years of professional and in-house experience in the company secretarial field. She obtained a bachelor's degree of arts in language studies with business from The Hong Kong Polytechnic University (香港理工大學) in Hong Kong, the PRC in November 2004, and a master's degree of science in professional accounting and corporate governance from the City University of Hong Kong (香港城市大學) in Hong Kong, the PRC in July 2012. She is an associate member of The Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

The total remuneration (including wages, salaries and bonuses, pension costs, housing funds, medical insurance and other social insurances and share-based payment) of our Directors in respect of the financial years ended December 31, 2018, 2019 and 2020 were approximately RMB8.91 million, RMB7.82 million and RMB5.72 million, respectively.

In the financial years ended December 31, 2018, 2019 and 2020, the total remuneration (including wages, salaries and bonuses, pension costs, housing funds, medical insurance and other social insurances and share-based payment) of the five highest paid individuals other than the Directors amounted to approximately RMB3.67 million, RMB5.52 million and RMB3.66 million, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2021 is expected to be approximately RMB6.80 million.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

For the details of the service contracts and appointment letters that we have entered into with our Directors, see "Appendix IV – Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors' service contracts and appointment letters".

CORPORATE GOVERNANCE

The Company has established three Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

We have established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. NG Kam Wah Webster, Mr. WEI Hang and Ms. XIN Honghua, with Mr. NG Kam Wah Webster currently serving as the chairman. Mr. NG Kam Wah Webster has the appropriate professional qualification and experience as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure and internal control system of the Group.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three Directors, namely Mr. WEI Hang, Ms. XIN Honghua and Mr. WANG Yong, with Mr. WEI Hang currently serving as the chairman. The Remuneration Committee is mainly responsible for evaluating the remuneration policies for Directors and senior management of the Group and making recommendations thereon to the Board.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. WANG Yong, Mr. NG Kam Wah Webster and Mr. WEI Hang, with Mr. WANG Yong currently serving as the chairman. The Nomination Committee is mainly responsible for making recommendations to our Board regarding the appointment of Directors and Board succession.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain high standards of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity, and length of service. The ultimate decision will be based on merit and the contribution that the selected candidates will bring to the Board. Under the current composition of our Board, our Board has a balanced mix of knowledge, skills and experience, including experience in e-commerce, finance, corporate management, accounting and financial markets. Our Directors have a diverse educational background including economics, financial accounting, machine technology and management.

Our nomination committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. Upon Listing, our nomination committee will, from time to time and at least once annually, review our diversity policy of the Board and compliance with the Corporate Governance Code to ensure its continued effectiveness, and we will disclose, in our corporate governance report, the implementation of the diversity policy of the Board on an annual basis.

COMPLIANCE ADVISER

We have appointed Maxa Capital Limited as our compliance adviser (the "**Compliance Adviser**") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from which has been detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE CODE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the Listing except for Code Provision A.2.1 of the Corporate Governance Code, which provides that the roles of Chairman of the Board and Chief Executive Officer should be separate and should not be performed by the same individual.

The role of chairman of the Board and chief executive officer of our Company are currently performed by Mr. WANG Yong. In view of Mr. WANG Yong's substantial contribution to our Group since our establishment and his extensive experience, we consider that having Mr. WANG Yong acting as both our chairman and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Mr. WANG Yong continues to act as both our chairman and chief executive officer after the Listing, and therefore currently do not propose to separate the functions of Chairman and chief executive officer.

While this would constitute a deviation from Code Provision A.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. WANG Yong and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

OVERVIEW

As of the Latest Practicable Date, Mr. Wang was indirectly interested in approximately 47.6263% of our issued share capital through Wisdom Oasis, and TCI was directly interested in approximately 42.3538% of our issued share capital.

Immediately following the completion of the Global Offering, Mr. Wang, through Wisdom Oasis, and TCI will be interested in approximately 38.82% and 34.52% of our issued share capital, respectively, assuming the Over-allotment Option is not exercised (or approximately 37.77% and 33.59% of our issued share capital, respectively, assuming the Over-allotment Option is fully exercised). Therefore, each of Mr. Wang, Wisdom Oasis and TCI will remain as our Controlling Shareholder upon Listing.

OUR RELATIONSHIP WITH MR. WANG AND WISDOM OASIS

As of the Latest Practicable Date, Mr. Wang and Wisdom Oasis were not interested in any business which competes, or is likely to compete, directly or indirectly, with the business of our Group or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

OUR RELATIONSHIP WITH TCI

Our Business

We are a brand e-commerce retail and wholesale solutions provider in China strategically focused on Japanese-branded fast-moving consumer goods, or FMCG, consisting of, among others, beauty products and personal care products. We act as the bridge between brand partners, e-commerce platforms and consumers in China. We operate our business primarily through distribution method and service fee method. Under the distribution method, we purchase products from selected brand partners, manage Chinese and cross-border supply chains, identify and reach target consumers through omnichannel marketing, and sell products to consumers through online marketplace stores operated by us, which we refer to as our business-to-consumer, or B2C model, or to e-commerce platforms or other distributors, which in turn, sell to consumers, which we refer to as our business-to-business, or B2B model. Under the service fee method, as a supplement to the B2B and B2C models, we also provide our solutions to brand partners or other customers for service fees, usually at a pre-agreed amount and/or performance-based service charge, which we refer to as our provision of services business (the "**Service Fee model**").

See "Business" for details of our business.

The following table sets forth the breakdown of revenue and gross profit generated from our businesses for the periods indicated.

	2018		2019		2020	
Business model	**Revenues**	**% of revenues**	**Revenues**	**% of revenues**	**Revenues**	**% of revenues**
	(RMB in thousands except for percentages)					
B2B	1,404,323	55.3%	1,379,966	49.6%	1,226,516	43.9%
B2C	1,089,428	42.9%	1,353,044	48.6%	1,539,757	54.9%
Service Fee	47,210	1.8%	48,709	1.8%	34,573	1.2%
Total	2,540,961	100.0%	2,781,719	100.0%	2,800,846	100.0%

	2018		2019		2020	
Business model	**Gross profit**	**% of gross profit**	**Gross profit**	**% of gross profit**	**Gross profit**	**% of gross profit**
	(RMB in thousands except for percentages)					
B2B	139,272	22.6%	131,725	16.4%	167,860	18.9%
B2C	458,800	74.4%	645,653	80.4%	702,170	79.1%
Service Fee	18,273	3.0%	26,084	3.2%	18,084	2.0%
Total	616,345	100.0%	803,462	100.0%	888,114	100.0%

The following table sets forth the breakdown of revenue and gross profit by our product categories for the periods indicated.

Under the B2B and B2C model – revenue

	2018		2019		2020	
	Revenues	**% of revenues**	**Revenues**	**% of revenues**	**Revenues**	**% of revenues**
	(RMB in thousands except for percentages)					
Personal care products for babies	816,563	32.7%	760,099	27.8%	418,841	15.1%
Personal care products for adults	1,053,199	42.2%	1,388,315	50.8%	1,755,261	63.5%
Beauty products	481,297	19.3%	395,680	14.5%	335,365	12.1%
Health products (including OTC drugs and healthcare products)	77,693	3.1%	117,261	4.3%	173,770	6.3%
Others	64,999	2.7%	71,655	2.6%	83,036	3.0%
Total	2,493,751	100.0%	2,733,010	100.0%	2,766,273	100.0%

Under the B2B and B2C model – gross profit

	2018		2019		2020	
	Gross profit	% of gross profit	Gross profit	% of gross profit	Gross profit	% of gross profit
	(RMB in thousands except for percentages)					
Personal care products for babies	162,546	27.2%	189,061	24.3%	149,779	17.2%
Personal care products for adults	254,111	42.5%	392,669	50.5%	499,556	57.4%
Beauty products	137,909	23.1%	134,485	17.3%	127,898	14.7%
Health products (including OTC drugs and healthcare products)	26,123	4.4%	37,893	4.9%	51,923	6.0%
Others	17,383	2.8%	23,270	3.0%	40,874	4.7%
Total	598,072	100.0%	777,378	100.0%	870,030	100.0%

Under the Service Fee model – revenue

	2018		2019		2020	
	Revenues	% of revenues	Revenues	% of revenues	Revenues	% of revenues
	(RMB in thousands except for percentages)					
Personal care products for babies	4,986	10.6%	18,816	38.6%	7,055	20.3%
Personal care products for adults	13,063	27.7%	2,500	5.1%	2,480	7.2%
Beauty products	46	0.1%	332	0.7%	2,958	8.6%
Health products (including OTC drugs and healthcare products)	8,948	19.0%	20,721	42.5%	17,771	51.4%
Others	20,167	42.6%	6,340	13.1%	4,309	12.5%
Total	47,210	100.0%	48,709	100.0%	34,573	100.0%

Under the Service Fee model – gross profit

	2018		2019		2020	
	Gross profit	% of gross profit	Gross profit	% of gross profit	Gross profit	% of gross profit
	(RMB in thousands except for percentages)					
Personal care products for babies	3,601	19.7%	16,952	65.0%	3,506	19.4%
Personal care products for adults	6,731	36.8%	595	2.3%	2,177	12.0%
Beauty products	2	0.0%	135	0.5%	1,920	10.6%
Health products (including OTC drugs and healthcare products)	1,584	8.7%	4,116	15.8%	8,384	46.4%
Others	6,355	34.8%	4,286	16.4%	2,097	11.6%
Total	18,273	100.0%	26,084	100.0%	18,084	100.0%

Information on TCI

Aside from its businesses in providing contact center services, business process outsourcing services, digital marketing services, e-commerce one-stop services and other services, TCI also has a long history of over 45 years' experience in outsourced services. Originally established in Japan, it has since then expanded throughout Southeast Asia and the rest of the world. TCI currently has 167 operating centers across 30 countries and supporting 23 languages.

TCI's principal businesses include business process outsourcing services, contact center services, e-commerce one-stop services and digital marketing services. For the years ended March 31, 2018, 2019 and 2020, TCI recorded operating income of JPY6,092 million, JPY5,355 million and JPY10,689 million, and net income/loss attributable to owners of JPY-2,176 million, JPY4,433 million and JPY6,279 million, respectively.

TCI's Operation in China

TCI operates in China through its wholly owned subsidiary, namely TCC. TCC is primarily engaged in providing business services to TCI's global clients in China, including, among other things, contact center services, business process outsourcing services, digital marketing services and e-commerce one-stop services. TCC sells personal care products for babies and household necessities of various brands owned by Daio Paper Corporation ("**Daio**"), such as GOO.N branded diaper products, through e-commerce platforms in China. In addition, TCC also engages in the online sale of other products such as computer, communication and consumer electronic products ("**3C**") and toys, which the Group does not sell.

After Listing, TCC will continue to sell products through e-commerce platforms and provide e-commerce one-stop services in China (the "**TCC Excluded Business**") which compete, directly or indirectly, with the principal businesses of the Group.

The tables below set forth TCC's revenue and gross profit by business model.

	2018		2019		2020	
	Revenues	% of revenues	Revenues	% of revenues	Revenues	% of revenues
	(RMB in thousands except for percentages)					
E-commerce one-stop services	776,920	66.0%	873,804	66.5%	954,698	68.8%
– B2B	717,996	61.0%	806,487	61.4%	849,290	61.2%
– B2C	579	0.0%	261	0.0%	23,100	1.7%
– Service Fee	58,345	5.0%	67,056	5.1%	82,309	5.9%
Other businesses*(Note)*	400,295	34.0%	439,770	33.5%	432,944	31.2%
Total	1,177,215	100.0%	1,313,574	100.0%	1,387,642	100.0%

	2018		2019		2020	
	Gross profit	% of gross profit	Gross profit	% of gross profit	Gross profit	% of gross profit
	(RMB in thousands except for percentages)					
E-commerce one-stop services	29,332	27.2%	37,237	29.8%	64,265	37.3%
– B2B	14,632	13.6%	17,308	13.9%	37,129	21.5%
– B2C	-100	-0.1%	-45	0.0%	1,126	0.7%
– Service Fee	14,800	13.7%	19,975	16.0%	26,009	15.1%
Other businesses*(Note)*	78,605	72.8%	87,706	70.2%	108,092	62.7%
Total	107,937	100.0%	124,943	100.0%	172,357	100.0%

Note: Other businesses include, among other things, contact center business, business process outsourcing services and digital marketing business, which are clearly delineated from the principal businesses of the Group. The Company normally provides digital marketing services to support its own B2B model, B2C model and Service Fee model and provided such service to only a few external customers. For each of the three years ended December 31, 2020, digital marketing business for external customers accounted for 1.4%, 0.9% and 1.2% of the Company's total revenue, respectively. TCC also provided the digital marketing services to its external clients and the revenue generated from digital marketing business accounted for less than 1.6% of the total revenue of TCC for each of three years ended December 31, 2020. Therefore, digital marketing business is immaterial in terms of revenue for both the Company and TCC.

As illustrated in the tables above, TCC's other businesses (including contact center business, etc.) which the Company does not engage in, constitute the major business lines of TCC, accounting for over 31.2% of TCC's revenue and over 62.7% of TCC's gross profit in 2020. Although B2B model represents the largest business segment of TCC in terms of revenue, it only accounted for approximately 13.6%, 13.9% and 21.5% in terms of gross profit for the year ended December 31, 2018, 2019 and 2020, respectively. TCC has insignificant revenue from its B2C model, which was less than RMB23.9 million in aggregate during the three years ended December 31, 2020, and constituted only approximately 0.0%, 0.0% and 1.7% of its total revenue during that period, respectively.

The table below sets forth the number of online stores operated by TCC and number of e-commerce platforms cooperated with TCC which involve in the Excluded Businesses during the Track Record Period:

	As of December 31, 2018	**As of December 31, 2019**	**As of December 31, 2020**
Number of online stores operated by TCC	15	12	26
Number of e-commerce platforms cooperated with TCC	5	5	7

Products and Services provided by TCC under the TCC Excluded Business

The table below sets forth a breakdown of the revenue and gross profit derived from the TCC Excluded Business by product category:

Under the B2B and B2C model – revenue

	2018		**2019**		**2020**	
	Revenues	**% of revenues**	**Revenues**	**% of revenues**	**Revenues**	**% of revenues**
	(RMB in thousands except for percentages)					
Personal care products for babies	718,575	100%	806,124	100%	872,389	100%
Total	718,575	100.0%	806,124	100.0%	872,389	100%

Under the B2B and B2C model – gross profit

	2018		2019		2020	
	Gross profit	% of gross profit	Gross profit	% of gross profit	Gross profit	% of gross profit
	(RMB in thousands except for percentages)					
Personal care products for babies	14,532	100%	17,262	100%	38,256	100.0%
Total	14,532	100.0%	17,262	100.0%	38,256	100.0%

Under the Service Fee model – revenue

	2018		2019		2020	
	Revenues	% of revenues	Revenues	% of revenues	Revenues	% of revenues
	(RMB in thousands except for percentages)					
Personal care products for babies	366	0.6%	1,384	2.1%	3,412	4.1%
Personal care products for adults	–	–	–	–	–	–
Beauty products	0	0.0%	1,198	1.8%	356	0.4%
Health products (including OTC drugs and healthcare products)	–	–	–	–	–	–
3C	26,552	45.5%	29,074	43.4%	31,053	37.7%
Toy	12,685	21.7%	23,349	34.8%	34,243	41.6%
Household necessities	8,526	14.6%	7,648	11.4%	3,793	4.6%
Others	10,216	17.5%	4,403	6.6%	9,451	11.5%
Total	58,345	100.0%	67,056	100.0%	82,309	100.0%

Under the Service Fee model – gross profit

	2018		2019		2020	
	Gross profit	**% of gross profit**	**Gross profit**	**% of gross profit**	**Gross profit**	**% of gross profit**
	(RMB in thousands except for percentages)					
Personal care products for babies	-535	-3.6%	-184	-0.9%	319	1.2%
Personal care products for adults	–	–	–	–	–	–
Beauty products	0	0.0%	279	1.4%	197	0.8%
Health products (including OTC drugs and healthcare products)	–	–	–	–	–	–
3C	5,302	35.8%	7,612	38.1%	6,590	25.3%
Toy	3,991	27.0%	8,982	45.0%	17,259	66.4%
Household necessities	3,016	20.4%	1,949	9.8%	947	3.6%
Others	3,026	20.4%	1,336	6.7%	697	2.7%
Total	14,800	100.0%	19,975	100.0%	26,009	100.0%

Under B2B and B2C model, TCC only sells personal care products for babies. TCC's Service Fee model focuses on a wide range of product categories that the Company does not operate, such as 3C, toys, etc. As illustrated by the table above, TCC did not operate any business activities covering OTC drugs business in China during the Track Record Period. In Japan, TCI Group supplied OTC drugs to our Group during the Track Record Period. See "Connected Transaction – Non-exempt Continuing Connected Transactions – Products Procurement Framework Agreement" for details. Other than the foregoing, TCI Group did not operate other OTC drug business globally as of the Latest Practicable Date.

The tables below further illustrate the extent of competition in terms of revenue and gross profit generated from overlapping product categories of the Group and TCC under B2B and B2C model and Service Fee model:

Under B2B and B2C model

Revenue generated from overlapping product categories (personal care products for babies)	2018		2019		2020	
	Revenues	% of total revenues of the Group/ TCC	Revenues	% of total revenues of the Group/ TCC	Revenues	% of total revenues of the Group/ TCC
	(RMB in thousands except for percentages)					
The Group	816,563	32.1%	760,099	27.3%	418,841	15.0%
TCC	718,575	61.0%	806,124	61.4%	872,389	62.9%

Gross profit generated from overlapping product categories (personal care products for babies)	2018		2019		2020	
	Gross profit	% of total gross profit of the Group/ TCC	Gross profit	% of total gross profit of the Group/ TCC	Gross profit	% of total gross profit of the Group/ TCC
	(RMB in thousands except for percentages)					
The Group	162,546	26.4%	189,061	23.5%	149,779	16.9%
TCC	14,532	13.5%	17,262	13.8%	38,256	22.2%

Under Service Fee model

Revenue generated from overlapping product categories (personal care products for babies, beauty products and household necessities*)	2018		2019		2020	
	Revenues	% of total revenues of the Group/ TCC	Revenues	% of total revenues of the Group/ TCC	Revenues	% of total revenues of the Group/ TCC
	(RMB in thousands except for percentages)					
The Group	5,032	0.2%	19,148	0.7%	10,013	0.4%
TCC	8,892	0.8%	10,230	0.8%	7,561	0.5%

Gross profit generated from overlapping product categories (personal care products for babies, beauty products and household necessities*)	2018		2019		2020	
	Gross profit	% of total gross profit of the Group/ TCC	Gross profit	% of total gross profit of the Group/ TCC	Gross profit	% of total gross profit of the Group/ TCC
	(RMB in thousands except for percentages)					
The Group	3,603	0.6%	17,087	2.1%	5,426	0.6%
TCC	2,481	2.3%	2,044	1.6%	1,463	0.8%

In light of the above, the level of competition between the Company and TCC is not extreme for the following reasons:

(a) Delineation in business model

- While the Company mainly engages in online sales of goods including its B2B and B2C model, which accounted for 98.8% of its revenue and 98.0% of its gross profit during the three years ended December 31, 2020, TCC is primarily a service provider, focusing on standardized outsourcing services such as contact center on a gross profit basis, etc.

- TCC's e-commerce business focuses on the B2B model (e.g., sales to JD Supermarket (京東超市) and Kaola Proprietary Business (考拉自營) etc., which re-sell the goods to individual customers) while 54.9% of the Company's revenue and 79.1% of the Company's gross profit was based on the B2C model in 2020.

- B2B model differs from B2C model in terms of customer management, inventory management, marketing, and online store operation in the following respects

Delineation	B2B model	B2C model
Customer	Distributors including online sales platforms (business customers which purchase goods for resale, e.g., T-mall Supermarket and Kaola)	End customers

* *Note:* during the Track Record Period, household necessities products of the Group included ARS and Hakugen branded household necessities products.

Delineation	B2B model	B2C model
Inventory management	The Company manages its inventory based on the anticipated orders to be placed by its business customers.	The Company manages its inventory level based on its own analysis of demand from end customers.
Marketing	Marketing and promotion are initiated and managed by the Company's business customers.	Marketing and promotion are initiated and managed by the Company.
Online store operation	The online stores are managed by the Company's business customers.	The online stores are designed, established and managed by the Company.
Brick-and-mortar equivalent	Wholesaler market	Retail shop

- Despite that the products sold under B2B and B2C model ultimately compete for end customers' spending, the business resources, strategies and skillset required for operating each model are different (though not entirely delineated from each other).

(b) Delineation in product offering

- The Company primarily sells four categories of FMCG, including (i) personal care products for babies (accounting for approximately 15.1% revenue and approximately 17.2% gross profit from the B2B model and B2C model in 2020); (ii) personal care products for adults (accounting for approximately 63.5% revenue and approximately 57.4% gross profit from the B2B model and B2C model in 2020); (iii) beauty products (accounting for approximately 12.1% revenue and approximately 14.7% gross profit from the B2B model and B2C model in 2020); and (iv) health products (accounting for approximately 6.3% revenue and approximately 6.0% gross profit from the B2B model and B2C model in 2020) under B2B and B2C model. All the other categories of products in aggregate accounted for approximately 3.0% revenue and approximately 4.7% gross profit from the B2B and B2C model in 2020. Unlike the Company, TCC focuses on personal care products for babies only under B2B and B2C model.

- Under the Service Fee model, TCC focuses on various product categories not operated by the Company, for example, 3C and toys, etc., which in aggregate accounted for over 79.3% of TCC's revenue and over 91.7% of TCC's gross profit from the Service Fee model in 2020.

(c) Delineation in brand partners

- As of the Latest Practicable Date, the Company had business relationship with 28 brand partners comprising 66 brands, none of which overlaps with those served by TCC.

- During the three years ended December 31, 2020, there was only one overlapping brand partner between the Company and TCC, which was Daio's GOO.N diapers. As the authorized distributor for Daio's GOO.N diapers in China, TCC sells Daio's GOO.N diapers to e-commerce platforms in China such as JD.com. During the three years ended December 31, 2020, the Company provided e-commerce services to TCC in operating online merchants for Daio branded products in China and charged service fees based on a fixed percentage of TCC's sales of Daio's GOO.N diapers under the Service Fee model. Service fees generated from the Daio branded products accounted for approximately 0.2%, 0.7% and 0.0% of the Company's revenue and 0.6%, 2.1% and 0.1% of the Company's gross profit during the three years ended December 31, 2020, respectively. Meanwhile, each of the Company and TCC also sold Daio's GOO.N diapers to e-commerce platforms in China under the B2B model and B2C model. Sales of Daio's GOO.N diapers accounted for approximately 3.6%, 3.4% and -0.1% of the Company's revenue and 2.0%, 1.6% and 0.1% of the Company's gross profit during the three years ended December 31, 2020, respectively.

- For the purpose of streamlining the business of the Company and with the view of minimizing conflict of interests, the Company ceased to operate online merchants for Daio's GOO.N diapers for TCC starting from January 2020 and focuses on the online sales of the other Japanese-branded personal care products for babies, e.g., Unicharm's Moony diapers, which are not sold by TCC in China.

(d) Size and diversity of the market

- According to the research report of CIC, an independent industry consultant engaged by the Company, the market size of China's overseas brand e-commerce service market increased from RMB103.3 billion in 2014 to RMB559.2 billion in 2019 in terms of GMV, at a CAGR of 40.2% from 2014 to 2019, and is expected to reach RMB829.3 billion by 2024, at a CAGR of 8.2% from 2019 to 2024. There are more than 1,000 industry players in this market and each of the Company and TCC had a market share of less than 1% in 2019 in terms of GMV. According to the research report of CIC, the market size of China's overseas beauty & personal care brand e-commerce service market increased from RMB48.9 billion in 2014 to RMB290.8 billion in 2019 in terms of GMV, at a CAGR of 42.8% from 2014 to 2019, and is expected to reach RMB441.0 billion by 2024, at a CAGR of 8.7% from 2019 to 2024. Each of the Company and TCC had a market share of less than 1.5% in 2019 in terms of GMV. See "Industry Overview" for details of industry information.

- With regards to the four main categories of products offered by the Company, the Company faces competition from a much wider group of industry peers, ranging from other service providers operating Japanese brands, China's domestic brands, North American brands, European brands and other brands which are distributed and marketed across various distribution channels.

- In light of the market size and diversity, there would not be any material conflict of interests between the Company and TCC.

(e) No material conflict of interests

- Mr. Wang, being the founder, the largest controlling shareholder, chairman, executive Director and the chief executive officer, is active in the daily operations, management and decision making of the Group. On the other hand, TCI, as the second largest shareholder, plays a passive role only. Even though TCI would be interested in over 30% of the issued share capital of the Company after the completion of the Global Offering and fall within the definition of "Controlling Shareholder" under the Listing Rules, TCI does not have material influence over the management or operations of the Company.

TCI's Other Equity Investment in China

TCI also indirectly holds 45% equity interest in Nengmao (Shandong) Group Co., Ltd. (formerly known as Shandong Ya Nuoda E-Commerce Co., Ltd. and commonly known as "**Magic Panda**" (能貓)), whose businesses focus on online store operation and e-commerce one-stop services for the apparel industry. From time to time, Magic Panda may operate online merchants for apparel (including mother and infant apparel), suitcase, bags, toys, furniture and lifestyle products (mainly high-end perfume and massage oil products which differ from the FMCG sold by the Company). Magic Panda is managed by the other 55%-interested shareholders and TCI is not involved in its daily operations.

As confirmed by TCI, Magic Panda primarily operated the Service Fee model. During the three years ended December 31, 2020, Magic Panda derived over 67% of its revenue from the Service Fee model and no more than 18% from the B2B and B2C model.

The major product offering and brand partners of Magic Panda also differ from those of the Company.

TCI has confirmed that, save as disclosed above, it does not have any other interest in a business which competes or is likely to compete, either directly or indirectly, with that of the Company. As a company listed on the Tokyo Stock Exchange, TCI must act in the best interests of its shareholders as a whole. Therefore, TCI has decided not to transfer the TCC Excluded Business or its investment stake in Magic Panda into the Group after considering the Company's request to do so. After Listing, TCI will continue to carry on the TCC Excluded Business and to hold its investment stake in Magic Panda.

EFFECTIVE CONFLICTS OF INTEREST MANAGEMENT

In order to address the actual or potential conflicts of interest between the Company and the TCI Group and its close associates, the Company proposes to adopt the following measures and arrangements.

Board Composition and No Overlapping in Executive Roles

As of the Latest Practicable Date, the Board consisted of seven Directors, including three executive Directors, one non-executive Director nominated by TCI (namely Mr. NAKAYAMA Kokkei, the "**TCI Representative Director**") and three proposed independent non-executive Directors. TCI undertakes that the TCI Representative Director will have no overlapping directorship or senior management positions in TCC or Magic Panda.

Among the three proposed independent non-executive Directors, Mr. WEI Hang has the requisite knowledge, industry experience and expertise, together with other two, to provide independent judgment and advice to the board and continuously monitor overall business operations of the Group in the interests of the Company and its shareholders as a whole.

None of the executive Directors (namely Mr. Wang, Mr. SHEN Yu and Mr. MATSUMOTO Ryoji) currently has or will be allowed to hold any directorship or executive positions in the TCI Group. No member of the Company's senior management team currently participates, or will be allowed to participate, in the management and operation of the TCI Group.

Referral of Business Opportunity and Right of First Refusal

To minimize the potential conflict between TCI's operations in China and the Company's principal businesses, TCI executed a deed of undertaking in favor of the Company on June 23, 2021 (the "**Deed of Referral Undertaking**") which shall take effect on the Listing Date and principal terms of which are set out as follows:

(1) TCI Group agreed to undertake to refer to the Company any opportunity to sell in China:

(i). any personal care products for babies, personal care products for adults, beauty products, health products (including over-the-counter drugs and healthcare products) and household necessities (excluding 3C products and toys) through an e-commerce platform, other than personal care products for babies, personal care products for adults and household necessities (excluding 3C products and toys) of any brands owned by Daio and its subsidiaries from time to time (the "**Daio Relevant Products**"); and

(ii). the Daio Relevant Products to be sold via Taobao Marketplace or Tmall.com ((i) and (ii) together, the "**New Opportunity**").

(2) the Company is granted a right of first refusal by the TCI Group in relation to any New Opportunity.

(3) When the TCI Group is made aware of a New Opportunity offered or presented to it, TCI Group cannot pursue such opportunity by itself and must refer such opportunity to the Company's Board for consideration in writing (including but not limited to by email, the "**Offer Notice**") as soon as practicable and no later than two business days in Hong Kong.

(4) the Offer Notice shall, at a minimum, include the following details:

(i). the identity of the potential business partner(s);

(ii). the types of products involved;

(iii). any indicative price range/consideration in relation to the products;

(iv). any other key terms that are reasonably necessary for the Company to make the assessment; and

(v). any introductory materials or bidding information the TCI Group has received in relation to the New Opportunity.

(5) Within 30 days of receipt of the Offer Notice, the Company shall notify the TCI Group in writing of any decision taken to pursue (either solely or jointly with the TCI Group) or decline the New Opportunity. If the Company declines to pursue the New Opportunity or does not furnish the abovesaid notification within the aforesaid 30-day time period, the TCI Group shall be entitled (but not obliged) to carry on, engage, invest, participate or be otherwise interested in the New Opportunity on the same or less favorable terms as set out in the Offer Notice.

(6) After receiving the referral from the TCI Group, a committee consisting of the Company's executive directors and independent non-executive directors (which shall exclude the TCI Representative Director) will consider and decide on whether to pursue the New Opportunity within 30 days. Mr. Wang will not be conflicted out from the committee given that Mr. Wang's interest, as the founder and the largest Controlling Shareholder of the Company, is in line with the Company's other shareholders in relation to the referred business opportunities.

(7) The Company shall engage at least one independent non-executive director with the requisite industry expertise to assist the committee members with considering and assessing the New Opportunities referred by the TCI Group.

(8) The TCI Representative Director shall not be allowed to participate in any of the discussion or voting in relation to the New Opportunity.

Additional Corporate Governance Measures

The independent non-executive Directors of the Company shall review the extent of competition in terms of e-commerce business and digital marketing business among the Group and the TCI Group and report to the Board from time to time. The independent non-executive Directors of the Company can engage additional independent consultants to advise them where needed.

The Company has engaged Maxa Capital Limited as the compliance adviser and will engage an external legal adviser to advise on its ongoing compliance with the Listing Rules and in relation to the potential conflict of interest between the businesses of the Company and the TCI Group.

As such, our Directors believe that the conflict of interest management measures above and the Deed of Referral Undertaking suffice to address the conflict of interest between the Company and TCI.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, the Company is of the view that the Company is capable of carrying on our business independently from the Controlling Shareholders and its close associates after Listing.

Management Independence

None of our Directors and members of senior management of the Company holds directorship or senior management position in our Controlling Shareholders, except for Mr. Wang and Mr. NAKAYAMA Kokkei. Mr. Wang holds directorship in Wisdom Oasis which is one of our Controlling Shareholders. Mr. NAKAYAMA Kokkei is the chairman of Transcosmos Information Creative (China) Co., Ltd. (大宇宙信息創造(中國)有限公司), an indirect subsidiary of TCI, and the executive officer (常務執行役員), general manager of overseas business (海外事業總括) and deputy head of the China business division of TCI, one of our Controlling Shareholders. Although Mr. Wang is our founder, chairman, executive Director and chief executive officer and one of our Controlling Shareholders, the daily operation of our Group is carried out by our senior management team, and we have the capabilities and personnel to perform all essential administrative functions, including finance, accounting, human resources and business management independently. Mr. NAKAYAMA Kokkei, who holds senior management positions in TCI Group, is a non-executive Director and is not involved in the daily management and operation of the Company.

Each Director is aware of his or her fiduciary duties as a Director, which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests. Further, we believe our independent non-executive Directors have the depth and breadth of experience which will enable them to bring independent judgment to the

decision-making process of our Board. Our independent non-executive Directors have been appointed in accordance with the requirements of the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum.

Operational Independence

Our Company makes business decisions independently. We have established our own organizational structure with independent departments, and each department is assigned to specific areas of responsibilities. We maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business. We have independent access to suppliers and customers and are not dependent on our Controlling Shareholders and their respective close associates with respect to supplies for our business operations. We are also in possession of all relevant licenses necessary to carry out and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

In addition, we have entered into the Products Procurement Framework Agreement with TCI, pursuant to which the Company agreed to purchase Unicharm branded products, various branded OTC drugs, healthcare products and other products from TCI. However, we are not and will not be bound to cooperate with TCI unless we choose to do so. Our Company also has the choice to procure Unicharm branded products directly from the manufacturer. Having considered that (i) TCI is not the only channel for the purchase of the Unicharm branded products under the Products Procurement Framework Agreement. Our Company is able to purchase from Unicharm directly and did so for around half of the Unicharm branded products we sold during the Track Record Period. Even if we are not able to purchase such products from TCI, we can still source them from Unicharm directly, (ii) the products purchased under the Products Procurement Framework Agreement only accounted for 15.7%, 12.2% and 8.5% of the total purchase of our Group during the Track Record Period, (iii) our Company's sales of products other than Unicharm branded products under the Products Procurement Framework Agreement accounted for less than 1% of the Company's revenue in 2019, and (iv) the Company does not expect its business relationship with TCI Group to be terminated or otherwise materially adversely changed, the Directors believe transactions contemplated under the Products Procurement Framework Agreement would not give rise to any reliance issues.

See "Connected Transactions" for details of the Products Procurement Framework Agreement.

Financial Independence

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from the Controlling Shareholders, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with the Controlling Shareholders. Our Company makes tax registration and pays tax independently with our own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of the Controlling Shareholders and their close associates.

During the Track Record Period, Mr. Wang and TCI provided certain loans, and guarantees over bank loans, to the Group (collectively the "**Financial Assistance**"), details of which are set out in Note 36 to the Accountant's Report. See the Appendix I to this prospectus for details. As of the Latest Practicable Date, the outstanding Financial Assistance included guarantee in the amount of RMB100,000,000 provided by TCI over two loans in the amount of RMB150,000,000. Such Financial Assistance will be discharged before Listing.

As stated in "Connected Transactions", we are granted a credit term by TCI if we choose to procure Unicharm branded products through TCI pursuant to the Products Procurement Framework Agreement. While such arrangement provides us with more options for procurement by diversifying our supply channels, it would not give rise to any financial reliance issues on TCI considering that as of the Latest Practicable Date, we have unutilized credit facilities from independent commercial banks, free of guarantees by our Controlling Shareholders, in the amount of approximately RMB293.1 million which suffice to cover our expected purchase of Unicharm branded products from TCI (approximately RMB150.0 million for the year ending December 31, 2021).

DIRECTORS' INTEREST IN COMPETING BUSINESS

Our Directors confirmed that none of them is interested in any businesses apart from our Group's business which competes or is likely to compete, either directly or indirectly, with our Group's business under Rule 8.10 of the Listing Rules.

Upon Listing, the transactions between us and our connected person will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSON

We have entered into certain transactions which will constitute our continuing connected transactions upon Listing with the following connected person:

Connected relationship	Name
Controlling Shareholder	TCI

SUMMARY OF OUR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

	Historical amounts for the years ended December 31,	Proposed annual caps for the years ending December 31,
	(RMB in thousands)	*(RMB in thousands)*
Non-exempt continuing connected transactions		
Products Procurement Framework Agreement		
Consideration for the purchase of products from the TCI Group	2018: 308,095 2019: 235,729 2020: 186,966	2021: 246,000 2022: 346,000

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have conducted the following transactions with TCI in the ordinary and usual course of our business, which will, upon Listing, constitute continuing connected transactions of the Company subject to annual reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Products Procurement Framework Agreement

Principal terms

The Company entered into a framework agreement in relation to the procurement of products (the "**Products Procurement Framework Agreement**") with TCI on June 23, 2021, pursuant to which, the Group agrees to purchase, and the TCI Group agrees to sell, certain products under various Japanese brand partners and other products, including but not limited to personal care products for babies under the brands of Unicharm and Combi and the OTC drug and healthcare products under the brands of Nichiban, Taisho and Lion. While separate sale and purchase agreements will be entered into between the TCI Group and us under such Products Procurement Framework Agreement to provide detailed terms in respect of delivery,

warranty, etc., such sale and purchase agreements shall be subject to applicable laws, regulatory rules of the places where the shares of the parties are listed, and internal corporate governance policies of the parties, and shall not contravene the provisions of the Products Procurement Framework Agreement.

The Products Procurement Framework Agreement has a fixed term effective from the Listing Date to December 31, 2022, subject to renewal upon the mutual consent of both parties and compliance with relevant laws and regulations and the regulatory rules of the places where the shares of the parties are listed.

Reasons for the transactions

In connection with our procurement of the Unicharm branded products from the TCI Group, the TCI Group offers us (i) a credit term under which the Company is allowed to settle the consideration for its procurement in a given month two months thereafter (such credit term can be further extended to three months and 15 days for the purchase for the Singles Day) and (ii) liaison service with transportation and logistics service providers in Japan, which strengthens our ability to serve our customers' needs and further optimizes our delivery services during the peak seasons of online shopping, particularly before the 618 Promotion and the Singles Day. Accordingly, while the Group can purchase Unicharm branded products from Unicharm directly, our Directors consider that the procurement of Unicharm branded products from the TCI Group offers strategic benefits to the Group and supplements the purchases made by the Group through our direct procurement channel. Those strategic benefits and the alternative procurement channel enable us to (i) have flexible payment options and longer credit terms, and (ii) secure products sources and delivery during peak seasons of online shopping.

Our Directors consider the procurement of products other than Unicharm branded products from the TCI Group will benefit the Company with respect to the following aspects:

- the purchase of products manufactured by new brand partners developed and introduced by the TCI Group to us will strengthen our ability to continue broadening and diversifying our brand portfolio and expand our products offering beyond beauty and personal care categories, which will be of help to keep us competitive in the market;

- TCI, as a company listed on the Tokyo Stock Exchange, is a reputable market player in Japan. Through such procurement arrangement, we are able to leverage the TCI Group's network in Japan to get access to a wide range of Japanese brand partners, particularly those offering branded OTC drugs;

- after years of cooperation with us, the TCI Group has developed an adequate understanding of our brand portfolio, capital structure and business operations, which facilitates the introduction of appropriate brand partners by the TCI Group to us; and

- as the Company is not able to procure Combi branded mother and infant products, Nichiban, Taisho and Lion branded OTC drugs from brand partners directly, TCI's relationship with those brand partners helps us get access to the products of those brands.

Pricing policies

Purchase of Unicharm branded products

In respect of the procurement of Unicharm branded products by us from TCI Group, the consideration payable by us to the TCI Group under the Products Procurement Framework Agreement consists of (i) consideration paid by TCI to Unicharm to acquire the relevant product which amounts to 99% of the total consideration and (ii) service fee which amounts to 1% of the total consideration. The service fee was determined on the basis of arm's length negotiations between the relevant parties with reference to the prevailing borrowing rate offered by commercial banks in Japan and the Company's financing cost as well as taking into account the service provided by the TCI Group and its costs of resources. The business and finance departments of the Company shall obtain prevailing lending rates in Japan from time to time in order to review and analyze the reasonableness and fairness of the 1% mark-up rate. When analyzing the reasonableness and fairness of the 1% mark-up rate, the Company will consider the prevailing lending rates in Japan, TCI Group's service provided and its costs of resources. In the event that the Company is able to obtain financing from independent third parties in Japan with more favorable terms, the Company will not proceed with the procurement of Unicharm branded products through TCI and will procure such products from Unicharm directly.

Purchase of products other than Unicharm branded products

In respect of the procurement of products, other than Unicharm branded products, manufactured by brand partners introduced by the TCI Group to us, the consideration is charged on a cost-plus basis with the mark-up rate no more than 8% which is determined by arm's length negotiation between the parties taking into account the TCI Group's cost of development and maintenance of relationship of brand partners in Japan, with reference to the prevailing mark-up rates for such kind of transactions in the market. The business departments of the Company shall review product list and mark-up rates offered by TCI from time to time, taking into account factors including market prospects, procurement quantity and profitability of the products offered by TCI. In the event that mark-up rates offered by the TCI Group would not allow us a reasonable profit margin, the Company shall not procure such products from TCI and will re-negotiate mark-up rates with TCI.

Historical amounts

The historical amounts of the transactions contemplated under the Products Procurement Framework Agreement for the three years ended December 31, 2020 are set out in the table below:

	Historical amounts for the year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Consideration for the purchase of products from the TCI Group	308,095	235,729	186,966

The decrease of consideration for the purchase of products from the TCI Group during the year ended December 31, 2019 is primarily attributable to the decrease of procurement of Unicharm branded products, such as Moony products, as we placed less orders through cross-border e-commerce due to the adjustment of marketing and sales strategies of brand partner. The further decrease in the year ended December 31, 2020 is primarily because before we and a cross-border e-commerce platform reached an agreement upon certain contractual terms for renewing our cooperation agreement in 2020, we strategically and temporarily decreased sales of Moony products on such e-commerce platform as a tactic to negotiate for more favorable terms, and therefore decreased purchase of Moony products. In August 2020, we and such e-commerce platform successfully renewed our cooperation agreement and the sales of Moony products have returned to normal level in October 2020. See "Financial Information – Results of Operations – Comparisons between 2020 and 2019 – Revenue."

In particular, the tables below further set forth the revenue and gross profit generated by Combi branded mother and infant products, Nichiban, Taisho and Lion branded OTC drugs during the Track Record Period.

	Revenue		
	For the year ended December 31,		
Products	**2018**	**2019**	**2020**
	RMB in thousands		
Combi branded mother and infant products	799	4,639	8,137
Nichiban branded OTC drugs	–	538	4,613
Taisho branded OTC drugs	–	1,842	13,694
Lion branded OTC drugs	–	4,174	28,753
Total	799	11,193	55,197
Year-on-year growth	–	1300.9%	393.1%

Products	Gross profit For the year ended December 31, 2018	2019	2020
	RMB in thousands		
Combi branded mother and infant products	229	1,579	4,317
Nichiban branded OTC drugs	–	69	-129
Taisho branded OTC drugs	–	1,159	2,419
Lion branded OTC drugs	–	743	1,853
Total	229	3,550	8,460
Year-on-year growth	–	1,450.2%	138.3%

Annual caps

With regard to the Products Procurement Framework Agreement, the consideration to be paid by us to the TCI Group in respect of the transactions contemplated thereunder for the two years ending December 31, 2022 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps for the year ending December 31, 2021	2022
	(RMB in thousands)	
Consideration for the purchase of products from the TCI Group	246,000	346,000

Basis of caps

The proposed annual cap for the year ending December 31, 2021 was determined with the following factors considered:

- we estimate the annual cap for the year ending December 31, 2021 based on the historical transaction amount for the year ended December 31, 2020, representing an increase of approximately 31.6%. Such increase was attributable to the gradual growth of Unicharm branded products and substantial growth of our overseas OTC drugs and healthcare products.

- we expect that sales of Unicharm branded products, such as Moony products, would slightly grow approximately 8.0% for the year ending December 31, 2021 as we successfully renewed our cooperation agreement with an e-commerce platform in August 2020.

- we expect that sales of our overseas OTC drug, healthcare products, etc. would substantially increase due to certain favorable factors in the industry, including (i) the increasing public awareness of healthcare after the outbreak of COVID-19 pandemic; (ii) the increasing popularity and demand of Japanese-branded OTC drug; and (iii) favorable governmental policies are expected to be enacted, i.e. the Beijing Municipal Government of the PRC issued a pilot implementation plan on December 30, 2019 to promote the cross-border sales of medical products.

- with the gradual maturity of the market and the improvement of regulatory policies, China OTC drugs online retail market will witness a better and rapid development and reach approximately RMB37.8 billion by 2022, representing a CAGR of 35.8% from 2019 to 2022, according to the CIC Report. The Company believes that the sales of newly introduced Japanese-branded products in the Chinese market are expected to enjoy high-speed growth during the year ending December 31, 2021. For example, Nichiban, Taisho and Lion branded products which were introduced in 2019 experienced huge growth of 757.4%, 643.4% and 588.9%, respectively.

- given the year-on-year growth rates of our overseas OTC drug and healthcare products purchased from the TCI Group are 1300.9% and 393.1%, in terms of revenue, and 1,450.2% and 138.3%, in terms of gross profit, for the three years ended December 31, 2020, respectively, we expect that the purchase of such products from the TCI Group would continue to grow to around RMB96 million for the year ending December 31, 2021, representing year-on-year growth rate of approximately 99.6%.

- in addition, we plan to expand our distribution channels for OTC drugs. In December 2020, we opened the NICHIBAN overseas flagship store on T-mall Global. With this new retail channel, we expect that sales of NICHIBAN branded OTC drugs would continue to increase for the year ending December 31, 2021.

The proposed annual cap for the year ending December 31, 2022 was determined with the following factors considered:

- we estimate the annual cap for the year ending December 31, 2022 based on the proposed annual cap of previous year, which represents an increase of 40.7%. Such increase was attributable to (i) the gradual growth of Unicharm branded products, (ii)substantial growth of our overseas OTC drugs and healthcare products, and (iii) potential expansion in existing product lines and new products.

- we expect that sales of Unicharm branded products, such as Moony products, would slightly grow approximately 6.7%, as compared to the estimated sales in 2021 as we successfully renewed our cooperation agreement with an e-commerce platform in August 2020.

- we expect that those favorable industry conditions and regulatory environment would continue to exist in the year ending December 31, 2021.

- based on the high year-on-year growth rates of overseas OTC drugs and healthcare products during the Track Record Period as disclosed above, we estimate that the purchase of such products from the TCI Group would continue to grow to around RMB186 million in 2022, representing year-on-year growth rate of approximately 93.8%, which is in line with the growth trend of previous year.

- for the year ending December 31, 2022, we expect sales of those OTC drugs introduced during the Track Record Period would experience higher growth as they would have been operated and marketed for several years.

- we will continue to expand product lines under existing brands in 2022, and expect they will experience a high-speed growth based on the existing branding and customer recognition.

- we expect to continue to expand the range of products available to our customers within our brand portfolio and the introductions by the TCI Group of such brand partners to us is expected to contribute to such expansion. It is foreseeable that based on our business needs, the TCI Group will introduce more brand partners, particularly more OTC drug brand partners, to us in 2022.

- in addition to Nichiban, Taisho and Lion, we have started cooperation with other two Japanese OTC brands that were among the top 13 OTC brands in Japan in terms of GMV in 2019, according to the CIC Report. Sales of those two Japanese OTC brands are expected to grow substantially for the year ending December 31, 2022 after they are introduced to the market by us for few years. See "Business – Our Strengths."

In addition, the above proposed annual caps under the Products Procurement Framework Agreement have also taken into account the estimated future demand, inflation factors, fluctuation of foreign exchange rate of RMB to Japanese Yen, and been calculated based on the principal assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect our business and that of the TCI Group and the relevant brand partners during the term of the Products Procurement Framework Agreement.

Listing Rules implications

As the highest applicable percentage ratio of the transactions contemplated under the Products Procurement Framework Agreement for each of the two years ending December 31, 2022 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

INTERNAL CONTROL PROCEDURES

Our Group has maintained an independent finance department and an independent internal control department. In order to ensure that the terms under the Products Procurement Framework Agreement for the continuing connected transactions are fair and reasonable, no less favorable to us than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, we have adopted the following internal control procedures:

- our Board and business and legal departments of the Company will regularly review the terms and the prices offered by the TCI Group to us under the Products Procurement Framework Agreement, and assess the reasonableness and fairness of the mark-up rates. If our Board and business departments are of the opinion that the mark-up rates offered by the TCI Group would not allow us to have a reasonable profit margin, we will either negotiate with TCI to lower the price and/or offer such more favorable terms, or not make such purchase;

- our business management team will closely monitor the services and products provided by the TCI Group to us in connection with the Products Procurement Framework Agreement, to ensure that the TCI Group's performance under the agreement is in compliance with the provisions specified therein;

- on an annual basis, our auditors will check and confirm that the transactions under the Products Procurement Framework Agreement are carried out in accordance with the Company's pricing policies and such agreement, and approved by the Board and the transactions under the Products Procurement Framework Agreement will not exceed the annual caps for that relevant year; and

- our independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the Products Procurement Framework Agreement and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the Products Procurement Framework Agreement.

CONFIRMATION BY THE DIRECTORS

The Directors (including independent non-executive Directors) are of the view that the non-exempt continuing connected transactions under the Products Procurement Framework Agreement will be carried out in our ordinary and usual course of business of the Company and on normal commercial terms that are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed annual caps for the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

CONFIRMATION BY THE SOLE SPONSOR

The Sole Sponsor is of the view that the non-exempt continuing connected transactions under the Products Procurement Framework Agreement will be carried out in the ordinary and usual course of business of the Company and on normal commercial terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and that the proposed annual caps of the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

WAIVERS GRANTED BY THE STOCK EXCHANGE

In respect of the continuing connected transactions under the Products Procurement Framework Agreement, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the two years ending December 31, 2022 is expected to be more than 5% on an annual basis. Accordingly, such continuing connected transactions are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

As the above continuing connected transactions are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement and independent Shareholders' approval requirements will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement and independent Shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules in respect of the transactions under the Products Procurement Framework Agreement, provided that the total amount of transactions for each of the two years ending December 31, 2022 will not exceed the relevant proposed annual caps as set out in this section. The independent non-executive Directors and auditors of our Company will review whether the transactions under the above continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules. Apart from announcement, circular and independent Shareholders' approval requirements for which waivers have been sought and granted, our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Capitalization Issue and the Global Offering:

As of the Date of this Document

	Aggregate nominal value of Shares
	(HK$)
Authorized share capital	
3,800,000,000 Shares of HK$0.0001 each	380,000
Issued share capital	
1,352,041 Shares of HK$0.0001 each	135.2041

Immediately after Completion of the Capitalization Issue and the Global Offering

	Aggregate nominal value of Shares
	(HK$)
Shares in issue immediately before the Capitalization Issue	
1,352,041 Shares of HK$0.0001 each	135.2041
Shares to be issued under the Capitalization Issue	
133,852,059 Shares of HK$0.0001 each	13,385.2059
Shares to be issued under the Global Offering	
30,690,600 of HK$0.0001 each	3,069.0000
Total issued Shares immediately after completion of the Global Offering	
165,894,700 of HK$0.0001 each (assuming the Over-allotment Option is not exercised)	16,589.4700

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The Offer Shares will rank pari passu in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company has only one class of Shares, namely ordinary shares, and each ranks pari passu with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See "Appendix III – Summary of the Constitution of the Company and Cayman Companies Act – Summary of the Constitution of the Company – 2 Articles of Association – 2.5 Alteration of capital" for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering; and

- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "– General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See "Appendix IV – Statutory and General Information – A. Further Information about our Group – 4. Resolutions of the Shareholders of Our Company dated June 22, 2021" for further details.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Appendix IV – Statutory and General Information – A. Further Information about our Group – 4. Resolutions of the Shareholders of Our Company dated June 22, 2021".

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

See "Appendix IV – Statutory and General Information – A. Further Information about our Group – 4. Resolutions of the Shareholders of Our Company dated June 22, 2021" for further details.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons are expected to have an interest and/or short positions in our Shares or underlying shares of our Company which would fall to be disclosed to our Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of the Group:

(a) Interest in the Shares of our Company

Name of shareholder	Nature of interest	Shares held as of the Latest Practicable Date		Shares held immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised)		Shares held immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is exercised in full)	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
Mr. Wang[(1)]	Interest in controlled corporations	643,927	47.6263%	64,392,700	38.82%	64,392,700	37.77%
Wisdom Oasis	Beneficial interests	643,927	47.6263%	64,392,700	38.82%	64,392,700	37.77%
TCI	Beneficial interests	572,641	42.3538%	57,264,100	34.52%	57,264,100	33.59%

Note:

(1) As of the Latest Practicable Date, Wisdom Oasis directly held 643,927 Shares in our Company, and was wholly owned by Mr. Wang Yong. Therefore, Mr. Wang Yong is deemed to have an interest in 643,927 Shares held by Wisdom Oasis.

(b) Substantial shareholders of other members of our Group

Name of substantial shareholder	Name of member of our Group	Nature of interest	Approximate percentage interest held by the substantial shareholders
LI Jiacui (李佳翠)	Litun Culture	Beneficial owner	30%
Yuan Youlan (袁幼蘭)	Cankaoxian	Beneficial owner	20%

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering, have any interest and/or short positions in any Shares or underlying shares of our Company which would fall to be disclosed to our Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for such number of Offer Shares that may be purchased with an aggregate amount of US$11.91 million (approximately HK$92.42 million) at the Offer Price (the "**Cornerstone Placing**").

Based on the Offer Price of HK$11.86 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 7,792,600, representing approximately 25.39% of the Offer Shares and approximately 4.70% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Based on the Offer Price of HK$13.61 per Offer Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 6,790,400, representing approximately 22.13% of the Offer Shares and approximately 4.09% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Based on the Offer Price of HK$15.35 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 6,020,600.00, representing approximately 19.62% of the Offer Shares and approximately 3.63% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, the Cornerstone Placing will help raise the profile of our Company and to signify that such investors have confidence in our Company's business and prospect.

The Cornerstone Placing forms part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue following the completion of the Global Offering and to be listed on the Stock Exchange, and will be counted towards the public float of our Company. Our Company became acquainted with Country Garden Property Services HK Holdings Company Limited through introduction by an Underwriter. Kobayashi and Unicharm are our existing brand partners. Unicharm was among the top 5 suppliers of the Company during the Track Record Period, whilst Kobayashi was among that in 2019 and 2020. See "Business – Our Brand Partners" and "Business – Our

Customers and Suppliers – Our Suppliers" for details. Further, as confirmed by Kobayashi Pharmaceutical Co., Ltd. and Unicharm Corporation, respectively, each of them came across the cornerstone investment opportunity in the Company through an Underwriter.

Immediately following the completion of the Global Offering, the Cornerstone Investors will not become a substantial Shareholder (as defined in the Listing Rules) of our Company and will not have any Board representation in our Company. The Company has confirmed that each of Cornerstone Investors (i) is an Independent Third Party which is independent of the Company, its connected persons and their respective associates, (ii) is independent of other Cornerstone Investors, (iii) is not financed by us, our Directors, chief executive, Controlling Shareholders, Substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates, and (iv) is not accustomed to take instructions from us, our Directors, chief executive, Controlling Shareholders, Substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them. There are no side agreements or arrangements between us and the Cornerstone Investors concerning the relevant cornerstone investment. As confirmed by each Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources.

There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors and the consideration will be settled by the Cornerstone Investors on or before the Listing Date. The Offer Shares to be subscribed by the Cornerstone Investors may be affected by the reallocation in the event of over-subscription under the Hong Kong Public Offering, as described in "The Structure of the Global Offering – The Hong Kong Public Offering – Reallocation". Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement in the Hong Kong Public Offering to be published on or around July 9, 2021.

The table below sets forth details of the Cornerstone Placing:

		Based on an Offer Price of HK$11.86 (being the low-end of the Offer Price range)				
Cornerstone Investor	**Subscription amount**	**Number of Offer Shares[1]**	**Assuming the Over-Allotment Option is not exercised**		**Assuming the Over-Allotment Option is fully exercised**	
			Approximate % of the Offer Shares	**Approximate % of the issued share capital[2]**	**Approximate % of Offer Shares**	**Approximate % of the issued share capital[3]**
Country Garden Property Services HK Holdings Company Limited	US$10 million	6,543,000	21.32%	3.94%	18.54%	3.84%
Kobayashi Pharmaceutical Co., Ltd.	US$1 million	654,200	2.13%	0.39%	1.85%	0.38%
Unicharm Corporation	US$0.91 million	595,400	1.94%	0.36%	1.69%	0.35%
Total	**US$11.91 million**	**7,792,600**	**25.39%**	**4.70%**	**22.08%**	**4.57%**

		Based on an Offer Price of HK$13.61 (being the mid-point of the Offer Price range)				
Cornerstone Investor	**Subscription amount**	**Number of Offer Shares[1]**	**Assuming the Over-Allotment Option is not exercised**		**Assuming the Over-Allotment Option is fully exercised**	
			Approximate % of the Offer Shares	**Approximate % of the issued share capital[2]**	**Approximate % of Offer Shares**	**Approximate % of the issued share capital[3]**
Country Garden Property Services HK Holdings Company Limited	US$10 million	5,701,600	18.58%	3.44%	16.15%	3.34%
Kobayashi Pharmaceutical Co., Ltd.	US$1 million	570,000	1.86%	0.34%	1.62%	0.33%
Unicharm Corporation	US$0.91 million	518,800	1.69%	0.31%	1.47%	0.30%
Total	**US$11.91 million**	**6,790,400**	**22.13%**	**4.09%**	**19.24%**	**3.98%**

Cornerstone Investor	Subscription amount	Based on an Offer Price of HK$15.35 (being the high-end of the Offer Price range)				
		Number of Offer Shares[1]	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of the issued share capital[2]	Approximate % of Offer Shares	Approximate % of the issued share capital[3]
Country Garden Property Services HK Holdings Company Limited	US$10 million	5,055,200	16.47%	3.05%	14.32%	2.96%
Kobayashi Pharmaceutical Co., Ltd.	US$1 million	505,400	1.65%	0.30%	1.43%	0.30%
Unicharm Corporation	US$0.91 million	460,000	1.50%	0.28%	1.30%	0.27%
Total	**US$11.91 million**	**6,020,600**	**19.62%**	**3.63%**	**17.06%**	**3.53%**

Notes:

(1) Subject to rounding down to the nearest whole board lot of 200 Shares. Calculated based on the exchange rate set out in the section headed "Information about this Prospectus and the Global Offering – Currency Translations".

(2) Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised.

(3) Immediately following the completion of the Global Offering, assuming the Over-allotment Option is fully exercised.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Country Garden Property Services HK Holdings Company Limited

Country Garden Property Services HK Holdings Company Limited is an investment holding company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Country Garden Services Holdings Company Limited ("**Country Garden Services**") whose shares are listed on the Stock Exchange under the stock code 6098. Country Garden Services is principally engaged in property management services, community value-added services, value added services to non-property owners, the "Three Supplies and Property Management" businesses (currently including property management services and heat supply business) and city services.

While Country Garden Services is a listed company in Hong Kong, to the best of the knowledge, information and belief of our Company after making reasonable enquiries, no approval from the board or shareholders of Country Garden Services or approval from the Stock Exchange is required for this cornerstone investment.

Kobayashi Pharmaceutical Co., Ltd.

Kobayashi Pharmaceutical Co., Ltd. ("**Kobayashi Pharmaceutical**") is a Japanese corporate that manufactures and sells OTC pharmaceuticals, quasi-drugs, deodorizing air fresheners, sanitary products. Kobayashi Pharmaceutical is a company listed on the Tokyo Stock Exchange under the stock code 4967.

While Kobayashi Pharmaceutical is a listed company in Japan, to the best of the knowledge, information and belief of our Company after making reasonable enquiries, no approval from the shareholders of Kobayashi Pharmaceutical or approval from the Tokyo Stock Exchange is required for this cornerstone investment. Kobayashi Pharmaceutical's investment has been approved by its board.

Unicharm Corporation

Unicharm Corporation ("**Unicharm**") is a Japanese corporation that manufactures disposable hygiene products, household cleaning products, specializing in the manufacture of diapers for both babies and adult incontinence, feminine hygiene products and pet care products. Unicharm is a company listed on the Tokyo Stock Exchange under the stock code 8113.

While Unicharm Corporation is a listed company in Japan, to the best of the knowledge, information and belief of our Company after making reasonable enquiries, no approval from the board or shareholders of Unicharm Corporation or approval from the Tokyo Stock Exchange is required for this cornerstone investment.

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(a) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Joint Representatives (on behalf of the underwriters of the Global Offering);

(c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no applicable laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the representations, warranties, undertakings, confirmations and acknowledgements of such Cornerstone Investor or our Company (as the case may be) under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of such Cornerstone Investment Agreement on the part of such Cornerstone Investor or our Company (as the case may be).

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in "Appendix I – Accountant's Report," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Business" and elsewhere in this prospectus.

OVERVIEW

We are a leading brand e-commerce retail and wholesale solutions provider in China strategically focused on Japanese-branded fast-moving consumer goods, or FMCG, consisting of, among others, beauty products and personal care products, according to the CIC Report. We ranked first among brand e-commerce solutions providers in China in terms of GMV for Japanese-branded FMCG, sold through e-commerce channels in China in 2019, with a market share of 5.5%, according to the same source.

We operate our business primarily through distribution method and service fee method. Under the distribution method, we purchase products from selected brand partners, manage domestic and cross-border supply chains, identify and reach target consumers through omnichannel marketing, and sell products to consumers through online marketplace stores operated by us, which we refer to as our business-to-consumer or B2C model, or to e-commerce platforms or other distributors which in turn sell to consumers, which we refer to as our business-to-business or B2B model. We generate sales of goods revenue under B2C model and B2B model, which represented the vast majority of our revenue during the Track Record Period, and we believe the price spread we earn reflects the value we create for the brand owners through our solutions. Under the service fee method, as a supplement to the business under the B2C and B2B models, we also provide solutions to brand partners or other customers for service fees, either at a pre-agreed amount and/or performance based service charge.

During the Track Record Period, our revenue increased from RMB2,541.0 million in 2018 to RMB2,781.7 million in 2019 and further to RMB2,800.8 million in 2020. Our gross profit increased from RMB616.3 million in 2018 to RMB803.5 million in 2019 and further to RMB888.1 million in 2020. We had a profit of approximately RMB57,000 in 2018, a loss of RMB85.7 million in 2019, and we had a loss of RMB1.9 million in 2020. Our profit/loss for 2018, 2019 and 2020 were mainly resulted from the impacts of the accounting treatment of the shares, together with certain special rights attached thereto, acquired by TCI under (i) the

agreement dated December 8, 2014 entered into among TCI, Mr. WANG, NING Jing, Hangzhou Xunala and UNQ Supply Chain, (ii) the agreement dated July 15, 2016 entered into among TCI, Mr. WANG, NING Jing, Hangzhou Xunala and UNQ Supply Chain, and (iii) the agreement dated July 28, 2017 entered into among TCI, Mr. Wang, NING Jing and UNQ Supply Chain, under which TCI had been granted certain special rights by UNQ Supply Chain and/or certain shareholders of UNQ Supply Chain, including, among others, the right of first refusal, pre-emption right, tag-along right, mandatory purchase right, call options, anti-dilution right and director nomination right. As a result, those shares with the mandatory purchase right and call options granted by UNQ Supply Chain to TCI are regarded as preferred shares (the "**Preferred Shares**") under accounting treatment. Please refer to Note 24 to the Accountant's Report included in Appendix I to this prospectus for more information concerning the Preferred Shares and the details of the relevant accounting treatment. Excluding the impacts of (i) fair value changes of the Preferred Shares, (ii) dividends on the Preferred Shares, (iii) gains from extinguishment of Preferred Shares, (iv) share-based compensation expenses, and (v) listing expenses, we had adjusted net profits (Non-IFRS measure) of RMB112.3 million, RMB139.4 million, and RMB106.7 million in 2018, 2019 and 2020, respectively. See "– Principal Components of Consolidated Statements of Comprehensive Income – Adjusted Net Profit (Non-IFRS Measure)" for details.

As of December 31, 2018 and 2019, we recorded total deficits primarily because we recorded the Preferred Shares as non-current liabilities. All special rights attached to the Preferred Shares had been terminated on June 10, 2020 during the Reorganization when TCI swapped its equity interests in UNQ Supply Chain to our Company's Shares proportionately, due to which as of December 31, 2020, the liabilities of the Preferred Shares of RMB984.8 million were derecognized and we recognized an increase in the amount of RMB977.9 million in other reserves. In addition, upon extinguishment of the Preferred Shares, we recognized the difference between the carrying amount of the Preferred Shares and the fair value of the ordinary shares issued by our Company in other gains and losses, amounting to RMB3.1 million, which resulted in the increase in retain earnings. As a result, the total deficit has been changed to be positive position, which accounted for a total equity amounted to RMB617.7 million as of December 31, 2020. For details, see Note 24 and 26 to the Accountant's Report included in Appendix I to this prospectus.

BASIS OF PREPARATION AND PRESENTATION

Our historical financial information has been prepared in accordance with IFRS. Our historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and preferred shares, which are carried at fair value.

In preparation for the Global Offering, we have undergone a series of corporate reorganization transactions. For details about our Reorganization, see "History, Reorganization and Corporate Structure." The entities now comprising our Group were under the common control of Mr. WANG, immediately before and after the Reorganization. The Company and those companies newly set up during the Reorganization are new companies which have not been involved in any business prior to the Reorganization and their operations do not meet the definition of a business. Accordingly, the Reorganization is merely a recapitalization of our business and does not result in any changes in business substance, nor in any management or the ultimate controlling party of our business. The Group resulting from the Reorganization is regarded as a continuation of the our principal businesses and our historical financial information has been prepared and presented as a continuation of our principal businesses with the assets and liabilities of the Group recognized and measured at the carrying amounts of our principal businesses prior to the Reorganization. Our historical financial information has been prepared by including the historical financial information of the companies engaged in our principal businesses, under the common control of Mr. Wang Yong, immediately before and after the Reorganization and now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since the date when the combining companies first came under the control of Mr. Wang Yong, whichever is a shorter period.

Inter-company transactions, balances and unrealized gains or loss on transactions between our Group companies are eliminated on combination.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects.

Economic Growth and Development of E-commerce Industry in China

Our business and operating results are impacted by general factors affecting the e-commerce industry, including:

- China's overall economic growth and level of per capita disposable income;
- development and popularity of e-commerce in China; and
- regulatory environment of the e-commerce market in China, especially governmental policies on cross-border e-commerce.

Any unfavorable change in any of these general industry conditions may have a negative impact on the demand for products and services we offer, and materially affect our results of operations.

Stable Cooperation with Brand Partners

We believe that maintaining a portfolio of high-quality brands is crucial to our success. As of the Latest Practical Date, we provided e-commerce solutions to 26 brand partners with 65 brands, among which 40 brands had collaborated with us for more than three years. The growth of our revenue during the Track Record Period is closely connected to the development of the business of our existing brand partners. During the Track Record Period, we derived a material portion of our revenue through sales of the products of a few of our brand partners, especially Unicharm and Shiseido. Therefore, we believe that our relationship and cooperation with existing brand partners is an important factor affecting our results of operations and long-term development. During the Track Record Period, we also actively explored business opportunities with new brands to enrich our brand portfolios. As of December 31, 2018, 2019 and 2020, we cooperated with 59, 61 and 72 brands, respectively. We also aim to introduce more quality brands into China e-commerce market and strengthen our presence in our brand partners' e-commerce strategies.

Our profitability and results of operations could be affected by our cooperation with brand partners in the following ways:

- *Number of online stores*. The agreements between our brand partners and us typically set forth the channels we are authorized to operate online stores for the relevant brands. See "Business – Our Brand Partners – Agreements with Brand Partners" for details. For each brand, we believe that, more online stores on diversified channels means that we can establish more comprehensive online sales networks which enable us to reach a wider base of potential consumers. For example, in 2019 and 2020 we strategically prioritized the growth of our cross-border e-commerce and had a net increase of 15 and 9 stores, respectively, on Principal E-commerce Platforms under cross-border e-commerce. As a result, in 2019 and 2020, our total revenue for all stores for cross-border e-commerce operated on Principal E-commerce Platforms increased by 67.5% and 8.0% compared to that in 2018 and 2019, respectively, resulting in an increase of our total revenue on Principal E-commerce Platforms from RMB1,085.5 million in 2018 to RMB1,337.4 million in 2019, and further to RMB1,516.1 million in 2020. See "Business – Our Brand Partners – Relationship with E-Commerce Platforms under the B2C Model – Number of Stores."

- *Pricing policy*. For our business under the B2B model and B2C model, we purchase products from brand partners on a wholesale basis at a discount for resale. Therefore, our profitability is partially dependent on the terms and conditions of our purchase agreements with brand partners, in particular, the wholesale prices at which we purchase from our brand partners and the range of recommended retail prices to our customers.

- *Rebates from brand partners*. Our brand partners offer us rebates as procurement, promotion and/or marketing incentives for us. Rebates granted by our brand partners to us mainly affect our gross profit margin by offsetting part of our cost of revenue when the goods are sold, or operating profit margin by deducting our selling and marketing expenses. The settlement of rebates receivables can also affect our liquidity position. As a result, our results of operations are affected by rebate policies, budgets and settlement frequencies of our brand partners. During the Track Record Period, our rebate as a percentage of the purchase price remained relatively stable.

The procurement price and the rebates arrangements are mainly influenced by the division of bargaining power between the brands and us, thus the procurement price and the rebates arrangements for a brand are often correlated.

For some brands, both the procurement price as a percentage of the recommended retail prices and the amount of rebate as a percentage of the total purchase for the products sourced from the brand are low. For example, in 2019, Brand Partner X's wholesale prices at which we purchase from them as a percentage of the recommended retail prices ranging from approximately 30% to 35%; for the same period the amount of rebate (RMB203,977) as a percentage of the total purchase of the products sourced from it (RMB14,188,397) was 1.44%.

For other brands, both the procurement price as a percentage of the recommended retail prices and the amount of rebate as a percentage of the total purchase are high. For example, in 2019, Brand Partner Y's wholesale prices at which we purchase from them as a percentage of the recommended retail prices was approximately 65%; for the same period the amount of rebate (RMB19,848,680) as a percentage of the total purchase of the products sourced from it (RMB77,584,396) was 25.58%.

For brands where the brand partner provided a set of recommended retail prices, it is in line with industry norm that products are usually sold below the recommended retail prices due to various promotional events, and we have the discretion to determine the actual selling prices under both B2C and B2B models, which is an important part of our operation strategy.

The fact that during the Track Record Period, our gross profit margin showed an upward trend is attributable to the increased competitiveness of our solutions, and the success of our strategic focus on B2C model and cross-border e-commerce where we provide more value-added services such as delivery of products to consumers, enhanced marketing activities and customer services and cross-border logistics management. We plan to further grow our business under the B2C model and add more value to our services to the brand partners, and further strengthen our supply chain management to solidify our first-mover advantage in cross-border e-commerce to maintain our gross profit margin in the long run.

Continued Success of Identification and Incubation of New Brands

We expect to continuously evaluate our brand portfolio to include new brands that cater to the needs and interests of Chinese consumers. Our strong execution capability enables us to identify potential top-selling products and successfully incubate these new brands. We entered into cooperation with 23 brands with which we have cooperated as of the Latest Practicable Date during the Track Record Period and focused on identifying and promoting new products for brands in the beauty and personal care categories. Through providing solutions to those newly introduced brands in various categories, including but not limited to brand analysis, store operation, digital marketing, customer service and logistics management, such brands have achieved growth in visibility and GMV in the PRC market, which contributed to the increase in our revenue during the Track Record Period. We also intend to identify potential brand partners in the Europe, the U.S. and Southeast Asia that focus on the beauty and personal care product areas, particularly those with increased needs for highly visible marketing campaigns and e-commerce strategies in China.

Our Relationships with E-commerce Platforms

During the Track Record Period, we primarily generated our revenue from selling products to consumers through online marketplace stores operated by us on e-commerce platforms under the B2C model, or to e-commerce platforms under the B2B model. We believe that our stable cooperation and close relationship with e-commerce platforms plays an important role in our business operation and sustainable development in the future.

Under the B2C model, we cooperate with both established e-commerce platforms such as Tmall Platforms, JD Platforms, and Kaola Platforms, and emerging social e-commerce platforms such as Pinduoduo Platforms and Xiaohongshu Platforms, to set up and operate marketplace stores and generate revenue from sales of products in these stores. The above-mentioned e-commerce platforms are collectively referred to as Principal E-commerce Platforms. We believe that the increase of the number of online stores operated by us on e-commerce platforms was one of the major drivers for the growth of our sales during the Track Record Period, which enabled us to reach a wider consumer base. The number of the stores we operated on Principal E-commerce Platforms increased from 66 as of December 31, 2018, to 83 as of December 31, 2019 and further to 96 as of December 31, 2020. Under the B2B model, we sell products sourced from brand partners to various e-commerce platforms for further distribution to end-consumers. We evaluate the experience and background, including market reputation, creditworthiness, strength of sales channel and customer base, of a potential e-commerce platform before choosing to sell our products on an e-commerce platform. As of December 31, 2020, we cooperated with nine e-commerce platforms under the B2B model.

We conduct various marketing and promotion activities on, and purchase advertising services from, e-commerce platforms to increase the exposure of the products sold in the online stores operated by us. In line with the growth of our business under the B2C model, we believe that enhanced online marketing activities conducted through e-commerce platforms could attract more online traffic to the stores operated by us, and expand the awareness of the brands

to which we provide services to. We also seek to explore and apply innovative marketing and promoting methods, such as live streaming media and KOL endorsements, which could increase our selling and marketing expenses. In addition, the e-commerce platforms usually charge us monthly or annual fixed service fees and commission fees based on our transaction amount. See "Business – E-commerce Platforms – Relationship with E-Commerce Platforms under the B2C Model" and "– Principal Components of Consolidated Statements of Comprehensive Income – Selling and Marketing Expenses." As a result, we believe that our cooperation with e-commerce platforms was and will continue to be a vital factor to our results of operations in the future.

Our Capability to Identify Market Trends and Consumers' Needs and Provide Consumers with Satisfying Shopping Experience

Acting as the bridge between brand partners, e-commerce platforms and consumers, we believe that our sustainable development and future success depend on our ability to bring curated, fun and quality branded products from around the globe to consumers in China. Our strong data analytical capabilities enable us to effectively identify and predict market trends and consumer preferences, thereby allowing us to provide valuable and tailored solutions to our brand partners and reinforce our close relationship with them. For example, being among the first batch to commence cross-border import brand e-commerce solution business shortly after Tmall Global was established according to the CIC Report, we are committed to cater to Chinese consumers' demand for foreign-branded products that are usually the same as those sold in the country of origin and personalized niche products through cross-border e-commerce, which contributed significantly to the growth of our revenue during the Track Record Period. In addition, leveraging our integrated e-commerce retail and wholesale solutions experience and knowledge of the Chinese market, we seek to explore and identify potential top-selling products in categories other than beauty and personal care products to meet the evolving needs of consumers. We began to operate the official marketplace store on Tmall Global for Taisho in 2019 which was the first cross-border import OTC drug online retail store on Tmall Global to specifically sell OTC drug products. Moreover, we also consider it critical to estimate consumers' demands for existing products of our brand partners taking into account various factors including, such as macro economic conditions, seasonality and consumer behavior, which could affect our sales volume, procurement amounts and inventory level.

Consumers' shopping experience is also a key factor affecting our business and sales. Excellent operation in each stage of the supply chain, especially for more complex cross-border e-commerce, from convenient payment methods, efficient logistics arrangement to good after-sale customer services, can improve user loyalty to our products and help us attract new customers.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimates that are significant to the preparation of our financial statements in accordance with IFRS. These significant accounting policies are set forth in note 2 of the Accountant's Report in Appendix I to this prospectus, which are important in understanding of our financial condition and results of operations.

Some of our accounting policies involve accounting, estimates and judgements that are discussed in note 4 of the Accountant's Report in Appendix I to this prospectus. The preparation of our financial statements requires our management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these judgements, assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements:

Revenue Recognition

We recognize revenue when we satisfy a performance obligation by transferring promised goods or services to a customer. Control of goods or services refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods or services.

We generate revenues from two major revenue streams, including sale of goods and provision of services.

Sales of Goods

Revenue from sales of goods includes two models, the B2B model and B2C model. Revenues are measured as the amount of consideration we expect to receive in exchange for transferring goods to customers, net of discounts, rebate to customers, refund liabilities, value added tax and related surcharges. Refund liabilities, which are reduced from revenue, are estimated based on historical data we have maintained and its analysis of returns by categories of goods, and subject to adjustments to the extent that actual returns differ or are expected to differ.

B2B model

We sell goods to e-commerce platforms and other small-scale distributors. We act as a principal under the B2B model since we control the goods purchased from suppliers, take inventory risk and have pricing latitude when selling goods to e-commerce platforms and other distributors. Revenue from sales of goods under the B2B model is recognized when control of

goods is transferred to e-commerce platforms and other distributors regardless of whether the customers are e-commerce platforms under either distribution arrangement or consignment arrangement or other distributors. The revenue of B2B model is recognized on a gross basis.

Under distribution arrangements of the B2B model, control of goods is transferred to e-commerce platforms and distributors when the goods are delivered to e-commerce platforms and other distributors. E-commerce platforms and other distributors have full discretion over the channel and price to sell the goods to end-customers, and there is no unfulfilled obligation that could affect acceptance of the goods by the e-commerce platforms and other distributors.

Under consignment arrangements of the B2B model, control of goods is transferred to e-commerce platforms and other distributors when end-customers confirm acceptance on e-commerce platforms. We have the call back right and controls the goods before end customers confirm acceptance on e-commerce platforms.

Particularly for cross-border transactions, control of goods is transferred to e-commerce platforms and other distributors when the goods pass the ship's rail at the named port of shipment or other fulfilled International Rules for the Interpretation of Trade Terms agreed in the contracts, and the delivery service is recognized in the accounting period when the services are rendered.

B2C model

Under the B2C model, regardless of whether the stores operated are mono-brand store or multi-brand store, we establish and operate online stores authorized by the brand owners on e-commerce platforms. We act as a principal under the B2C model since we control the goods purchased from suppliers, take inventory risk and have pricing latitude when selling goods to users of the e-commerce platforms. Users of the e-commerce platforms are considered to be customers as they place orders in the online stores and make online payments through third-party payment channels. Revenue from sales of goods under the B2C model is recognized when control of goods is transferred to users, being when users receive the goods upon delivery. The revenue of B2C model is recognized on a gross basis. The funds will not be released to us by these third-party payment channels until the users confirm acceptance on the e-commerce platform. Commission paid to e-commerce platforms, which are considered as incremental costs of obtaining a contract, are expenses as incurred because the amortization period of the asset is less than one year.

Provision of Services

Revenue from providing services is recognized in the accounting period when the services are rendered. The revenue for provision of services is recognized on a gross basis.

Online operating services

We provide online operating services to customers. We are not involved in determining goods specifications and the display of goods in the online store, and are not the primary obligor for the delivery of goods, nor do we have legal title to the goods and do not have any latitude in establishing prices and selecting merchandise. Based on these facts, we have determined that we act as an online operating services provider under these arrangements and recognize commission fees on the value of merchandise sold or sharing of online operating results, which are calculated based on a pre-determined formula.

Digital marketing services

We provide digital marketing services to customers. Customers may elect to use our comprehensive end-to-end e-commerce solutions or select specific elements of our e-commerce supporting infrastructure and marketing services that best fit their needs. We charge our customers a combination of fixed fees based on the prices charged to comparable customers or expected cost plus margin. Revenue generated from digital marketing services is recognized on a gross basis where we act as a principal to control the specified services before they are transferred to the customer, and we are primarily responsible for fulfilling the contract and have discretion in establishing prices. Therefore, we recognize service fees as revenue in the consolidated statements of comprehensive income. All direct costs that we incur in the provision of digital marketing services are classified as cost of revenue in the consolidated statements of comprehensive income.

Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold and services performed in the ordinary course of business. Trade and other receivables are generally due for settlement within 90 days after acceptable of delivery and are all classified as current.

Trade and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. We hold trade receivables with the objective of collecting contractual cash flows and therefore measure them subsequently at amortized cost using the effective interest method.

Vendor Rebates

We periodically receive consideration from certain vendors, representing:

– Volume rebates for products purchased which are calculated based on purchase volume over a period of time. We account for the volume rebates received from our vendors as a reduction to the price it pays for the products purchased, related rebates are deducted from the cost of revenue if the products are sold.

– Reimbursement for the expenditures occurred for brand marketing and promotion activities. We account for the reimbursement as a reduction of selling and marketing expenses.

Inventories

Merchandise is stated at the lower of cost and net realizable value. The cost of inventories is measured by using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Preferred Shares

Preferred Shares are redeemable upon the occurrence of certain future events and at the option of the holders.

Preferred Shares are designated as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statement of profit or loss.

Subsequent to initial recognition, Preferred Shares are carried at fair value with changes in fair value recognized in the consolidated statement of profit or loss, except for the portion attributable to credit risk change that should be charged to other comprehensive income.

The Preferred Shares are extinguished when the obligation specified in the contract is discharged or cancelled or expired. We settled the preferred shares by issuing the equity instruments of our Company, which is not in accordance with the original terms of the Preferred Shares, our Group recognizes a gain or loss in profit or loss for the difference between the carrying amount of the Preferred Shares and the fair value of the equity instrument.

Share-based Compensation

Share-based compensation benefits are provided to employees via the employee share incentive scheme.

Equity-settled share-based payment transactions are share-based payment arrangement in which we receive services by employees as consideration for our own equity instrument.

For an equity-settled share-based payment transaction, the fair value of the equity instrument granted is recognized as an employee benefit expense with a corresponding increase in equity.

The total amount to be expensed is determined by reference to the fair value of the shares granted excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

When the shares are granted but not vested, they are recognized as treasury shares of our Group.

Current and Deferred Income Tax

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

Current Income Tax

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

Deferred Income Tax

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

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

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

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

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

Fair Value Measurements

We measure fair values of financial instruments using the following fair value hierarchy that reflects the observability and significance of the inputs used in making the measurements:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As of December 31, 2018, 2019 and 2020, our wealth management products and Preferred Shares were measured at fair value using level 3 inputs. As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including the use of quoted market prices or dealer quotes for similar instruments, and the discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate. For details, see note 3.3 to the Accountant's Report in Appendix I to this prospectus.

We have instituted internal policies on valuation methodologies, models and procedures for valuation of level 3 financial assets and liabilities. We perform valuation assessment of redeemable wealth management products and Preferred Shares. For our investments in redeemable wealth management products, we determine the fair value of such assets based on the discounted cash flow model using the expected return rate as discount rate. Meanwhile, for the Preferred Shares, we have engaged an independent qualified professional valuer to perform the relevant valuation assessments. Our management team also reviewed the external valuer's valuation analysis and results, and discussed the basis of the valuation with the reporting accountant. We focus on the valuation methodologies, computation basis, key assumptions, qualifications and underlying rationales in such assessments. Our finance department also performed accounting reviews on the valuation reports prepared by the independent valuer. Based on the above procedures, our Directors are satisfied with the valuation work for financial

assets and liabilities categorized within level 3 of fair value measurement in the historical financial information for the purpose of the preparation of the Accountant's Report as referred to in Appendix I to this prospectus.

As for wealth management product amounting to RMB44,000,000 as at December 31, 2019 with an expected interest rate of 3.59% per annum, the Reporting Accountants have performed below procedures, (i) discussed with the management of the Group to understand the valuation exercise made by the Group's financial personnel, including but not limited to valuation technique, key assumptions, significant inputs, etc; (ii) reviewed contract terms of the wealth management product purchase agreement; (iii) performed the valuation calculation independently and compared with the results provided by the management; and (iv) reviewed the relevant accounting treatment and disclosure included in the Accountant's Report. As for preferred shares amounting to RMB705,666,000, RMB896,182,000 and nil as at December 31, 2018, 2019 and 2020, the Reporting Accountants have performed below procedures, (i) assessed the capability of the external valuer engaged by the management, including but not limited to the valuer's independence, qualifications, credentials, past experience, etc.; (ii) discussed with the management of the Group and external valuer regarding the valuation including but not limited to the valuation technique, key assumptions, significant inputs, etc.; (iii) involved its internal valuation expertise to independently assess the valuation; and (iv) reviewed the relevant accounting treatment and disclosure included in the Accountant's Report.

In respect of the valuation of the Group's Level 3 financial instruments, details and the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements are set forth in notes 21 and 24 to the Accountant's Report which is prepared in accordance with the Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information Circulars" issued by the Hong Kong Institute of Certified Public Accountants, as set forth in Appendix I to the Prospectus.

Based on the procedures mentioned above, nothing was noted that would prevent the Reporting Accountant from expressing a true and fair view opinion on the historical financial information of the Group as a whole.

In relation to the valuation analysis on our Group's financial instruments categorized as Level 3 of fair value measurement, the Sole Sponsor conducted relevant due diligence work, including (i) review of the relevant notes in the Accountant's Report and the relevant valuation report prepared by the external valuer; (ii) discussions with our Company and the external valuer about the key assumptions for the valuation; and (iii) discussion with the Reporting Accountant in respect of the audit work they have conducted in this regard. Having considered the work done by and the views of each of the Directors and the Reporting Accountant as set out above, and the due diligence work performed above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the valuation analysis performed by our Company and reviewed by the Reporting Accountant.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table summarizes our results of operations for the periods indicated:

	Year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Revenue	2,540,961	2,781,719	2,800,846
Cost of revenue	(1,924,616)	(1,978,257)	(1,912,732)
Gross profit	616,345	803,462	888,114
Selling and marketing expenses	(395,024)	(533,307)	(640,568)
General and administrative expenses	(70,811)	(106,129)	(97,859)
Research and development expenses	–	(1,590)	(8,761)
Net impairment losses on financial assets	(2,154)	(942)	(5,914)
Other income	6,349	7,538	12,635
Other (losses)/gains – net	(84)	2,273	(3,106)
Operating profit	154,621	171,305	144,541
Finance income	947	621	565
Finance costs	(17,852)	(18,608)	(22,761)
Finance costs – net	(16,905)	(17,987)	(22,196)
Dividends on preferred shares	–	(8,471)	–
Fair value changes from preferred shares	(100,687)	(190,543)	(88,634)
Share of net profit of associates and joint ventures accounted for using the equity method	4,357	6,321	9,286
Profit/(loss) before income tax	41,386	(39,375)	42,997
Income tax expenses	(41,329)	(46,364)	(44,911)
Profit/(loss) for the year	57	(85,739)	(1,914)
Attributable to:			
– Owners of the Company	53	(85,466)	(1,088)
– Non-controlling interests	4	(273)	(826)
	57	(85,739)	(1,914)

	Year ended December 31,		
	2018	2019	2020
	(RMB in thousands)		
Other comprehensive income/(losses)			
Items that may be reclassified to profit or loss			
Share of other comprehensive (losses)/income of associates and joint ventures accounted for using the equity method	188	337	(893)
Exchange differences on translation of foreign operations	8,136	5,607	(14,181)
Items that will not be reclassified to profit or loss			
Change in fair value of preferred shares from own credit risk	388	27	–
Total other comprehensive income/(losses)	8,712	5,971	(15,074)
Total comprehensive income/(losses) for the year	8,769	(79,768)	(16,988)
Attributable to:			
– Owners of the Company	8,765	(79,495)	(16,162)
– Non-controlling interests	4	(273)	(826)
	8,769	(79,768)	(16,988)
Adjusted net profit (Non-IFRS measure) (unaudited)[(1)]	112,281	139,374	106,717

Note:

(1) We define "adjusted net profit (Non-IFRS measure)" as loss or profit for the year/period by excluding impacts of (i) fair value changes from the Preferred Shares, (ii) dividends on the Preferred Shares, (iii) gains from extinguishment of Preferred Shares, (iv) share-based compensation expenses, and (v) listing expenses. Adjusted net profit (Non-IFRS measure) is not a measure required by, or presented in accordance with, IFRS. The use of adjusted net profit (Non-IFRS measure) has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, analysis of, our results of operations or financial condition as reported under IFRS. See "– Principal Components of Consolidated Statements of Comprehensive Income – Adjusted Net Profit (Non-IFRS Measure)" for details.

Adjusted Net Profit (Non-IFRS Measure)

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we use adjusted net profit (Non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that the presentation of non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management regarding financial and business trends in relation to our financial condition and results of operations, by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance.

We also believe that the non-IFRS measures are appropriate for evaluating the Group's operating performance. From time to time in the future, there may be other items that our Group may exclude in reviewing its financial results. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, this non-IFRS measure may not be comparable to similar measures presented by other companies.

We define adjusted net profit (Non-IFRS measure) as profit for the period adjusted by adding back fair value changes from preferred shares, dividends on preferred shares, share-based compensation and listing expenses, and removing gains from extinguishment of preferred shares. We eliminate the potential impacts of these items that our management does not consider to be indicative of our operating performance. In particular, fair value changes from preferred shares, dividends on preferred shares and gains from extinguishment of preferred shares will not recur for the year ending December 31, 2021 and thereafter as all special rights attached to the Preferred Shares had been terminated on June 10, 2020 during the Reorganization, when TCI swapped its equity interests in UNQ Supply Chain to our Company's Shares proportionately. Dividends on preferred shares refer to the dividend payment in the amount of RMB8.5 million with respect to the Preferred Shares in 2019, which we recognized as expenses. Given that we will not record any Preferred Share in 2021 and thereafter, we added back such expenses incurred in 2019 in relation to dividends on the Preferred Shares, as dividends in relation to such part of shares will charge to our equity account in line with the accounting treatment of dividends on ordinary shares after 2021. Please refer to Note 24 and Note 31 to the Accountant's Report included in Appendix I to this prospectus for more information. Share-based compensation is of a non-cash nature and not considered by our management to be indicative of our results of operations. Please refer to Note 25 to the Accountant's Report included in Appendix I to this prospectus for more information. During the Track Record Period, our one-off listing expenses referred to expenses we incurred in connection with the Global Offering, and are not indicators of our operational performance.

The following tables set forth the reconciliations of our non-IFRS measures for 2018, 2019 and 2020 with the nearest measures prepared in accordance with IFRS:

	Year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Reconciliation of net profit/(loss) to adjusted net profit/(loss)			
Profit/(loss) for the period	57	(85,739)	(1,914)
Add:			
Fair value changes from preferred shares	100,687	190,543	88,634
Dividends on preferred shares	–	8,471	–
Share-based compensation	11,537	18,236	–
Listing expenses	–	7,863	23,051
Minus:			
Gains from extinguishment of preferred shares	–	–	3,054
Adjusted net profit	112,281	139,374	106,717

Our adjusted net profit decreased from RMB139.4 million in 2019 to RMB106.7 million in 2020, primarily due to (i) slower-than-expected growth of revenue as a result of the impact of the COVID-19 outbreak in 2020 as well as the decrease in revenue of Moony products through cross-border e-commerce, and (ii) an increase in selling and marketing expenses mainly because we conducted more intensified marketing and promoting activities in 2020 for certain brands, particularly for Shiseido's products, to offset the impact of the COVID-19 outbreak. See "– Results of Operations."

Revenue

During the Track Record Period, we primarily generated revenue from business under the B2B model or B2C model. We also generated a small portion of revenue from providing solutions to brand partners or other customers for service fees.

The following table summarizes our revenue by business lines for the periods indicated:

	Year ended December 31,					
	2018		2019		2020	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB in thousands except for percentages)					
Distribution method						
B2B model	1,404,323	55.3	1,379,966	49.6	1,226,516	43.9
General trade	974,989	38.4	1,014,562	36.5	841,559	30.0
Cross-border e-commerce	429,334	16.9	365,404	13.1	384,957	13.9
B2C model	1,089,428	42.9	1,353,044	48.6	1,539,757	54.9
General trade	644,179	25.4	599,847	21.6	732,395	26.1
Cross-border e-commerce	445,249	17.5	753,197	27.0	807,362	28.8
Service fee method						
Provision of services	47,210	1.8	48,709	1.8	34,573	1.2
Total	2,540,961	100.0	2,781,719	100.0	2,800,846	100.0

We generate revenue on a gross basis from sales of products under the B2B model and B2C model. We purchase products from our brand partners and sell them (i) directly to consumers through online marketplace stores operated by us, namely the B2C model; or (ii) to e-commerce platforms or other distributors, which in turn sell to consumers, namely the B2B model. We believe the value provided for the brand partners by our services or solutions of establishing their online presence, promoting their product popularities, operating their distribution channels and increasing their online sales volume which do not generate direct revenue, is embedded in the price spread we earn from product sales to our customers. See "– Significant Accounting Policies and Estimates – Revenue Recognition – Sales of goods" and "Business – Our Businesses – Our Business Models" for more information. As of December 31, 2018, 2019 and 2020, our refund liabilities were RMB0.8 million, RMB1.1 million and RMB1.6 million, respectively, which were calculated based on the return rate of the relevant year or period. Based on our accounting policy, refund liabilities, which are reduced from revenue, are estimated based on historical data we have maintained and our analysis of returns by categories of goods, and subject to adjustments to the extent that actual returns differ or expected to differ. The management of us fully consider historical experiences and special cases of goods return into accounting estimates on the refund liabilities at each reporting date.

We launched our cross-border brand e-commerce solutions in 2015, and according to the CIC Report, we were among the first to commence a cross-border import brand e-commerce solution business shortly after Tmall Global was established. In 2018, 2019 and 2020, our sales of goods revenue generated from sales of products through cross-border e-commerce continued to grow, contributing 34.4%, 40.1% and 42.6% to our total revenue, respectively, in line with the growing volume of products sold through cross-border e-commerce.

Cross-border e-commerce facilitates the direct import and sales of products that are usually the same as those sold in the country of origin, and simplifies the usually complex and time-consuming entry requirements of general trade. It is particularly suitable for introducing to China personalized and high-quality overseas FMCG in a cost-effective manner, especially for overseas up-and-coming brands seeking to enter the Chinese market. As a result, the development of cross-border e-commerce business contributed substantially to the growth of our sales under the B2C model, featuring more personalized needs, the revenue from which increased from RMB1,089.4 million in 2018 to RMB1,353.0 million in 2019, to RMB1,539.8 million in 2020. During the same period, the revenue from business under the B2B model decreased from RMB1,404.3 million in 2018 to RMB1,380.0 million in 2019, to RMB1,226.5 million in 2020.

The significant increase in sales of products through cross-border e-commerce during 2018, 2019 and 2020 was primarily attributable to the following reasons:

(i) growth in sales of some product series oriented for cross-border e-commerce customers of certain brand partners, particularly Shiseido, as a result of the increasing demands of Chinese consumers for foreign-brand FMCG products manufactured and sold in origin countries, driven by consumption upgrade and development of cross-border logistics and payment facilities in China;

(ii) strong support from e-commerce platforms to our online stores operating cross-border e-commerce, resulting in more exposure of and increasing internet traffic to such stores;

(iii) the increase in the number of our online stores for cross-border e-commerce on Principal E-commerce Platforms from 30 as of December 31, 2018, to 45 as of December 31, 2019 and further to 54 as of December 31, 2020, enabling us to reach a wider customer base, as foreign brands intend to expand their business in China and are willing to grant us authorization for operating more product series through diversified channels;

(iv) the rapid development of the cross-border e-commerce business market in China in recent years in the context of the successive implementation of favorable governmental policies, and the comparative advantage delivered by our expertise as one of the first movers in such practice in China in serving cross-border e-commerce, which requires more sophisticated supply chain management and better coordination among participants in the value chain; and

(v) the increasing popularity of some brand products incubated by us.

Under B2B model, we enter into distribution or consignment arrangements with these e-commerce platforms. Under the distribution arrangements, we primarily sell products to various e-commerce platforms for their distribution to consumers, under the circumstance of which those e-commerce platforms sell to consumers on their own behalf and we recognize the revenue when the e-commerce platforms accept the products upon delivery. In 2018, 2019 and 2020, our revenue generated from sales to e-commerce platforms under the distribution agreements amounted to RMB743.9 million, RMB727.1 million and RMB524.4 million, respectively, representing 29.3%, 26.1% and 18.7%, respectively, of our total revenue for the same periods. The revenue generated from the distribution arrangement under the B2B model remained generally stable in 2018 and 2019 with a slight decrease in 2019. The revenue generated from the distribution arrangement decreased from RMB727.1 million in 2019 to RMB524.4 million in 2020, primarily due to our cessation of cooperation with brand A in 2020. Under the consignment arrangements, we mainly engage with certain e-commerce platforms to sell products to their consumers, and recognize the revenue when consumers confirm acceptance on platforms. In 2018, 2019 and 2020, our revenue generated from sales to e-commerce platforms under the consignment arrangements amounted to RMB499.6 million, RMB497.9 million and RMB513.5 million, respectively, representing 19.7%, 17.9% and 18.3%, respectively, of our total revenue for the same periods.

The following table sets forth a breakdown of our sales of goods revenue by product categories for the periods indicated:

	Year ended December 31,					
	2018		2019		2020	
	Sales of goods revenue	% of revenue	Sales of goods revenue	% of revenue	Sales of goods revenue	% of revenue
	(RMB in thousands except for percentages)					
Personal care products for adults	1,053,199	42.2	1,388,315	50.8	1,755,261	63.5
Personal care products for babies	816,563	32.7	760,099	27.8	418,841	15.1
Beauty products	481,297	19.3	395,680	14.5	335,365	12.1
Health products	77,693	3.1	117,261	4.3	173,770	6.3
Others[(1)]	64,999	2.7	71,655	2.6	83,036	3.0
Total	2,493,751	100.0	2,733,010	100.0	2,766,273	100.0

Note:

(1) Others mainly include household necessities and watches.

During 2018, 2019 and 2020, revenue contribution from personal care products for adults increased, primarily due to the increases in sales of products of Shiseido and various up-and-coming brands incubated by us benefiting from the expanded scale of sales through cross-border e-commerce. Revenue contribution from personal care products for babies decreased in 2019 compared to 2018, primarily due to the decreases in (i) sales of diaper products especially MamyPoko branded products, and (ii) sales of products of personal care brand A; and our revenue contribution from personal care products for babies decreased from 27.8% in 2019 to 15.1% in 2020 was mainly due to the decreases in sales of Moony branded products and sales of products of brand A as we ceased our cooperation with brand A in 2020. See "Business – Our Brand Partners – Brand Partner Development and Services". Revenue contribution from beauty products decreased from 2018 to 2019 primarily because we ceased our cooperation with brand B and such decrease in 2020 compared with 2019 was primarily due to the decreased frequency of social activity primarily because of the impact of COVID-19 outbreak. Being one of our business focuses during the last few years, revenue contribution of health products continued to rise during 2018, 2019 and 2020, mainly due to the increasing sales of Kobayashi, Taisho and Lion branded products. During 2018, 2019 and 2020, the revenue generated from sales of our OTC drug products are primary from five brands, whose revenue were amounted to nil, RMB6.6 million and RMB48.6 million, respectively.

As a supplement to our business under the B2C and B2B models, we also generated a small portion of revenue on a gross basis from providing our solutions to brand partners and other customers for service fees, either at a pre-agreed amount and/or performance based service charge. See "– Significant Accounting Policies and Estimates – Revenue Recognition – Provision of services". During the Track Record Period, revenue generated from provision of services primarily consisted of service fees for providing online operating services to TCC while we stopped providing such services to TCC since the start of 2020, and providing digital marketing services to our brand customers mainly through Shanghai Fuli, a subsidiary established by us to carry out this type of business as a stand-alone service. In 2018, 2019 and 2020, our revenue from provision of online operating services amounted to RMB12.7 million, RMB23.2 million and RMB11.5 million, accounting for 0.5%, 0.8%, and 0.4% of our revenue, respectively; during the same period, our revenue generated from provision of digital marketing services amounted to RMB34.5 million, RMB25.5 million, and RMB23.1 million, accounting for 1.4%, 0.9% and 0.8%, respectively.

Cost of Revenue

The following table sets forth a breakdown of our cost of revenue by business lines for the periods indicated:

	Year ended December 31,					
	2018		2019		2020	
	Cost of revenue	% of cost of revenue	Cost of revenue	% of cost of revenue	Cost of revenue	% of cost of revenue
	(RMB in thousands except for percentages)					
B2B model	1,265,052	65.7	1,248,243	63.1	1,058,656	55.3
B2C model	630,628	32.8	707,389	35.8	837,587	43.8
Provision of services	28,936	1.5	22,625	1.1	16,489	0.9
Total cost of revenue	1,924,616	100.0	1,978,257	100.0	1,912,732	100.0

During the Track Record Period, almost all of our cost of revenue consisted of cost of goods in relation to our business under the B2B model and B2C model. The cost of service under our provision of services business mainly included marketing cost, advertising cost, employee benefit expenses related to provision of service and other online operating cost.

The volume rebates obtained from our brand partners were deducted from our cost of revenue upon the sale of the products. See "– Significant Accounting Policies and Estimates – Vendor Rebates". In 2018, 2019 and 2020, we recorded volume rebates granted by brand partners in the amounts of RMB703.9 million, RMB719.2 million and RMB813.3 million, respectively.

Gross Profit and Gross Margin

The following table summarizes our gross profit and gross margin by business lines for the periods indicated:

	Year ended December 31,					
	2018		2019		2020	
	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)
	(RMB in thousands except for percentages)					
Distribution method						
B2B model	139,272	9.9	131,725	9.5	167,860	13.7
General trade	82,274	8.4	97,193	9.6	120,245	14.3
Cross-border e-commerce	56,998	13.3	34,532	9.5	47,615	12.4
B2C model	458,800	42.1	645,653	47.7	702,170	45.6
General trade	218,554	33.9	235,670	39.3	346,494	47.3
Cross-border e-commerce	240,246	54.0	409,983	54.4	355,676	44.1
Service fee method						
Provision of services	18,273	38.7	26,084	53.6	18,084	52.3
Total	616,345	24.3	803,462	28.9	888,114	31.7

Gross margin of our business under the B2C model is generally higher than that of the business under the B2B model, mainly because we provided more value-added services under the B2C model such as delivery of products to consumers, enhanced marketing activities and customer services.

In 2018 and 2019, gross margin of products sold through cross-border e-commerce was generally higher than that of products sold through general trade, primarily due to the higher embedded value of more complicated supply chain management and sophisticated services provided by us in the process of cross-border e-commerce, ranging from procurement from suppliers in origin countries, customs clearance to storage in bonded warehouses.

However, in 2020, the gross margin of sales through cross-border e-commerce channels was lower than that through general trade channels for both B2C and B2B businesses due to certain factors of nonrecurring nature in 2020. During 2020, the gross margin of B2C sales through cross-border e-commerce decreased from 54.4% in 2019 to 44.1% in 2020, primarily due to the discount activities we carried out to promote sales for certain brands, especially Shiseido, during the first half of 2020 to mitigate the impact of COVID-19; during the same period, the gross margin of B2C sales through general trade increased from 39.3% in 2019 to 47.3% in 2020, primarily due to (i) the increases in both the sales of and the gross margin of

Sofy products because of the strong demand for its products primarily due to (a) the stockpiling of sanitary napkin products by consumers during the first quarter of 2020 because of COVID-19 outbreak; and (b) more marketing and promoting activities, especially live streaming events, were conducted to stimulate its sales, and (ii) an increase in the sales of Moony products as a result of its change of sales strategy of shifting sales of certain products, which enjoy high profit margin, from cross-border e-commerce to general trade.

In 2019, the gross margin of B2B sales through cross-border e-commerce was lower than that of general trade, primarily due to the decrease in gross margin of B2B sales through cross-border in 2019 compared with 2018 because Unicharm promoted the sale of a new product series with lower margin, which, based on our belief, did not reach expected sale performance and such product was suspended from selling in 2020. In 2020, while the gross margin of B2B sales through cross-border e-commerce went back to normal level, the gross margin of B2B sales through cross-border e-commerce was lower than that of general trade, primarily because gross margin of B2B sales through general trade increased from 9.6% in 2019 to 14.3% in 2020, primarily due to the increase in the sales of and the gross margin of Sofy products because of the strong demand for sanitary napkin products in 2020 due to the impact of COVID-19 outbreak.

The gross margin of our provision of services business during the Track Record Period was primarily affected by the varying proportions of revenue generated from our online operating services and digital marketing services. The gross margin of provision of services was 38.7% in 2018 and 53.6% in 2019 respectively, primarily due to the smaller contribution of revenue from online operating service because the operation of the online operating service we provided to TCC underperformed in China in 2018, which enjoys a higher gross margin than that of digital marketing service. While we stopped providing online operating services to TCC in 2020, the gross margin of our provision of services business remained stable in 2020 mainly due to the increase in the gross margin of our digital marketing business, due to the impact of the COVID-19 outbreak, we stopped carrying out certain digital marketing projects requiring on-site activities with lower margin.

The following table summarizes our gross profit and gross margin in respect of our sales of goods revenue by product categories for the periods indicated:

	Year ended December 31,					
	2018		2019		2020	
	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)	Gross profit	Gross margin (%)
	(RMB in thousands except for percentages)					
Personal care products for adults	254,111	24.1	392,669	28.3	499,556	28.5
Personal care products for babies	162,546	19.9	189,061	24.9	149,779	35.8
Beauty products	137,909	28.7	134,485	34.0	127,898	38.1
Health products	26,123	33.6	37,893	32.3	51,923	29.9
Others[(1)]	17,383	26.7	23,270	32.5	40,874	49.2
Total	598,072	24.0	777,378	28.4	870,030	31.5

Note:

(1) Others mainly include household necessities and watches.

During 2018, 2019 and 2020, the gross margins of all product categories are generally on a growing trend because during the same periods, we experienced increasing amount of sales through B2C model and cross-border e-commerce, which generally enjoy higher gross margin than B2B model and general trade, respectively. The fluctuations of gross margins of certain product categories were mainly due to the varying revenue contribution from various branded products with different gross margins during the Track Record Period. In particular, while gross profit from personal care products for babies decreased in 2020 compared with 2019, we recorded an increase in gross margin of such product category because we stopped to sell products of brand A in 2020 whose gross margin is lower than the average margin of our personal care products for babies. The gross margins of our health products remained generally stable with a slight decrease from 2018 to 2020, primarily because we conducted frequent promoting and discounting activities to take more market share in this emerging market.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) warehousing and logistic expenses, (ii) sales operating expenses, (iii) employee benefit expenses, and (iv) others.

The following table summarizes our selling and marketing expenses for the periods indicated:

	Year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Warehousing and logistic expenses	182,115	241,193	284,605
Sales operating expenses	161,193	225,073	270,763
Employee benefit expenses	47,386	61,514	77,202
Others[(1)]	4,330	5,527	7,998
Total	395,024	533,307	640,568

Note:

(1) Others mainly include travel expenses, depreciation on lease and office expenses.

Under some agreements, our brand partners agree to reimburse us for a certain amount of expenditures incurred in brand marketing and promotion activities, which are deducted from selling and marketing expenses. See "– Significant Accounting Policies and Estimates – Vendor Rebates". In 2018, 2019 and 2020, we recorded such reimbursements in the amount of RMB22.4 million, RMB24.7 million and RMB101.2 million, respectively. The increase in the amount of brand partner reimbursement for selling and marketing expenses was primarily due to the change in form of vendor rebates from volume rebates to marketing reimbursement by certain brand partners in 2020.

The sales operating expenses principally include online marketing expenses, e-commerce platform commission fees and third-party payment channel service fees, which are primarily incurred in relation to our business under the B2C model. The vast majority of our B2C transactions took place on Tmall and Tmall Global. For each of 2018, 2019 and 2020, revenue from B2C model derived from transactions on Tmall and Tmall Global were RMB994.2 million, RMB1,228.7 million and RMB1,408.0 million, accounting for 91.3%, 90.8% and 91.4% of our total revenue from B2C model, respectively. As a result, during the Track Record Period, we incurred most of our sales operating expenses in conducting our B2C business on Tmall and Tmall Global.

We purchase online marketing and promotion services from Tmall and Tmall Global to increase the exposure of our online stores to consumers, which are charged by different methods such as Cost Per Click (CPC), Cost Per Sale (CPS) and Cost Per Mille (CPM). During 2018, 2019 and 2020, we incurred online marketing and promotion expenses on Tmall and Tmall Global in the amounts of RMB77.5 million, RMB110.8 million and RMB198.9 million, representing 7.8%, 9.0% and 14.1%, respectively, of our B2C revenue from Tmall and Tmall Global for the same periods, and representing 48.1%, 49.2% and 73.5% of the sales operating expenses during the same period, respectively. The increase in the contribution of online marketing expenses in 2020 compared to 2018 and 2019 was mainly because that we carried out more promoting and marketing activities, such as live streaming media, to promote our B2C business in 2020.

E-commerce platform commission fees are charged based on transaction amounts (including taxes) at general applicable rates published by respective e-commerce platforms for different products sold under B2C model. For each of 2018, 2019 and 2020, e-commerce platform commission fees charged by Tmall and Tmall Global were RMB31.7 million, RMB35.7 million and RMB42.3 million, representing 3.18%, 2.91% and 3.00% of our B2C revenue from Tmall and Tmall Global for the same period, respectively; during the same period, e-commerce platform commission fees payable to Tmall and Tmall Global accounted for 19.6%, 15.9% and 15.6% of our sales operating expenses, respectively. The relatively higher commissions payable to Tmall and Tmall Global in 2018 was primarily due to (i) the higher percentage of revenue generated from sales of beauty products under the B2C model on those platforms; and (ii) the increase in revenue contribution from the types of personal care products in 2020 to which the 2.5% commission rate applies. The table below sets forth the effective commission rates published by Tmall and Tmall Global for the major products of the indicated categories throughout the Track Record Period:

Personal care products for adults	**Personal care products for babies**	**Beauty products**	**Health products**
2.5% or 4%	2%	4%	3%

For B2C transactions through general trade on Tmall, we primarily incur third-party payment channel service fees in relation to credit cards and Ant Credit Pay, which were charged as a certain percentage of the transaction amounts paid through those two payment channels. During each of 2018, 2019 and 2020, our services fees in relation to credit cards and Ant Credit Pay were RMB3.6 million, RMB3.1 million and RMB3.9 million, representing 0.60%, 0.58% and 0.59% of our B2C revenue through general trade on Tmall during the same period, respectively. For B2C transactions through cross-border e-commerce on Tmall Global, we primarily incur payment channel service fee payable to Alipay, which was charged as a certain percentage of the cross-border transaction amounts under the B2C model on Tmall Global.

During each of 2018, 2019 and 2020, our services fees payable to Alipay were RMB4.7 million, RMB7.9 million and RMB8.4 million for the same periods, representing 1.16%, 1.14% and 1.14% of our B2C revenue through cross-border e-commerce on Tmall Global during the same period, respectively.

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) employee benefit expenses, (ii) depreciation and amortization expenses, (iii) tax and surcharges, (iv) office expenses, (v) operating lease payments; (vi) professional service fees, (vii) listing expenses, and (viii) others.

The following table summarizes our general and administrative expenses for the periods indicated:

	Year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Employee benefit expenses	47,679	73,787	43,903
Depreciation and amortization expenses	7,363	9,513	14,303
Tax and surcharges	3,694	2,597	2,975
Office expenses	2,719	4,576	5,373
Operating lease payments	1,329	979	929
Professional service fees	2,343	1,125	3,157
Listing expenses	–	7,863	23,051
Others[(1)]	5,684	5,689	4,168
Total	70,811	106,129	97,859

Note:

(1) Others mainly include travel expenses and bank charge.

Our employee benefit expenses decreased from RMB73.8 million in 2019 to RMB43.9 million in 2020 primarily because (i) we recorded share-based compensation in 2019 which did not happen in 2020, (ii) we changed the function roles of certain administrative and sales staff during the normal course of business. Our depreciation and amortization expenses increased from RMB9.5 million in 2019 to RMB14.3 million in 2020 primarily because we leased more office properties in 2020. Our listing expenses increased from RMB7.9 million in 2019 to RMB23.1 million in 2020 primarily in relation to the Global Offering.

Research and Development Expenses

We incurred research and development expenses of RMB1.6 million in 2019 in relation to the development and maintenance of an online-to-offline platform of one of our brand partners. We recorded research and development expenses of RMB8.8 million in 2020 in relation to employee benefit expenses of our increasing number of research and development staff for improvement of our data analytics capabilities.

Net Impairment Losses on Financial Assets

In 2018, 2019 and 2020, our net impairment losses on financial assets were RMB2.2 million, RMB0.9 million and RMB5.9 million, respectively, mainly relating to changes in our allowance over receivables based on expected credit loss.

As of December 31, 2018, 2019 and 2020, allowance for impairment of trade receivables were RMB4.1 million, RMB2.3 million and RMB7.6 million, respectively, which were generally in line with changes in the balance of trade receivables during the Track Record Period. In addition, the decrease in allowance for impairment of trade receivables from December 31, 2018 to December 31, 2019 was mainly due to the increased sales to clients with better quality in 2019; and the increase in such amount as of December 31, 2020 compared with as of December 31, 2019 was primarily in relation to unsettled payments from certain customers with whom we are in the process of checking accounts.

During 2018, 2019 and 2020, our allowance for impairment of other receivables were RMB0.7 million, RMB3.4 million and RMB3.2 million, respectively, which were generally in line with changes in the balance of other receivables during the Track Record Period. In addition, the increases of our allowance for impairment of other receivables from RMB0.7 million as of December 31, 2018 to RMB3.4 million as of December 31, 2019 was primarily due to the increase in allowance in relation to loans made to Shanghai Xuyi. While we recorded an increase in other receivables as of December 31, 2020 compared to December 31, 2019, our impairment for other receivables remained relatively stable at the amount of RMB3.2 million as of December 31, 2020, as such increase was primarily attributable to increases in guarantee for borrowings and rebate receivables to which we apply lower expected loss rates.

Other Income

Our other income refers to government subsidies with no condition attached granted by local authorities and interests on loans to related parties. The following table summarizes our other income for the periods indicated:

	Year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Government grants	6,160	4,544	7,283
Interests on loans to related parties	189	2,994	5,121
Interests on loans to third parties	–	–	231
	6,349	7,538	12,635

Other (Losses)/Gains – Net

The following table summarizes our other (losses)/gains – net for the periods indicated:

	Year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Net foreign exchange (losses)/gains	(1,242)	1,053	(6,822)
Fair value gains on financial assets at fair value through profit or loss	780	656	398
Net (losses)/gains on disposal of property, plant and equipment	6	(24)	8
Gains from extinguishment of preferred shares	–	–	3,054
Others	372	588	256
Total	(84)	2,273	(3,106)

Our other (losses)/gains – net primarily consist of (i) net foreign exchange (losses)/gains, mainly relating to fluctuations in exchange rates among Renminbi, Japanese Yen and U.S. dollar, (ii) fair value gains on financial assets at fair value through profit or loss, mainly relating to our gains from extinguishment of preferred shares, which is investments in short-term wealth management products issued by commercial banks, and (iii) the difference between the carrying amount of the Preferred Shares, and the fair value of the ordinary shares issued by our Company.

Finance Costs – Net

The following table summarizes our finance costs for the periods indicated:

	Year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Finance income			
Bank interest income	947	621	565
Finance costs			
Interest expense on borrowings	(17,186)	(17,969)	(21,189)
Interest expense on lease liabilities	(666)	(639)	(1,445)
Others	–	–	(127)
Finance costs – net	(16,905)	(17,987)	(22,196)

Our finance costs primarily comprise interest expense on borrowings, which mainly represents the interest we paid to commercial banks and related parties. See "– Indebtedness" for more information.

Dividends on Preferred Shares

In 2018, 2019 and 2020, we declared dividends of nil, RMB8.5 million and nil on the Preferred Shares that are recognized as expenses.

Fair Value Changes from Preferred Shares

Fair value changes from preferred shares represent changes in fair value of the Preferred Shares held by TCI during the Track Record Period. In 2018, 2019 and 2020, the fair value changes from the Preferred Shares were RMB100.7 million, RMB190.5 million and RMB88.6 million, respectively. Please refer to Note 24 to the Accountant's Report included in Appendix I to this prospectus for more information concerning the Preferred Shares and the details of the valuation method. We designate the Preferred Shares as financial liabilities at fair value. The fair value changes from the Preferred Shares are recognized in profit or loss except for the portion attributable to credit risk change, which is recognized in other comprehensive income, if any. See "Risk Factors – Risks Relating to Our Business and Industry – We have incurred losses and had a net liability position in the past. We may continue to incur losses and may not be able to declare or pay dividends in the future" for more information.

Share of Net Profit of Associates and Joint Ventures Accounted for Using the Equity Method – Net

We recorded share of net profit from investments primarily because we had accounted for several investee companies that had profits or losses using the equity method during the Track Record Period. The following table summarizes our share of net profit or loss of associates and joint ventures accounted for using the equity method for the periods indicated:

	Year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Joint venture	4,543	6,304	8,694
Associate	(186)	17	592
Total	4,357	6,321	9,286

Income Tax Expenses

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations, and there is no taxation in the nature of inheritance tax or estate duty. See "Appendix III – Summary of the Constitution of the Company and Cayman Companies Act – Summary of Cayman Islands Company Law and Taxation – 19 Taxation."

Our subsidiaries operating in the PRC are subject to the PRC corporate income tax rate of 25% for the Track Record Period. In addition, our subsidiaries operating in Hong Kong are subject to Hong Kong profit tax at the rate of 16.5% on the estimated assessable profits and provisions that have been made during the Track Record Period. Our subsidiaries operating in Japan are subject to Japanese corporate income tax at an effective statutory tax rate of approximately 35% during the Track Record Period.

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors within China. The withholding tax rate may be lowered to a minimum of 5% where certain conditions are satisfied if there is a tax treaty between China and the jurisdiction of the foreign investors.

In 2018, 2019 and 2020, we had income tax expenses of RMB41.3 million, RMB46.4 million and RMB44.9 million, respectively. We are subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which our subsidiaries are domiciled and operate.

RESULTS OF OPERATIONS

The following discussion compares the major components of our operating results in 2018, 2019 and 2020.

Comparisons between 2020 and 2019

Revenue

Our revenue increased by 0.7% to RMB2,800.8 million in 2020 from RMB2,781.7 million in 2019, primarily attributable to the increase in the revenue generated from business under B2C model. Our revenue grew slower than expected during 2020 primarily due to the impact of COVID-19 on consumers' demands for products of our brand partners. See "Summary – Recent Developments and No Material Adverse Change – Impact of COVID-19 Outbreak on Our Business Operations and Financial Performance" and "Risk Factors – Risks Relating to Our Business and Industry – The recent outbreak of COVID-19 may adversely affect our business, financial condition, results of operations and prospects."

Our revenue derived from the B2C model increased from RMB1,353.0 million in 2019 to RMB1,539.8 million in 2020, primarily due to the increase in sales through cross-border e-commerce in line with the trend during 2018, 2019 and 2020 as well as the increase in sales through general trade. During 2019 and 2020, revenue generated from cross-border e-commerce under the B2C model increased from RMB753.2 million to RMB807.4 million, primarily attributable to (i) the continuing growth of sales of certain products of Shiseido; (ii) the increases in revenue generated from several up-and-coming brands, such as Attenir and Bioeffect; and (iii) the increase in sales of our health products, which was partially offset by the decrease in the revenue generated from products of Moony through cross-border e-commerce primarily because before we and a cross-border e-commerce platform reached an agreement upon certain contractual terms, which were of important commercial interest to us, for renewing our cooperation agreement in 2020, we strategically and temporarily decreased sales of Moony products on such e-commerce platform as a tactic to negotiate for more favorable terms. In August 2020, we and such e-commerce platform successfully renewed our cooperation agreement and the sales of Moony products have returned to normal level in October 2020. During the same period, the increase in revenue from general trade under the B2C model was primarily due to the increase in sales of products of Sofy and Moony through general trade.

The revenue derived from business under the B2B model decreased to RMB1,226.5 million in 2020 from RMB1,380.0 million in 2019, mainly attributable to decrease in (i) revenue generated from Moony branded products through cross-border e-commerce due to the reason mentioned above; and (ii) sales of products of brand A as we stopped cooperation with the relevant brand partner in 2020.

We recorded revenue from provision of services of RMB48.7 million in 2019 and RMB34.6 million in 2020.

Cost of Revenue

Our cost of revenue decreased to RMB1,912.7 million in 2020 compared to RMB1,978.3 million in 2019 mainly due to an increase in volume rebates granted by our brand partners to compensate us as we carried out more frequent marketing and promoting activities in 2020 to mitigate impact of COVID-19 outbreak.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 10.5% to RMB888.1 million in 2020 from RMB803.5 million in 2019. Our gross margin increased to 31.7% in 2020 from 28.9% in 2019, mainly as contribution of revenue from business under the B2C model continued to grow in 2020, which enjoyed a higher margin than goods sold under the B2B model. In addition, we recorded increases in both the gross margin and revenue contribution of B2C sales through general trade, primarily due to the increase in revenue contribution of products with higher gross margins in 2020, primarily including (i) Sofy primarily due to (a) the stockpiling of sanitary napkin products by consumers during the first quarter of 2020 because of COVID-19 outbreak; and (b) more marketing and promoting activities, especially live streaming events, were conducted to stimulate its sales, and (ii) Moony as a result of its change of sales strategy of shifting sales of certain products from cross-border e-commerce to general trade. The gross margins of our B2B business increased in 2020 compared with 2019 due to the increase in volume rebates granted by brand partners to us in 2020, as we carried out more aggressive promoting and marketing activities to mitigate the impact of COVID-19 outbreak.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 20.1% to RMB640.6 million in 2020 from RMB533.3 million in 2019. This was primarily attributable to (i) the increase in warehousing and logistics expenses in line with (a) the growth of our business under the B2C model, as compared to the B2B model, under which we need to be responsible for delivering products to end consumers, (b) the increasing proportion of products sold through cross-border e-commerce, of which the unit cost for warehousing and fulfillment was generally higher than that of general trade as we carry out more complex and comprehensive services ranging from customs clearance, cross-border shipment to delivering products to end consumers; and (c) the increase in warehousing expenses as we increased our inventory level in 2020 to prevent the impact of COVID-19 on supply of goods from overseas brand partners, (ii) the increase of sales operating expenses primarily resulting from the increase in online marketing expenses due to our more frequent use of live streaming media to promote our B2C business in 2020, (iii) the increase in employee benefit expenses due to changes in functional roles of certain staff members in 2020, and (iv) more marketing and promoting activities carried out by us to stimulate our sales in 2020 through which we intended to mitigate the impact of COVID-19 outbreak.

General and Administrative Expenses

Our general and administrative expenses decreased to RMB97.9 million in 2020 compared with RMB106.1 million in 2019, mainly because we recorded a decrease in employee benefit expenses primarily because (i) we did not record share-based compensation expenses in 2020 while we recorded such expenses in 2019; and (ii) we changed the functional roles of certain staff members in 2020 and thus with respect to which staff expenses were charged as employee benefit expenses under selling and marketing expenses in 2020, partially offset by an increase in our listing expenses in 2020.

Research and Development Expenses

Our research and development expenses increased to RMB8.8 million in 2020 from RMB1.6 million in 2019, which was mainly in relation to employee benefit expenses of our increasing number of research and development staff for improvement of our data analytics capabilities.

Net Impairment Losses on Financial Assets

In 2019 and 2020, our net impairment losses on financial assets were RMB0.9 million and RMB5.9 million, respectively, mainly relating to changes in our allowance over trade and other receivables based on expected credit loss. The increase in our net impairment losses on financial assets from 2019 to 2020 was primarily related to unsettled payments from certain customers with whom we are in the process of checking accounts. See Note 20 to the Accountant's Report included in Appendix I to this prospectus for more information.

Other Income

Our other income increased to RMB12.6 million in 2020 from RMB7.5 million in 2019, primarily attributable to the increase in interests on loans to related parties in relation to our loans to Shanghai Xuyi, and the increase in government subsidies of non-recurring nature.

Other (Losses)/Gains – Net

Our other net (losses)/gains changed from a net gain of RMB2.3 million in 2019 to a net loss of RMB3.1 million in 2020, mainly attributable to the change from foreign exchange gains of RMB1.1 million to losses of RMB6.8 million resulting from the depreciation of the reporting currencies of UNQ Japan and UNQ HK against RMB in 2020, which was partially offset by the gain from extinguishment of Preferred Shares of RMB3.1 million.

Fair Value Changes from Preferred Shares

The fair value change from preferred shares represents changes in fair value of the Preferred Shares held by TCI during the Track Record Period, which is recognized in profit or loss except for the portion attributable to credit risk change, which shall be recognized in other comprehensive income, if any. We recorded a loss of RMB88.6 million in 2020 in relation to fair value changes from the preferred shares, mainly resulting from changes in the valuation of our Group. See Note 24 to the Accountant's Report included in Appendix I to this prospectus for details regarding the changes in fair value of the Preferred Shares.

Finance Costs – Net

Our finance costs, net increased slightly to RMB22.2 million in 2020 from RMB18.0 million in 2019 primarily due to the increase in the average balance of our borrowings in 2020 compared with 2019.

Share of Net Profit of Associates and Joint Ventures Accounted for Using the Equity Method

Our share of net profit of associates and joint ventures accounted for using the equity method increased to RMB9.3 million in 2020 from RMB6.3 million in 2019, primarily relating to the results of operations of Calbee E-commerce Limited, a company in which our joint venture, UNQ International (HK) Limited, held equity interests.

Profit/(Loss) before Income Tax

As a result of the foregoing, we recorded profit before income tax of RMB43.0 million in 2020 while we recorded loss before income tax of RMB39.4 million in 2019.

Income Tax Expenses

Our income tax expenses decreased to RMB44.9 million in 2020 as compared to RMB46.4 million in 2019 generally in line with the scale of our taxable income.

Profit/(Loss) for the Year

As a result of the foregoing, we recorded a loss of RMB1.9 million in 2020 as compared to a loss of RMB85.7 million in 2019.

Adjusted Net Profit (Non-IFRS Measure)

As a result of the foregoing and after adding back fair value changes from preferred shares, dividends on preferred shares, share-based compensation and listing expenses, and removing gains from extinguishment of preferred shares, we would have an adjusted net profit (Non-IFRS measure) of RMB106.7 million in 2020 as compared with that of RMB139.4 million in 2019.

Comparisons between 2019 and 2018

Revenue

Our revenue increased by 9.5% to RMB2,781.7 million in 2019 from RMB2,541.0 million in 2018, primarily attributable to the increase in the revenue generated from business under the B2C model.

Our revenue derived from the B2C model increased from RMB1,089.4 million in 2018 to RMB1,353.0 million in 2019, primarily driven by the continuing growth of sales of products through cross-border e-commerce during the Track Record Period. During 2018 and 2019, revenue generated from cross-border e-commerce under the B2C model increased from RMB445.2 million to RMB753.2 million, primarily attributable to (i) the significant increase in the sales of several product series of certain of our existing brand partners, particularly Shiseido; (ii) the development of the business of several up-and-coming brands incubated by us, such as Koh Gen Do (江原道); and (iii) rapid growth in the revenue derived from newly introduced Kobayashi (小林) health products. Such increase was partially offset by a decrease in the revenue from general trade under the B2C model, primarily because we ceased to provide service to brand B (See "Business – Our Brand Partners – Brand Partner Development and Services" for details), the sales of which performed well in 2018.

The revenue derived from business under the B2B model slightly decreased to RMB1,380.0 million in 2019 from RMB1,404.3 million in 2018, mainly attributable to decreases in (i) sales to certain e-commerce platforms to improve our overall margin in accordance with our long-term strategy of further growing our business under the B2C model; and (ii) revenue generated from personal care products for babies, in particular (a) a decrease in revenue generated from Moony products as the brand partner upgraded its product portfolio with higher prices which have not achieved expected level of sales in 2019; and (b) a decrease in revenue generated from MamyPoko products, based on our belief and understanding, primarily due to its strategic change of product positioning, geographical market focus and sales models (i.e. online and offline sales channels). Such decrease was partially offset by the increase in sales to certain e-commerce platforms under B2B model such as Tmall Platforms and JD Platforms.

Our revenue from provision of services increased slightly to RMB48.7 million in 2019 from RMB47.2 million in 2018.

Cost of Revenue

Our cost of revenue remained stable at RMB1,978.3 million in 2019 compared to RMB1,924.6 million in 2018.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 30.4% to RMB803.5 million in 2019 from RMB616.3 million in 2018. Our gross margin increased to 28.9% in 2019 from 24.3% in 2018, as contribution of revenue from business under the B2C model and sales through cross-border e-commerce continued to grow in 2019, which enjoyed a higher margin than goods sold under the B2B model and through general trade respectively. In the meantime, while the gross margin of the B2B model remained relatively stable, the gross margin of the B2C model increased from 42.1% in 2018 to 47.7% in 2019, primarily due to (i) growth in revenue contribution from products with higher margins, and (ii) the adjustment of sale prices of some of our products in 2019.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 35.0% to RMB533.3 million in 2019 from RMB395.0 million in 2018, while revenue remained relatively stable. This was primarily attributable to (i) the increase of sales operating expenses primarily due to our enhanced online marketing and advertising activities for growing the scale of our business under the B2C model, and (ii) the increase in warehousing and logistics expenses in line with (a) the growth of our business under the B2C model, as compared to the B2B model, under which we need to be responsible for delivering products to end consumers, and (b) the increasing proportion of products sold through cross-border e-commerce, of which the unit cost for warehousing and fulfillment was generally higher than that of general trade.

General and Administrative Expenses

Our general and administrative expenses increased by 49.9% to RMB106.1 million in 2019 from RMB70.8 million in 2018. This was primarily attributable to (i) an increase in employee benefit expenses mainly due to an increase in the number as well as increased level of employee benefits of our general and administrative personnel, and (ii) the listing expenses.

Net Impairment Losses on Financial Assets

In 2018 and 2019, our net impairment losses on financial assets were RMB2.2 million and RMB0.9 million, respectively, mainly relating to changes in our allowance over trade and other receivables based on expected credit loss. The decrease in our net impairment losses on financial assets from 2018 to 2019 was primarily due to a decrease in allowance for impairment of trade receivables because of increased sales to B2B clients with better credit quality, partially offset by the increase in allowance for impairment of other receivables as of December 31, 2019 compared with that of December 31, 2018 in relation to loans made to Shanghai Xuyi.

Other Income

Our other income increased to RMB7.5 million in 2019 from RMB6.3 million in 2018, primarily attributable to the increase in interests on loans to related parties in relation to our loans to Shanghai Xuyi, partially offset by a decrease in government subsidies which is non-recurring in nature.

Other (Losses)/Gains – Net

Our other net (losses)/gains changed from a net loss of approximately RMB84,000 in 2018 to a gain of RMB2.3 million in 2019, mainly attributable to foreign exchange gains resulting from the appreciation of Japanese Yen and U.S. dollar against RMB.

Fair Value Changes from Preferred Shares

Fair value changes from the preferred shares increased from a loss of RMB100.7 million in 2018 to a loss of RMB190.5 million in 2019, mainly resulting from changes in the valuation of our Group. See Note 24 to the Accountant's Report included in Appendix I to this prospectus for details regarding the changes in fair value of the Preferred Shares.

Finance Costs – Net

Our net finance costs remained relatively stable in 2018 and 2019 while the average balance of our borrowings slightly increased during the same period, as our new borrowings in Japan in 2019 bear low interest rates.

Share of Net Profit of Associates and Joint Ventures Accounted for Using the Equity Method

Our share of net profit of associates and joint ventures accounted for using the equity method increased to RMB6.3 million in 2019 from RMB4.4 million in 2018, primarily relating to the results of operations of Calbee E-commerce Limited.

Profit/(Loss) before Income Tax

As a result of the foregoing, we recorded loss before income tax of RMB39.4 million in 2019 while we recorded profit before income tax of RMB41.4 million in 2018.

Income Tax Expenses

Our income tax expenses increased in 2019 as compared to 2018 generally in line with the scale of our taxable income.

Profit/(Loss) for the Year

As a result of the foregoing, we recorded a loss of RMB85.7 million in 2019 as compared to a profit of approximately RMB57,000 in 2018.

Adjusted Net Profit (Non-IFRS Measure)

As a result of the foregoing and after adding back fair value changes from preferred shares, dividends on preferred shares, share-based compensation and listing expenses, and removing gains from extinguishment of preferred shares, we would have an adjusted net profit (Non-IFRS measure) of RMB139.4 million in 2019 as compared with that of RMB112.3 million in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Historically, we funded our working capital primarily from borrowings and equity contributions from our shareholders. After the Global Offering, we intend to finance our future capital requirements through the same sources of funds as above, together with the net proceeds we will receive from the Global Offering. We do not anticipate any changes to the availability of financing to fund our operations in the future.

Taking into account the net proceeds from the Global Offering and the financial resources available to us, including cash and cash equivalents and cash flows from operating and financing activities, our Directors believe that we have sufficient working capital for our present requirements, that is at least 12 months from the date of this document.

To manage our liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations, and we mitigate the effects of fluctuations in cash flows. We aim to maintain sufficient cash through internally generated sales revenue and an adequate amount of committed credit facilities to meet our operational needs. Our objective is to maintain a balance between continuity and flexibility of funding through the use of interest-bearing bank and other borrowings. We review our liquidity position on an ongoing basis, including review of the expected cash inflows and outflows, results of performance, maturity of our borrowings, trade and other receivables balance and inventory level in order to monitor our liquidity requirements in the short and long terms. See "Risk Factors – Risks Relating to Our Business and Industry – We may need to raise additional capital to fund our business, but may not be able to obtain it on acceptable terms, or at all" for details.

Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Cash outflow from operating activities before movements in working capital	197,680	220,476	189,543
Changes in working capital	(218,175)	190,662	(490,124)
Interest received	1,076	3,675	565
Income tax paid	(36,511)	(67,975)	(68,400)
Net cash (used in)/generated from operating activities	(55,930)	346,838	(368,416)
Net cash generated from/(used in) investing activities	(6,862)	(104,808)	35,916
Net cash generated from financing activities	11,929	128,259	64,216
Net increase/(decrease) in cash and cash equivalents	(50,863)	370,289	(268,284)
Cash and cash equivalents at beginning of the year	191,675	156,159	538,561
Effect on exchange rate difference	15,347	12,113	(17,943)
Cash and cash equivalents at end of the year	156,159	538,561	252,334

Cash Flows from Operating Activities

Cash flows from operating activities reflect: (i) our (loss)/profit before income tax adjusted for non-cash and non-operating items (such as depreciation and amortization, impairment provisions and fair value changes of financial assets), (ii) the effects of movements in working capital (such as inventories, trade and other receivables and trade and other payables), and (iii) other cash items (such as interest received and income tax paid).

In 2020, we had net cash used in operating activities of RMB368.4 million, which primarily represented cash used in operations of RMB300.6 million plus income tax paid of RMB68.4 million. Cash used in operations was primarily attributable to our profit before

income tax of RMB43.0 million, adjusted by non-cash and non-operating items, and positive movements in working capital of: (i) an increase of RMB289.9 million in inventories mainly due to the increase in our purchases from brand partners to maintain a sufficient level of inventory to mitigate the potential impact of the outbreak of COVID-19 in 2021; (ii) an increase of RMB111.7 million in trade and other receivables primarily because (a) the gross carrying amount of our trade receivables increased in 2020 by RMB49.7 million primarily in relation to purchase from Shanghai Xuyi, and (b) rebates receivables increased by RMB65.3 million due to increases in purchases from brand partners for Singles Day Promotion and maintaining a higher level of inventories in 2020 and the start of 2021; and (iii) an increase in other current assets by RMB88.1 million, mainly due to increases in prepayment to third parties primarily in relation to rebates from brand partners not fully offset by our payables to such brand partners as of December 31, 2020 and consumption tax refund.

In 2019, we had net cash generated from operating activities of RMB346.8 million, which primarily represented cash generated from operations of RMB411.1 million minus income tax paid of RMB68.0 million. Cash generated from operations was primarily attributable to our loss before income tax of RMB39.4 million, adjusted by non-cash and non-operating items, and negative movements in working capital of: (i) an increase of RMB151.0 million in trade and other payables, mainly due to a one-off more favorable credit term granted by one of our major suppliers in 2019; and (ii) a decrease of RMB83.3 million in trade and other receivables. Our working capital adjustments were partially offset by (i) an increase of RMB28.0 million in other current assets due to the increase in the consumption tax refund; and (ii) an increase of RMB10.4 million in inventories.

In 2018, we had net cash used in operating activities of RMB55.9 million, which primarily represented cash used in operations of RMB20.5 million plus income tax paid of RMB36.5 million. Cash used in operations was primarily attributable to our profit before income tax of RMB41.4 million, adjusted by non-cash and non-operating items, and positive movements in working capital of: (i) an increase of RMB148.9 million in inventories, which was generally in line with the growth of our business under the B2B and B2C models; and (ii) an increase of RMB125.8 million in trade and other receivables, mainly due to the growth of the sales of our B2B model. Our working capital adjustments were partially offset by an increase of RMB64.4 million in trade and other payables, mainly due to the increase in purchases from our suppliers.

Cash Flows from Investing Activities

Our cash inflows from investing activities consisted primarily of proceeds from disposal of financial assets at fair value through profit or loss and investment income. Our cash outflows from investing activities consisted primarily of acquisition of financial assets at fair value through profit or loss.

In 2020, we had net cash generated from investing activities of RMB35.9 million, which was primarily attributable to our disposals of short-term wealth management products of RMB158.4 million. This was partially offset by the purchase of short-term wealth management products of RMB114.0 million.

In 2019, we had net cash used in investing activities of RMB104.8 million, which was primarily attributable to (i) the purchase of short-term wealth management products of RMB325.0 million; and (ii) the loan made to one of our associated companies, Shanghai Xuyi. This was partially offset by proceeds from our disposals of short-term wealth management products of RMB281.7 million.

In 2018, we had net cash used in investing activities of RMB6.9 million, which was primarily attributable to the purchase of short-term wealth management products of RMB406.0 million and the loan made to and the investment in Shanghai Xuyi. This was partially offset by proceeds from our disposals of short-term wealth management products of RMB411.8 million.

Cash Flows from Financing Activities

Our cash from financing activities primarily related to proceeds from borrowings from third parties and loans from related parties. Our cash used in financing activities consisted primarily of repayment of borrowings to third parties, repayment of loans to related parties, interest paid and dividends paid to shareholders.

In 2020, we had net cash generated from financing activities of RMB64.2 million, which was primarily attributable to proceeds from borrowings from third parties of RMB1,039.8 million, partially offset by (i) repayment of borrowings to third parties of RMB757.5 million, (ii) repayment of loans to related parties of RMB130.0 million in relation to borrowings from TCI and Mr. Matsumoto Ryoji, and (iii) payment of security deposit of approximately RMB51.3 million in relation to the counter-guarantee provided by UNQ Japan to TCI (see "– Indebtedness – Bank Loans" for more information).

In 2019, we had net cash generated from financing activities of RMB128.3 million, which was primarily attributable to proceeds from (i) borrowings from third parties of RMB729.1 million, (ii) loans from related parties of RMB125.3 million, and (iii) guarantees for offshore borrowings of RMB41.9 million, partially offset by (i) repayment of borrowings to third parties of RMB716.4 million, (ii) repayment of loans to related parties of RMB5.7 million, (iii) interest paid of RMB17.5 million, and (iv) dividends paid to shareholders of RMB17.9 million.

In 2018, we had net cash generated from financing activities of RMB11.9 million, which was primarily attributable to proceeds from borrowings from third parties of RMB600.8 million, partially offset by (i) repayment of borrowings to third parties of RMB521.6 million, (ii) repayment of loans to related parties of RMB25.2 million, (iii) interest paid of RMB16.6 million, and (iv) dividends paid to shareholders of RMB17.6 million.

CURRENT ASSETS AND LIABILITIES

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2018	2019	2020	2021
	(RMB in thousands)			
				(unaudited)
Current assets				
Inventories	412,059	400,317	659,361	790,029
Trade and other receivables	407,993	365,378	526,959	553,611
Other current assets	123,542	161,192	264,977	171,927
Financial assets measured at fair value through profit or loss	–	44,000	–	–
Restricted cash	44,247	4,831	3,200	3,200
Cash and cash equivalents	156,159	538,561	252,334	158,882
Total current assets	1,144,000	1,514,279	1,706,831	1,677,649
Current liabilities				
Contract liabilities	6,716	3,913	3,425	178
Trade and other payables	354,441	616,032	489,620	423,201
Lease liabilities	6,782	8,110	9,722	10,388
Current tax liabilities	39,040	31,362	35,094	43,116
Borrowings	318,574	332,384	580,639	614,219
Total current liabilities	725,553	991,801	1,118,500	1,091,102
Net current assets	418,447	522,478	588,331	586,547

Our net current assets decreased slightly to RMB586.5 million as of April 30, 2021 from RMB588.3 million as of December 31, 2020, mainly because the decrease in our current assets outpaced the decrease in our current liabilities. The decrease in total current assets was primarily attributable to (i) a decrease in other current assets of RMB93.1 million because of the settlement of the balance of our prepayment to a major supplier as of December 31, 2020, and (ii) a decrease in cash and cash equivalents of RMB93.5 million, partially offset by the increase in inventories of RMB130.7 million as a result of our preparation for the 618 Promotion. The decrease in total current liabilities was primarily attributable to the decrease in trade and other payables of RMB66.4 million mainly due to the settlement of trade payables due to TCI, partially offset by the increase in borrowings of RMB33.6 million.

Our net current assets increased by 12.6% to RMB588.3 million as of December 31, 2020 from RMB522.5 million as of December 31, 2019, because the increase in our current assets outpaced the increase in our current liabilities. The increase in total current assets was primarily attributable to increases in (i) inventories of RMB259.0 million, and (ii) trade and other receivables of RMB161.6 million, partially offset by the decrease in cash and cash equivalents of RMB286.2 million primarily due to increase in purchase from brand partners in the fourth quarter to maintain a sufficient level of inventories to prevent the potential impact of COVID-19 outbreak in 2021. The increase in total current liabilities was primarily attributable to the increase in borrowings of RMB248.3 million, which was partially offset by the decrease in trade and other payables of RMB126.4 million.

Our net current assets increased by 24.9% to RMB522.5 million as of December 31, 2019 from RMB418.4 million as of December 31, 2018, mainly because the increase in our current assets outpaced the increase in our current liabilities. The increase in our net current assets was primarily attributable to an increase of cash and cash equivalents of RMB382.4 million, partially offset by an increase of trade and other payables of RMB261.6 million, both of which were mainly due to the changes in frequency of payment as a result of a one-off more favorable credit terms granted by one of our major suppliers in 2019.

Inventories

The following table sets forth details of our inventories as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Merchant goods	421,743	418,815	702,490
Less: provision	(9,684)	(18,498)	(43,129)
	412,059	400,317	659,361

The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Up to three months	308,802	285,949	441,257
Three to six months	79,689	89,695	148,105
Six months to one year	26,275	29,412	66,341
Over one year	6,977	13,759	46,787
	421,743	418,815	702,490

Our inventories increased to RMB659.4 million as of December 31, 2020 from RMB400.3 million as of December 31, 2019 primarily due to (i) the increase in our purchases from brand partners as we intended to maintain a sufficient level of inventories to prevent the potential impact of COVID-19 outbreak in 2021; and (ii) the growth of our sales slower than expected, primarily due to the impact of COVID-19 outbreak. See "Summary – Recent Developments and No Material Adverse Change – Impact of COVID-19 Outbreak on Our Business Operations and Financial Performance" and "Risk Factors – Risks Relating to Our Business and Industry – The recent outbreak of COVID-19 may adversely affect our business, financial condition, results of operations and prospects." Our inventories remained stable as of December 31, 2019 compared to December 31, 2018.

As of April 30, 2021, all the inventories aged over one year as at December 31, 2018 and 2019 had been subsequently sold. As of April 30, 2021, for the inventories aged over one year as at December 31, 2020, approximately RMB29.4 million, representing 63.6% of these balances, had been subsequently sold. The remaining unsold inventories aged over one year had been stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Majority of such remaining inventories were daily necessity products for which we believe there are stable demands and which we believe will not be materially affected by economic cycle. Based on our assessment, there is no recoverability issue for inventories aged over one year as at December 31, 2020. Further, such remaining inventories have long shelf life and their remaining shelf life lasts for at least one year. Our management closely monitors the inventory level with reference to the aging analysis and other specific assessments, including physical conditions of the inventories, to identify inventories that are slow-moving, obsolete or having declines in market value, if any.

The following table sets forth the turnover days of our inventories for the periods indicated:

	Year ended December 31,		
	2018	**2019**	**2020**
Inventory turnover days[(1)]	67.1	75.8	102.3

Note:

(1) Inventories turnover days for a period equals the average of the opening and closing inventory balance divided by cost of goods for the relevant period and multiplied by the number of days in the relevant period.

Our inventory turnover days increased from 67.1 days in 2018 to 75.8 days in 2019, and further increased to 102.3 days in 2020, generally in line with the increasing share of revenue from the B2C model, especially those generated from sales through cross-border e-commerce. It generally takes a longer period of time for us to recognize revenue under B2C model than under B2B model, because under B2C model we recognize revenue when end consumers receive goods upon delivery; it takes even longer for us to do so with respect to B2C sales through cross-border e-commerce channels, which usually require more complex procedures, longer distance cross-border shipment and extra customs clearance than does general trade. See "– Significant Accounting Policies and Estimates – Revenue Recognition." Our inventory turnover days increased from 75.8 days in 2019 to 102.3 days in 2020 primarily due to the increase of the balance of inventories as of December 31, 2020 compared with December 31, 2019 which in turn was mainly due to the increase in our purchases from brand partners to maintain a sufficient level of inventories to mitigate the potential impact of COVID-19 outbreak in 2021.

We intend to improve our inventory management efficiency by applying the following measures: (i) monitoring our inventory level on a regular basis and placing orders based on our sales forecast, (ii) ensuring the accuracy of inventory data provided by third-party warehouses, (iii) deploying various methods to more accurately track and predict the inventory level of the products sold to e-commerce platforms under the B2B model, (iv) frequently communicating with e-commerce platforms in respect of the unsold inventory of the products purchased from us, (v) keep upgrading the warehouse management system and the enterprise resource planning system to better capture inventory data including sales revenue and product expiry date, (vi) monitoring and analyzing the relevant data to restock in a timely manner and respond to any change in market trends and consumers' preferences promptly, and (vii) closely monitoring inventory with weak sales performance and planning marketing and promotion activities accordingly to reduce their inventories to a reasonable level.

As of April 30, 2021, we had sold RMB460.7 million, approximately 65.6% of our inventories as of December 31, 2020.

Other Current Assets

Our other current assets mainly consist of VAT recoverable, prepayment to third parties and consumption tax refund. The following table sets forth details of our other current assets as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
VAT recoverable	98,602	89,912	101,482
Prepayment to third parties	17,752	13,208	66,278
Consumption tax refund	4,920	43,376	61,982
Prepaid CIT expenses	–	9,033	21,645
Prepaid listing expenses	–	2,104	9,226
Others	2,268	3,559	4,364
	123,542	161,192	264,977

Our other current assets increased by 64.4% to RMB265.0 million as of December 31, 2020 from RMB161.2 million as of December 31, 2019, primarily attributable to increases in (i) prepayment to third parties in relation to the portion of rebates granted by certain brand partners to us which had not been fully offset by our unsettled trade payables to them by December 31, 2020, (ii) consumption tax refund.

Our other current assets increased by 30.5% to RMB161.2 million as of December 31, 2019 from RMB123.5 million as of December 31, 2018, primarily attributable to the increase in consumption tax refund. Such increase was partially offset by the decreases in VAT recoverable and in prepayments to third parties.

Consumption tax refund refers to receivable balances of Japan Consumption Tax ("**JCT**") refund entitled to, but not yet received by, UNQ HK and UNQ Japan as of the end of relevant periods. JCT applies to all products purchased in Japan at the same rate, which was 8% prior to October 1, 2019 and changed to 10% from that day. We recorded an increase in JCT refund receivables as of December 31, 2020 compared with 2019 because our purchases in Japan in 2020 greatly exceeded that of 2019 which is the primary basis for calculating JCT. We also recorded an increase in JCT refund receivables as of December 31, 2019 compared with 2018, mainly because (i) our purchases in Japan in the third quarter of 2019 greatly exceeded that of 2018; and (ii) we applied for JCT refund in Japan in 2019 later than we did in 2018 with respect to our purchases in the second and third quarters, resulting in a larger amount of JCT refund not received by the end of 2019.

As of April 30, 2021, we had utilized RMB79.2 million, approximately 98.5% of our VAT recoverable as of December 31, 2020. As of April 30, 2021, we had received RMB62.8 million, 100.0% of our consumption tax refund as of December 31, 2020.

Trade and Other Receivables

Trade Receivables

Trade receivables represent outstanding amounts due from our customers or related parties for the purchase of inventories we sold or services we performed in the ordinary course of business. The following table sets forth details of our trade receivables as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Related parties	201	17,056	50,972
Third parties	255,433	189,293	205,058
Subtotal	255,634	206,349	256,030
Less: allowance for impairment	(4,073)	(2,277)	(7,551)
Trade receivables – net	251,561	204,072	248,479

Our trade receivables increased from RMB204.1 million as of December 31, 2019 to RMB248.5 million as of December 31, 2020, primarily in relation to purchases by Shanghai Xuyi from us.

Our trade receivables decreased from RMB251.6 million as of December 31, 2018 to RMB204.1 million as of December 31, 2019, primarily due to (i) the prolonged payments of a major B2B client in 2018 which were settled in 2019; and (ii) a decrease in sales under the B2B model during the last few months compared with that of the same period in the previous year.

We made allowance for impairment on receivables based on assumptions about risk of default and expected credit loss rates. The decrease in our impairment allowance as of December 31, 2019 compared to December 31, 2018 and the increase as of December 31, 2020 compared to December 31, 2019 were generally in line with the changes in trade receivables. With increased sales to B2B clients with better credit quality, our impairment provision as of December 31, 2019 was maintained at a level lower than that of December 31, 2018. We recorded an allowance provision of RMB7.6 million as of December 31, 2020 primarily in relation to unsettled payments from (i) Shanghai Xuyi, and (ii) a leading PRC new retail platform with whom we are in the process of checking accounts.

The following table sets forth an aging analysis of our trade receivables, based on invoice date, as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Up to three months	205,708	200,284	218,187
Three to six months	49,725	3,726	21,169
Six months to one year	201	2,339	14,491
Over one year	–	–	2,183
Total	255,634	206,349	256,030

As of December 31, 2018 and 2019, our trade receivables aged over three months were RMB49.9 million and RMB6.1 million, respectively, among which RMB0.11 million became bad debt losses. As of December 31, 2020, our trade receivables aged over three months were RMB37.8 million. As of April 30, 2021, we had settled RMB16.8 million, 44.3% of our trade receivables aged over three months as of December 31, 2020, with the remaining outstanding parts primarily due from Shanghai Xuyi. Based on our previous experience with collection of trade receivables from and our close cooperation with Shanghai Xuyi, we believe there is no recoverability issue for trade receivables aged over three months as of December 31, 2020, primarily because: (i) according to the audited financial information for the years ended December 31, 2019 and 2020 (the "Audited Financial Information") as provided by Shanghai Xuyi, Shanghai Xuyi experienced satisfactory development during those two years in terms of its financial performance, especially in terms of the scale of its assets and revenue; (ii) as an offline retail operator, Shanghai Xuyi has established business relationships with some leading offline retail channels, which we believe lays a solid foundation for its future development; (iii) according to the Audited Financial Information, the assets of Shanghai Xuyi primarily consist of current assets, which enable it to maintain a favourable liquidity position. As of December 31, 2020, as confirmed by Shanghai Xuyi, its inventories primarily consisted of personal care products, which are similar to certain categories of products dealt with by us and highly saleable in the market; (iv) an individual holding 70% equity interests of Shanghai Xuyi who is an Independent Third Party, a company where such individual holds 30% equity interests and which is an Independent Third Party, and another individual holding 50% equity interests in the aforementioned company who is an Independent Third Party, signed certain guarantee agreements dated April 25, 2021 to provide joint and several guarantees to the trade receivables due from Shanghai Xuyi under the relevant merchandise procurement agreements between Shanghai Xuyi and us; and (v) we have agreed with Shanghai Xuyi for its repayment for existing trade receivables aged over three months, and will implement tighter credit policies and closely monitor the financial conditions of Shanghai Xuyi on a regular basis.

During 2018, 2019 and 2020, substantially all of our trade receivables were outstanding for less than one year. Depending on the credit history of our customers and our relationships with them, we typically allow the flexibility by offering a credit period of up to 90 days after acceptance of delivery to customers under our B2B model (being five working days, from our issue of invoice, for customers under consignment arrangement under the B2B model) and customers of our online operating services and digital marketing services.

We apply the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and aging based on invoice. The expected loss rates are based on the payment profiles of sales and the corresponding historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. During 2018, 2019 and 2020, the expected loss rates of trade receivables are determined according to a provision matrix as follows:

	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
Trade receivables					
As of December 31, 2018					
Expected loss rate	1.54%	1.80%	5.62%		
Gross carrying amount (RMB'000)	205,708	49,725	201	–	255,634
Loss allowance provision (RMB'000)	3,167	895	11	–	4,073
As of December 31, 2019					
Expected loss rate	1.01%	2.22%	7.13%		
Gross carrying amount (RMB'000)	200,284	3,726	2,339	–	206,349
Loss allowance provision (RMB'000)	2,027	83	167	–	2,277
As of December 31, 2020					
Expected loss rate	1.56%	4.63%	13.66%	54.15%	
Gross carrying amount (RMB'000)	218,187	21,169	14,491	2,183	256,030
Loss allowance provision (RMB'000)	3,410	980	1,979	1,182	7,551

The following table sets forth the turnover days of our trade receivables for the periods indicated:

	Year ended December 31,		
	2018	**2019**	**2020**
Trade receivables turnover days[(1)]	29.9	29.9	29.6
Trade receivables turnover days of the B2B model[(1)]	39.8	44.2	50.2
Trade receivables turnover days of the B2C model[(1)]	11.0	12.2	10.9

Note:

(1) Trade receivable turnover days for a period equals the average of the opening and closing trade receivables divided by revenue or revenue from B2B/B2C model for the relevant period and multiplied by the number of days in the relevant period.

The trade receivable settlement period of our sales through cross-border channel is generally longer than that of sales through general trade. For our B2B business conducted through cross-border channel, we typically recognize revenue when the goods pass the ship's rail at the named port of shipment, which means the relevant payment settlement period shall include the period of time for cross-border shipping process, while at the time revenue is recognized for B2B business conducted through general trade, goods have already been delivered to e-commerce platforms and other distributors (for distribution arrangement) or end-customers (for consignment arrangement). See "– Significant Accounting Policies and Estimates – Revenue Recognition – B2B model."

For our B2C business, the length of payment terms is the key factor determining the length of our settlement period of trade receivables, because when consumers do not confirm acceptance on e-commerce platforms after receiving products within the payment terms set by the e-commerce platforms, the funds would be automatically released to us. E-commerce platforms generally apply longer payment terms for sales through cross-border e-commerce than that through general trade. For example, the payment term on Tmall for consumers' purchases through general trade is 10 days, while the payment term for purchases through cross-border e-commerce is 20 days. See "– Significant Accounting Policies and Estimates – Revenue Recognition – B2C model."

Our trade receivables turnover days remained relatively stable during 2018, 2019 and 2020. Trade receivables turnover days of the B2B model increased from 39.8 days in 2018 to 44.2 days in 2019, mainly due to the continuing growth of sales through cross-border e-commerce as well as the late settlement of trade receivables by a major customer in 2018. Trade receivables turnover days of the B2B model increased from 44.2 days in 2019 to 50.2 days in 2020, mainly due to our extension of credit periods for Shanghai Xuyi with respect to its procurement from us in 2020. Trade receivables turnover days of the B2C model increased from 11.0 days in 2018 to 12.2 days in 2019 as a greater percentage of revenue was derived from sales through cross-border e-commerce, for which e-commerce platforms typically implemented a longer payment term than that for general trade. Due to the same rationale, trade receivables turnover days of the B2C model decreased from 12.2 days in 2019 to 10.9 days in 2020, primarily due to the increase in B2C revenue through general trade as a percentage of our total revenue.

We have adopted various measures to accelerate the collection of our trade receivables, including, but not limited to, (i) reviewing aging analysis of the trade receivables on a monthly basis; (ii) following up with the parties with outstanding balance of trade receivables; (iii) improving the effectiveness of our collection methods of trade receivables and discussing and implementing any additional measures to further improve our collection rate; and (iv) collecting and retaining relevant supporting documents (including demand notes and reminder letters) to provide support for chasing payments and enforcing our rights under those documents.

As of April 30, 2021, we had settled RMB179.5 million, 70.1% of our trade receivables outstanding as of December 31, 2020.

Other Receivables

Other receivables primarily comprise loans and security deposit due from related parties, rebates receivables and deposits.

The following table sets forth details of our other receivables as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Related parties			
Loans	9,000	63,200	63,200
Guarantee for borrowings	–	–	49,324
Others	395	18,255	3,380
Third parties			
Rebates receivables	134,375	62,529	127,819
Deposits	9,650	15,575	14,821
Payment on behalf of other parties	–	–	10,215
Compensation receivables	–	–	4,747
Loan to third party	–	–	4,245
Others	3,705	5,179	3,899
Subtotal	157,125	164,738	281,650
Less: allowance for impairment	(693)	(3,432)	(3,170)
Other receivables – net	156,432	161,306	278,480

Our other receivables increased from RMB161.3 million as of December 31, 2019 to RMB278.5 million as of December 31, 2020, primarily as (i) we paid security deposit in relation to the counter-guarantee provided by UNQ Japan to TCI which amounted to RMB49.3 million as of December 31, 2020, after reflecting foreign exchange adjustment (see "– Indebtedness – Bank Loans" for more information), and (ii) rebates receivables increased from RMB62.5 million to RMB127.8 million due to an increase in our purchase from brand partners for Singles Day Promotion in 2020 and to maintain a sufficient level of inventories to prevent the potential impact of COVID-19 outbreak in 2021. We recorded payment on behalf of other parties in the amount of RMB10.2 million as of December 31, 2020 in relation to advance payment we made on behalf of another e-commerce service provider for procurement of products. As of December 31, 2020, we recorded compensation receivables in the amount of RMB4.7 million in relation to compensation in relation to loss or damage of inventories to be received from a third-party logistics service provider. As of December 31, 2020, the loan to

third party of RMB4.2 million refers to our loans made to Shanghai Baiyue Grocery Corporation Limited (上海佰悦生活用品有限公司), to whom we provided e-commerce solutions during the Track Record Period. We provided loans to this company to fund its short-term capital needs.

Our other receivables increased from RMB156.4 million as of December 31, 2018 to RMB161.3 million as of December 31, 2019, primarily due to the increase in the private loans made by us to Shanghai Xuyi. We believe our stable cooperation with Shanghai Xuyi, which mainly operates offline distribution business, will improve our capability to provide more comprehensive services to our brand partners. To rectify non-compliance with the General Lending Provisions (《貸款通則》), on March 11, 2021, we (as the entrusting party), Shanghai Xuyi (as the borrower) and Sumitomo Mitsui Banking Corporation (China) Limited (三井住友銀行(中國)有限公司) (as the entrusted party and the lender) entered into an entrusted loan agreement in order to replace the existing private loans granted by us to Shanghai Xuyi with the entrusted loans. Our PRC Legal Advisor is of the view that such entrusted loans are in compliance with the PRC laws and regulations, including the General Lending Provisions. The increase was partially offset by the decrease in rebates from suppliers as a result of changes in rebate policies of certain brand partners.

According to the General Lending Provisions (《貸款通則》), only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender equivalent to one to five times of the illegal income generated from loan advancing activities. However, according to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Supreme Court Provisions**"), that became effective on September 1, 2015, and latest amended on December 29, 2020 (with effect from January 1, 2021), lending contracts among companies are valid if they are made for the purposes of supporting production or business operations. Pursuant to the Supreme Court Provisions, private lending contracts concluded between legal persons or other organizations are effective and valid under PRC law except where the contracts for the lending (i) are void under the Article 146, 153 and 154 of the PRC Civil Code (《中華人民共和國民法典》) or (ii) fall within the scope of void lending contracts as particularly provided in the Article 13 of the Supreme Court Provision; and our lending agreements with related parties or third parties do not fall into either of such two exempted categories. PRC courts will also support a company's claim for agreed interest rate not exceeding four times of the loan prime rate for one year, or the LPR for one year, meaning the loan prime rate for one-year loan announced monthly by the National Interbank Funding Center since August 20, 2019 as authorized by the PBOC, at the time of conclusion of the contract. If the borrowing or lending occurs before August 20, 2019, the upper limit of protected interest rate may be determined as four times of the LPR for one year at the time when the plaintiff files the lawsuit. As of the Latest Practicable Date, we had not received any PBOC's decision of administrative fine relating to the private loans advanced by us. Our PRC Legal Advisors are of the view that, pursuant to the Article 153 of the PRC Civil Law and the Article 13 of Supreme Court Provisions, private lending contracts that violate the mandatory provisions of laws and administrative regulations issued by the State

Council are invalid. Since the General Lending Provisions was promulgated by the PBOC, which are regulatory provisions at ministry level, the General Lending Provisions promulgated at ministry level shall not be regarded as laws or administrative regulations under the PRC legal regime. In addition, the mandatory provisions of laws and the administrative regulations are superior to the provisions promulgated by any ministry or department. In conclusion, our PRC Legal Advisors are of the view that, (i) though the private loans advanced by us to our related parties and third parties are not in compliance with the General Lending Provisions, such private loans agreements do not violate any mandatory rules of PRC laws and administrative regulations and are legally binding on both parties to the relevant agreements pursuant to the Supreme Court Provisions and the PRC Civil Code; (ii) our Company also has the right to charge interest from related parties according to the interest rate agreed in such private loans agreements, which is lower than the upper limit stipulated in the Supreme Court Provisions; (iii) the form and substance of the entrusted loan agreement entered into among us (as the entrusting party), Shanghai Xuyi (as the borrower) and Sumitomo Mitsui Banking Corporation (China) Limited (三井住友銀行(中國)有限公司) (as the entrusted party and the lender) are in compliance with the applicable PRC laws and regulations, including the General Lending Provisions; and (iv) given the above, the possibility that the PBOC would impose an administrative fine amounting to one to five times of the illegal income on us pursuant to the General Lending Provisions is relatively low.

Prior to listing, all our loans to other companies including the entrusted loans granted to Shanghai Xuyi and the loans we provided to Shanghai Baiyue Grocery Corporation Limited will be terminated. Upon listing, we will not provide any private loans to other companies which will breach the General Lending Provisions. All of our other receivables from related parties as of December 31, 2020 is expected to be settled prior to listing.

We use three categories for other receivables, namely, stage one, stage two and stage three, which reflect their credit risk and how the expected credit loss ("**ECL**") provision is determined for each of those categories. See Note 20 to the Accountant's Report included in Appendix I to this prospectus for more information.

The following table sets forth the carrying amount of other receivables assessed under stage one, two and three, as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Stage one	154,429	163,203	281,226
Stage two	979	313	56
Stage three	1,717	1,222	368
	157,125	164,738	281,650

The following table sets forth the movements on our allowance for impairment of other receivables, as of the dates indicated:

	Year ended December 31,		
	2018	2019	2020
	(RMB in thousands)		
At beginning of year	279	693	3,432
Charge for the year			
– charge to profit or loss	410	2,738	537
– exchange differences	4	1	(69)
Write-off for the year	–	–	(730)
At end of year	693	3,432	3,170

The following table sets forth an aging analysis of our rebates receivables, as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	(RMB in thousands)		
Up to one month	88,122	43,928	123,484
Two to three months	46,253	18,601	4,335
	134,375	62,529	127,819

During the Track Record Period, the credit term for rebate payments was generally up to 120 days upon the issuance of invoices. During the Track Record Period, the rebates receivables were mainly due from our brand partners, and they were timely settled. We regarded these brand partners with high reputation, a low risk of default and a strong capacity to meet contractual cash flows during the Track Record Period. Our management performed below procedures on ECL assessment of rebates receivables: (a) assessing the reliability of related accounting policies and historical judgments adopted in ECL by reviewing the actual write-offs or losses of rebates receivables during the historical period; (b) timely communicating with vendors to confirm the accrual balances of rebates receivables; (c) assessing the collectability of rebates receivables by making regular aging analyses and taking into consideration of both current and future economic situations; (d) assessing these rebates receivables based on the financial and non-financial conditions of the brand partners and other external evidence and considerations; and (e) evaluating forward-looking macroeconomic data used in our ECL model of rebates receivables. The provision for ECL is supported by the procedures mentioned above, and all ECL information has been fully disclosed on pages I-51 and I-52 of this prospectus.

The rebates receivables as of December 31, 2018 and 2019 were all settled in the subsequent period and no overdue balances are incurred. By reviewing subsequent bank statements, there is no significant discrepancy between the amount estimated for rebates receivables and the actual amount received from brand partners. The rebates receivables as of December 31, 2020 are all confirmed and relevant invoices have been issued to the brand partners.

As of April 30, 2021, we had received RMB125.7 million, approximately 98.3% of rebates receivables, and there is no significant discrepancy between the amount estimated for rebates receivables and the actual amount received from brand partners by reviewing subsequent bank statements. The remaining portion of rebates receivables in the amount of RMB2.1 million is still within the credit period and under the collection process.

Financial Assets Measured at Fair Value through Profit or Loss

The following table sets forth our financial assets measured at fair value through profit or loss as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Wealth management products	–	44,000	–

Financial assets at fair value through profit or loss represent wealth management products purchased from commercial banks in the PRC, such as the Bank of Shanghai without guaranteed returns. These wealth management products invest principally in low risk and liquid fixed-income instruments that are quoted on the interbank market or exchanges in China, including, among others, treasury bonds, corporate bonds, medium-term notes, short-term commercial paper and interbank deposits. However, in general, neither the principal nor the returns of any wealth management product are protected or guaranteed by the issuing bank. Those wealth management products generally do not have fixed terms and are redeemable on demand. The increases in our investments in wealth management products during the Track Record Period were primarily due to increases in our operating cash.

We purchase and redeem short-term wealth management products from time to time for liquidity management purpose. We generally prefer bank-issued wealth management products with a relatively low risk level assigned to them by relevant banks and as stipulated in the purchase agreements for such products. To reduce potential risks, we have established a comprehensive policy for investment in low-risk wealth management products covering selection, subsequent management and disposal of wealth management products. Our policy focuses on avoiding undue risks in the purchase of wealth management products and requires that such purchase be made only when there is a surplus of cash.

The policy sets forth the approval process for the purchase of such products and the responsible person/department for the enforcement of the policy. Our investment decisions are made on a case-by-case basis and after due and careful consideration of our cash flow and operational needs. Each transaction for our investments in wealth management products is subject to the approval of our chief financial officer, Mr. Shen Yu. For details of the biography of Mr. Shen Yu, see "Directors and Senior Management – Directors – Executive Directors". We closely monitor latest developments in credit market and interest risks and regularly assess the relevant impacts on the performance and principal of the wealth management products we purchased. We redeem wealth management products when there is a need for cash from our operating activities. We believe that we can make better use of our cash by making appropriate investments to enhance our income without interfering with our business operation. We plan to continue to purchase similar wealth management products based on the above policy and subject to market risks and availability of suitable alternatives.

Restricted Cash

Our restricted cash remained generally stable as of December 31, 2019 and 2020 primarily in relation to online stores guarantee bank deposits paid to e-commerce platforms. Our restricted cash decreased to RMB4.8 million as of December 31, 2019 from RMB44.2 million as of December 31, 2018 as we repaid the loan under a cross-border guarantee arrangement in 2019 in relation to our procurement in Japan, which released our cash pledged to a Chinese commercial bank for such cross-border guarantee arrangement.

Contract Liabilities

The following table sets forth details of our contract liabilities as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Related parties	5,593	–	–
Third parties	1,123	3,913	3,425
Total	6,716	3,913	3,425

Our contract liabilities were RMB6.7 million as of December 31, 2018, RMB3.9 million as of December 31, 2019, and RMB3.4 million as of December 31, 2020, respectively, mainly in relation to our provision of online operating services to TCC, and the advance payments made by certain B2B customers and digital marketing services.

Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

The following table sets forth details of our trade and other payables as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Trade payables			
Related parties	8,433	32,854	111,865
Third parties	242,186	363,803	286,781
	250,619	396,657	398,646
Other payables			
Related parties	31,110	149,795	15,615
Third parties	46,200	32,812	32,401
	77,310	182,607	48,016
Accrued payroll	19,392	23,385	20,979
Accrued listing expenses	–	5,305	15,322
Dividend payable	–	2,055	–
Other taxes payables	5,126	4,077	5,101
Interest payables	1,994	1,946	1,556
Total	354,441	616,032	489,620

Our trade payables remained stable as of December 31, 2019 and 2020. Our trade payables to related parties increased from RMB32.9 million as of December 31, 2019 to RMB111.9 million as of December 31, 2020 primarily because TCI granted us a credit term with respect to purchase Unicharm products. Our trade payables to third parties decreased from RMB363.8 million to RMB286.8 million, primarily due to a decrease in trade payables to third parties due to the settlement of payments with one major supplier which granted us a one-off more favourable credit term in 2019, partially offset by the effect resulting from the change in the frequency of our payment to certain brand partner.

As of December 31, 2019, our trade payables increased to RMB396.7 million from RMB250.6 million as of December 31, 2018, primarily due to the changes in frequency of payment as a result of a one-off more favorable credit terms granted by one of our major suppliers in 2019.

Other payables mainly refer to loans from related parties and warehousing and logistic expenses to be paid to third-party service providers. As of December 31, 2020, our other payables due from related parties consist of (i) borrowings from Mr. Matsumoto Ryoji of RMB13.1 million, which will be settled before listing, and (ii) guarantee fee to be paid to TCI in relation to its provision of guarantee relating to our loans from two Japanese banks (see "– Indebtedness – Bank Loans"), which was settled on January 20, 2021. Our other payables decreased to RMB48.0 million as of December 31, 2020 from RMB182.6 million as of December 31, 2019, primarily due to our repayment of loans from related parties. Our other payables increased to RMB182.6 million as of December 31, 2019 from RMB77.3 million as of December 31, 2018, primarily due to the increase in loans from our related parties.

Such loans were conducted on an arm's length basis. See "Relationship with Our Controlling Shareholders – Independence from Controlling Shareholders – Financial Independence" and Note 36 to the Accountant's Report in Appendix I to this prospectus for more information. All of our other payables to related parties as of December 31, 2020 is expected to be settled prior to listing.

The following table sets forth the turnover days of our trade payables for the periods indicated:

	Year ended December 31,		
	2018	**2019**	**2020**
Trade payable turnover days[(1)]	43.3	59.7	76.1

(1) Trade payable turnover days for a period equals the average of the opening and closing trade payables divided by cost of revenue for the relevant period and multiplied by the number of days in the relevant period.

The ascending trend in trade payable turnover days in 2018, 2019 and 2020 was mainly affected by the schedules of our payment to certain brand partners in 2019 and 2020 as discussed above.

As of April 30, 2021, we had settled 99.1% of our trade payables outstanding as of December 31, 2020.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30
	2018	2019	2020	2021
	(RMB in thousands)			
				(unaudited)
Bank loans				
– Current	287,810	318,463	555,882	597,062
– Current portion of non-current	6,835	10,460	12,450	11,101
– Non-current	6,335	5,718	34,084	28,186
Corporate bonds				
– Current portion of non-current	2,104	3,461	4,553	6,056
– Non-current	4,085	7,178	8,221	14,252
Loans from other financial institutions				
– Current	21,825	–	7,754	–
Lease liabilities				
– Current	6,782	8,110	9,722	10,388
– Non-current	3,177	10,370	14,983	12,277
Preferred Shares	705,666	896,182	–	–
Total	1,044,619	1,259,942	647,649	679,322

Borrowings

As of April 30, 2021, being the latest practicable date for the purpose of the indebtedness statements, we had an aggregate of borrowings (including bank loans, corporate bonds and loans from third-party financial institutions) of RMB656.7 million. As of the Latest Practicable Date, we had unutilized banking facilities of RMB293.1 million.

Bank Loans

As we grow our business, our demand for working capital increases. The majority of our bank loans are either secured loans with the collateral of our inventories or pledged cash to several Japanese and PRC commercial banks, or loans obtained from commercial banks guaranteed by our related parties. Please see Note 27 of the Accountant's Report attached to this prospectus as Appendix I for details of our secured or guaranteed indebtedness and unsecured indebtedness. As of April 30, 2021, the amount of bank loans which is guaranteed by Mr. Matsumoto Ryoji was JPY2,658.1 million (equivalent to RMB157.8 million). Guarantee

provided by Mr. Matsumoto Ryoji over such loans will be released prior to listing. See also "Relationship with Our Controlling Shareholders – Independence from Controlling Shareholders – Financial Independence".

In March 2020, UNQ Supply Chain, as the borrower, entered into two short-term revolving facility agreements with each of Sumitomo Mitsui Banking Corporation (China) Limited and Bank of Tokyo-Mitsubishi UFJ (China), Ltd., as the lenders, each for a short-term loan of RMB100,000,000 due November 30, 2020 at interest rates per annum of 3.95% and 3.9%, respectively, with the guarantee provided by TCI. UNQ Japan provided a counter-guarantee with a liability cap of an equivalent amount of approximately RMB50.0 million to TCI with respect to such loans and UNQ Japan has advanced an equivalent amount of approximately RMB51.3 million to the account of TCI as a security. See "Relationship with Our Controlling Shareholders – Independence from Controlling Shareholders – Financial Independence." Associated with the guarantee provided by TCI mentioned above, pursuant to an agreement on March 24, 2020 entered into between TCI, UNQ Supply Chain and Mr. Wang Yong, if UNQ Supply Chain fails to repay TCI any amount resulting from TCI's performance of its obligations under the guarantee with respect to such loans, TCI would have the right to choose to (i) convert part or all of such unpaid amount into new issued shares of our Company; and/or (ii) make capital injection into our Company through subscribing newly issued shares. On June 19, 2020, those two rights of TCI were terminated upon the agreement among TCI, UNQ Supply Chain and Mr. Wang Yong. Our short-term facilities agreements with Sumitomo Mitsui Banking Corporation (China) Limited and with MUFG Bank (China), Ltd., have been renewed to June 30, 2021, each with an outstanding principal amount of RMB75,000,000. The renewed facility agreement with MUFG Bank (China), Ltd. has an applicable interest rate of 4.1% per annum. Such two loans made by Sumitomo Mitsui Banking Corporation (China) Limited and MUFG Bank (China), Ltd. to us will be settled before listing.

Corporate Bonds

In December 2018, we issued corporate bonds due 2021 at an annual coupon rate of 0.25% and in the aggregate principal amount of JPY100,000,000 (equivalent to RMB6,189,000) guaranteed by a Japanese commercial bank. In September 2019, we issued corporate bonds due 2024 at an annual coupon rate of 0.1% and in the aggregate principal amount of JPY100,000,000 (equivalent to RMB6,409,000) guaranteed by a Japanese commercial bank. In May 2020, we issued corporate bonds due 2025 at an annual coupon rate of 0.8% and in the aggregate principal amount of JPY100,000,000 (equivalent to RMB6,580,800) guaranteed by a Japanese commercial bank and Mr. Matsumoto Ryoji. As of April 30, 2021, the amount of corporate bonds which is guaranteed by Mr. Matsumoto Ryoji was JPY240.0 million (equivalent to RMB14.3 million). Such guarantee provided by Mr. Matsumoto Ryoji will be released prior to listing.

Loans from Third-party Financing Platforms

As a supplement to bank borrowings and corporate bonds, from time to time, we obtain secured or unsecured short-term loans from third-party financing platforms to meet our short-term capital requirement. Compared to banks, those third-party financial platforms are able to release funds within a shorter period of time and offer more flexible repayment arrangements. The majority of such loans were denominated in U.S. dollar or Japanese Yen, and made by Alipay Hong Kong Limited or Ant Lending Global Company Limited to UNQ HK and UNQ Japan to fund its operations, which provide us with more convenient access to fund of foreign currency. In respect of the remaining loans made to members of our Group incorporated in the PRC during the Track Record Period, including UNQ Supply Chain and Hangzhou SPT, our PRC Legal Advisor is of the view that those funding arrangements were in compliance with the relevant PRC laws and regulations. We believe that obtaining borrowings from third-party financing platforms is in line with the market practice of the industry where we operate and we intend to continue to utilize such source of fund. Those short-term loans usually have a term of up to one year at an annual interest rate of approximately 5.2% to 9.125%. We usually repay those loans before maturity as long as we have sufficient cash at hand.

Lease Liabilities

IFRS 16 introduced a single lessee accounting model, whereby assets and liabilities are recognized for all leases on the balance sheet, subject to certain exceptions. As of December 31, 2018, 2019 and 2020, our lease liabilities were RMB10.0 million, RMB18.5 million and RMB24.7 million, respectively. These lease liabilities mainly consisted of leases of certain office properties from third parties and our related parties.

Preferred Shares

As of April 30, 2021, we did not have any Preferred Shares held by TCI. For further information regarding the Preferred Shares, see Note 24 to the Accountant's Report in Appendix I to this prospectus. Since December 31, 2020 and up to April 30, 2021, we had not issued or repurchased any preferred shares.

Except as disclosed above, during the Track Record Period and up to April 30, 2021, being the latest practicable date for the purpose of the indebtedness statement, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities. As of the Latest Practicable Date, there was no material covenant on any of our outstanding borrowings.

CONTINGENT LIABILITIES

As of December 31, 2018, 2019 and 2020, we were not involved in any material legal, arbitration or administrative proceedings that were expected to materially and adversely affect our financial condition or results of operations.

Our Directors confirm that there has been no material change in our contingent liabilities since December 31, 2020 and up to the date of this document.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	As of or for the year ended December 31,		
	2018	**2019**	**2020**
Operating profit margin[(1)](%)	6.1	6.2	5.2
Net profit margin[(2)](%)	–	(3.1)	(0.1)
Adjusted net profit margin (Non-IFRS measure)[(2)](%)	4.4	5.0	3.8
Current ratio[(3)]	1.6	1.5	1.5
Quick ratio[(4)]	1.0	1.1	0.9

Notes:

(1) Operating profit margin equals operating profit for the year divided by revenue for the respective period.

(2) Net profit margin equals net profit divided by revenue for the respective period. Adjusted net profit margin (Non-IFRS measure) equals adjusted net profit (Non-IFRS measure) divided by revenues for the period and multiplied by 100%. For the reconciliation from (loss)/profit to adjusted net profit (Non-IFRS measure), see "– Adjusted Net Profit (Non-IFRS Measure)".

(3) Current ratio equals current assets divided by current liabilities as of the respective dates.

(4) Quick ratio equals total current assets less inventories divided by total current liabilities as of the respective dates.

See "– Results of Operations – Comparisons between 2020 and 2019", "– Results of Operations – Comparisons between 2019 and 2018" for a discussion of the factors affecting our results of operations during the respective periods.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

In 2018, 2019 and 2020, our capital expenditures were RMB1.6 million, RMB5.3 million and RMB9.6 million, respectively, which were primarily related to our purchase of software licenses, fixed assets comprising computer equipment, office furniture, vehicles, and renovation of rental offices.

Capital Commitments

The table below sets forth our capital commitments as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Within one year	504	1,013	–

Operating Lease Commitments

We lease offices under non-cancelable operating lease agreements. The following table sets forth our future minimum lease payments payable under non-cancelable operating leases falling due as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Within one year	349	293	24

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note 36 to the Accountant's Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors believe that our transactions with related parties during 2018, 2019 and 2020 did not distort our results of operations or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our activities expose us to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our senior management.

Market Risk

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our Group's entities' functional currency. We determine to present our Group's consolidated financial statements in RMB. We determine that the functional currency of UNQ HK is US dollar and that of UNQ Japan is Japanese Yen.

A 5% strengthening of foreign currency against the following currencies at each period end would have changed post-tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
USD	–	25	114
JPY	255	843	674
RMB	118	274	66
HKD	–	19	23
	373	1,161	877

A 5% weakening of the RMB against the above currencies at December 31, 2018, 2019 and 2020 would have the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Cash Flow and Fair Value Interest Rate Risk

Our interest-bearing assets and liabilities are bank borrowings, cash and cash equivalents and financial assets carried at FVPL. Therefore, our interest rate risk mainly arises from bank borrowings, cash and cash equivalents and financial assets carried at fair value through profit or loss. Except for bank borrowings which are entitled to fixed interest rates and expose us to the fair value interest rate risk, cash and cash equivalents and financial assets carried at FVPL are carried at variable rates and expose us to cash flow interest rate risk.

Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash, wealth management products as well as trade and other receivables. The carrying amount of each class of the above financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

We expect that there is no significant credit risk associated with cash and cash equivalents and short-term investments, which were held by reputable financial institutions in the jurisdictions where our Company and its subsidiaries are located. We believe that we are not exposed to unusual risks as these financial institutions have high credit quality.

Our major customers are e-commerce platforms with high reputation in China. We have monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

We consider the probability of default upon initial recognition of assets, and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. We consider available reasonable and supportive forwarding-looking information.

Other receivables mainly comprise amounts due from related parties, rebates from vendors, deposits and other receivables. Our Directors consider the probability of default upon initial recognition of assets, and whether there has been a significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, we compare risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition.

We review regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, we account for our credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, we consider historical loss rates for each category of debtors, and adjust for forward-looking macroeconomic data.

Liquidity Risk

Liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the nature of the underlying businesses, our policy is to regularly monitor our liquidity risk and to maintain adequate cash and cash equivalents to meet our liquidity requirements.

For an analysis of our financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date, see Note 3 to the Accountant's Report in Appendix I to this prospectus.

DIVIDEND POLICY

Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio. Any future declarations and payments of dividends will be at the absolute discretion of our Directors after taking into account our results of operations, cash flows, financial position, cash dividends we receive from subsidiaries of our Company, future business prospects, statutory and regulatory restriction on payment of dividends by us, and other relevant factors. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all.

As advised by our Cayman legal adviser, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits 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. In light of our accumulated losses as disclosed in this prospectus, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on October 31, 2019 and has not carried out any business since the date of incorporation. As of December 31, 2020, our Company did not have any distributable reserves.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as of December 31, 2020 as if the Global Offering had taken place on that date.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as of December 31, 2020 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of the Group as of December 31, 2020 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2020 *(Note 1)*	**Estimated net proceeds from the Global Offering** *(Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2020**	**Unaudited pro forma adjusted net tangible assets per Share** *(Note 3)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$11.86 per Offer Share	616,809	257,713	874,522	5.27	6.38
Based on an Offer Price of HK$15.35 per Offer Share	616,809	346,228	963,037	5.81	7.03

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2020 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is the audited consolidated net assets of the Group attributable to the owners of the Company as of December 31, 2020 of RMB618,731,000 with adjustments for the intangible assets attributable to the owners of the Company as of December 31, 2020 of RMB1,922,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$11.86 and HK$15.35 per Offer Share, being the low end to high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB30,914,000 which have been accounted for in the Group's consolidated statements of comprehensive income prior to December 31, 2020) paid/payable by the Group and takes no account of any options which may be granted under the Share Option Scheme, any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 165,894,700 Shares were in issue assuming that the Global Offering and Capitalization Issue had been completed on December 31, 2020 but takes no account of any options which may be granted under the Share Option Scheme, any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2020.

(5) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2020.

(6) For the purpose of preparing this unaudited pro forma statement of adjusted net tangible assets, the amount denominated in Chinese Renminbi have been converted into Hong Kong dollars at a rate of RMB0.8264 to HK$1.00. No representation is made that the Chinese Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2020 (being the date of our latest audited financial statements) and there has been no event since December 31, 2020 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We estimate that our listing expenses to be approximately RMB74.0 million (assuming an Offer Price of HK$13.61 per Offer Share (being the mid-point of the indicative Offer Price range) and no exercise of the Over-allotment Option), accounting for approximately 17.7% of the gross proceeds from the Global Offering (based on the mid-point of the indicative Offer Price range, before the exercise of the Over-allotment Option). In 2019 and 2020, we incurred listing expenses in the aggregate amount of approximately RMB39.1 million (comprising of RMB9.7 million for 2019 and RMB29.4 million for 2020), out of which RMB30.9 million was expensed and RMB8.2 million was recorded as prepayment and will be capitalized upon the completion of the Global Offering. We expect to further incur approximately RMB34.9 million of listing expenses after 2020 upon the completion of the Global Offering, of which approximately RMB15.2 million is expected to be expensed and the remaining RMB19.7 million is directly attributable to our issue of Offer Shares and will be capitalized.

FUTURE PLANS

See "Business – Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$13.61 per Offer Share (being the mid-end of the Offer Price range stated in this prospectus), will be approximately HK$383.97 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes:

- Approximately 54.4%, or HK$208.7 million, for investing in social media marketing and advertising, growing proprietary brands, diversifying brand portfolios and strengthening supply chain management. Specifically, we plan to allocate:

  – approximately 67.9% of our net proceeds earmarked for this category for expanding our sales channels and strengthening omni-channel marketing capabilities through our investments in social media marketing and advertising. As of the Latest Practicable Date, we had built business relationships with 66 brands. Given the increasing number of our cooperated brands and the increasing influence of social media in marketing and promotion, we plan to improve our social media marketing by expanding the coverage of marketing channels. Specifically, we plan to enhance marketing initiatives for the relevant products during the period from 2021 to June 30, 2023, and allocate (a) approximately HK$39.1 million, HK$47.3 million and HK$23.4 million in 2021, 2022 and the first half of 2023, respectively, for advertisements through marketing tools offered by e-commerce platforms such as Zhitongche (直通車), Taobaoke (淘寶客) and Pinxiaobao (品銷寶), which are frequently used as efficient marketing tools in the industry for e-commerce operations, to reach new consumers. We consider Zhitongche and Taobaoke as important daily promotional tool for our store operations, of which Zhitongche is a search engine for Tmall and Taobao with strong keyword bidding opportunities, which attracts consumers' attention to click on the keywords by displaying a list of keywords for promoted products under the search box, and Taobaoke is a promotion method paid by commission fees based on a percentage of transaction value sourced from third-party marketing affiliates that help to generate additional traffic and transactions from third-party websites and mobile apps for our Tmall stores. We also consider Pinxiaobao as an efficient tool to increase traffic to our stores, which displays promoted products on the search results page when consumers input their keywords for brands and search for the results; (b) approximately HK$11.9 million, HK$13.3 million and HK$6.9 million in 2021, 2022 and the first half of 2023,

respectively, for content promotion on Tmall and Tmall Global leveraging customized articles, short-form videos and live streaming to boost traffic to the stores operated by us, and for marketing events and advertisements on popular social media platforms such as WeChat, Weibo, Douyin and Xiaohongshu, and other newly established platforms, to reach new consumers, further promote the branded products, highlight brand features and raise brand image. The source of funding for our purchase of products relating to the proposed investment in the social media marketing and advertising will be internal resources and bank facilities;

– approximately 17.0% of our net proceeds earmarked for this category for identifying and introducing new brands into China to broaden and diversify our brand portfolio. We believe the continuous exploration of new brands with potential is essential for us to retain and expand our customer base, diversify the risk of concentration and improve the attractiveness of the brand portfolio. Hence, we keep on identifying and sourcing new brands that are already well-received or emerging brands with strong growth potential, and endeavor to build relationships with new brand partners in response to the fast-changing consumer preference. During the Track Record Period and up to the Latest Practicable Date, we started cooperation with 30 new brands that focus on the beauty and personal care product categories, and currently plan to engage approximately 10 brands in each of 2021 and 2022. To better serve brand partners and successfully incubate newly introduced brands, we plan to hire approximately 30 new employees responsible for store operations, logistics management and customer service and allocate approximately HK$2.4 million, HK$2.7 million and HK$1.5 million of net proceeds in 2021, 2022 and the first half of 2023, respectively, for such hiring and plan to budget approximately HK$9.5 million, HK$12.2 million and HK$7.3 million for 2021, 2022 and the first half of 2023, respectively, as marketing-related costs during the incubation phase for products of these new brand partners;

– approximately 7.1% of our net proceeds earmarked for this category to grow our proprietary brands which have profit potential and give us more control over the brand operation leveraging our integrated e-commerce retail and wholesale solutions experiences and deep knowledge of the Chinese beauty and personal care markets, which would also enhance our capabilities in market analysis, brand development, sales management and incubating new brands. Through OEMs, we have developed and produced eight types of personal care products under the proprietary brand named HADANE (初•肌音), and started to sell one product in June 2020 through our UNQ official flagship store on Tmall. We plan to incubate 14 and 20 products in 2021 and 2022, respectively, under the HADANE brand name. In addition to a team of six members dedicated to the operation of our proprietary brands, we plan to hire five additional employees by 2022, who will be responsible for marketing, product design, brand development and sales management for our proprietary brands. Based on our feasibility study, the product manufacturing, marketing

and selling expenses and staff costs relating to growing HADANE brand are expected to be approximately HK$8.3 million, HK$14.0 million, and HK$7.4 million, respectively, in 2021, 2022 and the first half of 2023. We plan to allocate approximately HK$3.6 million, HK$7.4 million and HK$3.9 million of net proceeds in 2021, 2022 and the first half of 2023, respectively, for incubation of our proprietary brands; and

– the remaining portion to strengthen our logistics capabilities. Specifically, we plan to allocate (i) approximately HK$2.2 million for upgrading technology systems related to logistics management to improve the ability to collect and manage data from third parties and transactions, and better track inventory information; (ii) approximately HK$8.0 million for expanding domestic warehouse coverage to provide sufficient storage capacity; (iii) approximately HK$2.2 million for investing in a small-sized bonded warehouse in the Yangtze river delta area to strengthen our warehousing capability, given that bonded warehouses are currently in short supply, and are expected to meet the growing demand in the context of high-speed development of cross-border import e-commerce; and (iv) approximately HK$4.1 million for upgrading and developing the above-mentioned bonded warehouse, hiring additional employees, and partnering with certain logistics service providers through cooperation arrangement, to provide warehousing and logistics service to merchants, which is expected to improve our competitiveness in providing warehousing and logistics services. We mainly evaluate the following factors when considering overseas warehousing partners for cooperation: (i) its global network coverage, such as the number of countries covered; (ii) delivery method, delivery time and delivery frequency; (iii) warehouse locations and types of services by warehouses; and (iv) licenses, certificates and custom clearing capability. As of the Latest Practicable Date, we had not identified or pursued any acquisition target.

- Approximately 15.7%, or HK$60.1 million, for diversifying our brand and product offerings for health products, in particular OTC drugs. We plan to cooperate with more overseas OTC drugs brands to expand our products lineup to capitalize on our first-mover advantage in OTC drug category. We also plan to further develop and strengthen our cooperation with quality and emerging brands for other health products, primarily overseas dietary supplements. Specifically, in addition to Nichiban, Taisho, Lion and Kobayashi, we have started cooperation with another two Japanese OTC brands that are among the top 13 OTC brands in Japan in terms of GMV in 2019 according to the CIC Report. To serve the growing number of brand partners, we plan to expand our team to approximately 40 members in the next two years including pharmacists and other employees responsible for brand operations, and to budget marketing expenses for products of these brand partners in the next two years. The amount of net proceeds to be used for recruiting new employees is approximately HK$3.2 million, HK$3.7 million and HK$2.0 million in 2021, 2022 and the first half of 2023, respectively, and the amount for marketing expenses for these brands is approximately HK$16.1 million, HK$22.6 million and HK$12.5 million in 2021, 2022 and the first half of 2023, respectively.

- Approximately 7.0%, or HK$27.0 million, for enhancing our technology systems and data analytics capabilities, of which, (i) approximately 40% will be invested in hardware and software to upgrade our technology infrastructure and develop data middle platform. We plan to purchase software and hardware related to local area network and system security in the next two years, to improve information security, and purchase internal software including cloud-based storage for our transaction and operations data and Relational Database Service (RDS) and hardware such as Elastic Compute Service (ESC) servers, to improve the Group's data processing and analytics capacities. To facilitate the construction and upgrade of our data middle platform to enhance data analytics capabilities, we plan to purchase the types of software products, which are used for data management, data visualization and/or customer insights and marketing automation. The net proceeds allocated for these purchases and developments and usage fees are expected to be approximately HK$3.3 million, HK$4.5 million, HK$3.0 million in 2021, 2022 and the first half of 2023, respectively. We are establishing our data middle platform, which aims to centralize and unify multiple data generated from different departments within our Group as well as third party databases, and convert these raw data into meaningful information through a process that can be interpreted, analyzed, and used for a variety of purposes, to support business operations. The existing decentralization of data among our various departments results in duplicated work in data acquiring to a certain extent. Data middle platform will simplify and expedite our access to data in need, and enable real-time data analytics under specific business scenarios, to generate actionable insights for sales and marketing strategies to promote business efficiency; and (ii) approximately 60% will be used for the recruitment and retention of talent with expertise in technology infrastructure, system development and data analytics. With the growth and development of our business, it is crucial to retain sufficient talent for R&D to provide high-quality services and improve business efficiencies. Our R&D activities include developing an online store system, establishing and maintaining data middle platform, and improving data analytics capabilities. As of December 31, 2020, we had 25 IT specialists who were involved in R&D activities. To fulfill the evolving needs of our long-term business development, and to further enhance our data security, unify data of each department to support business decisions, improve and upgrade data middle platform, and further develop data analytics capabilities to carry out targeted marketing, we plan to expand our R&D team to approximately 46 members by 2023 and allocate approximately HK$16.2 million of net proceeds for the recruitment. These employees will be responsible for the development and adoption of the information system, local area network, information security system, data analysis, database administration, system administration and server development as well as for supporting the operation of our data middle platform.

- Approximately 13.0%, or HK$49.8 million, for pursuing strategic investments in technology companies and O2O service providers. Our Directors believe that such investments can create synergies with our existing business, enhance our technology capabilities, and expand our consumer base. Specifically, we plan to invest: (i) data technology companies in China, as such investment facilitates our access to certain technology infrastructure and data assets, which help enhance our technology capabilities and empower our business operations. The key selection criteria for identifying targets include technology infrastructure, intellectual properties, data-related qualifications such as the qualified certificates for data service providers and annual revenue over RMB100 million; and (ii) O2O service companies in China to reinforce our capabilities to reach consumers through offline channels. We mainly evaluate the following factors when identifying investment targets for O2O service providers: (i) the target company's operation and execution capabilities for improving shopping experiences and marketing efficiencies, for example, the advantage of professional sales promoters that provide offline consumers with enjoyable shopping experiences; (ii) its offline sales network coverage; (iii) its existing customer basis; (iv) its track record of offline store digitization; and (v) annual revenue of between RMB100 million and RMB200 million. While our focus and main business remain to be providing brand partners with e-commerce retail and wholesale solutions, we believe that investment in companies with offline channels can enlarge our customer base and further improve the shopping experience of our customers. By leveraging our online marketing resources and the invested company's offline channels, we believe we will achieve a larger customer base. Compared with the online sales, the offline channels can offer the real-time shopping experience which can provide our customers with different shopping pleasure. We expect to utilize the invested company's experience to strengthen our combined online and offline marketing capabilities, and in particular, to expand consumer reach by attracting more user traffic for the products we sell through offline channels, which is expected to increase the level of competitiveness for us.

  According to the CIC Report, as of the Latest Practicable Date, more than hundreds of data technology companies and hundreds of O2O service companies that meet such criteria are available in the market. We plan to invest approximately HK$27.5 million in one O2O service company target and approximately HK$22.3 million of net proceeds in one data technology company target. The number of investment targets will depend on the scale and consideration of the actual acquisition. We will conduct market research, financial due diligence and feasibility studies, and establish stringent approval systems and procedures for reviewing target companies, due diligence results and investment proposals and approvals. As of the Latest Practicable Date, we had not identified or pursued any acquisition target.

- Approximately 10.0%, or HK$38.7 million, for working capital and general corporate uses.

If the Offer Price is fixed at HK$15.35 per Offer Share (being the high-end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK$53.4 million. If the Offer Price is fixed at HK$11.86 per Offer Share (being the low-end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK$53.7 million. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-end of the estimated Offer Price range.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK$70.7 million (assuming an Offer Price of HK$15.35 per Offer Share, being the high-end of the Offer Price range stated in this prospectus), (ii) HK$62.7 million (assuming an Offer Price of HK$13.61 per Offer Share, being the mid-end of the Offer Price range stated in this prospectus) and (iii) HK$54.6 million (assuming an Offer Price of HK$11.86 per Offer Share, being the low-end of the Offer Price range stated in this prospectus). Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to allocate all of the proceeds to short-term interest-bearing deposits and/or licensed banks in Hong Kong and/or the PRC. In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made as required under the Listing Rules.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Nomura International (Hong Kong) Limited
BOCI Asia Limited
BOCOM International Securities Limited
Futu Securities International (Hong Kong) Limited
Haitong International Securities Company Limited
Livermore Holdings Limited
Sunfund Securities Limited
Zhongtai International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering 3,096,200 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions of this prospectus.

Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein (including any additional Shares which may be made available pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, but not jointly, to subscribe for or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between our Company and the Sole Representative (for itself and on behalf of the Underwriters), the Global Offering will not proceed.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Sole Sponsor and the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, further outbreak or escalation of infectious disease (including, without limitation, COVID-19), further adverse mutation of diseases (including, without limitation, COVID-19), economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, tsunami, volcanic

eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), act of God or acts of terrorism) in or affecting Hong Kong, the PRC, the Cayman Islands, the United Kingdom, the United States, the European Union (or any member thereof), Japan or any other jurisdictions relevant to any member of the Group or the Global Offering (each a "**Relevant Jurisdiction**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market conditions, securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdiction; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company or of any other member of the Group listed or quoted on a stock exchange or an over-the-counter market; or

(v) any general moratorium on commercial banking activities declared by a competent authority (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(vi) any new law (as defined in the Hong Kong Underwriting Agreement) (including but not limited to the enactment of the Hong Kong Human Rights and Democracy Act of 2019), or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority (as defined in the Hong Kong Underwriting Agreement) of) existing laws (as defined in the Hong Kong Underwriting Agreement) (including but not limited to the United States-Hong Kong Policy Act of 1992), in each case, in or affecting any Relevant Jurisdiction; or

(vii) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(viii) a change or development involving a prospective change in or affecting taxation (as defined in the Hong Kong Underwriting Agreement) or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar, Japanese Yen or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or

(ix) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action of any third party being threatened or instigated or announced against any member of the Group; or

(x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer or any of the Directors of the Company vacating his or her office; or

(xii) an authority (as defined in the Hong Kong Underwriting Agreement) or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xiii) a contravention by any member of the Group of the Listing Rules or applicable laws (as defined in the Hong Kong Underwriting Agreement); or

(xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the shares to be issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws (as defined in the Hong Kong Underwriting Agreement); or

(xvi) other than with the prior written consent of the Sole Sponsor, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies

Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xviii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;

which, individually or in the aggregate, in the sole opinion of the Sole Sponsor and the Sole Representative (for itself and on behalf of the Hong Kong Underwriters and the Joint Bookrunners), (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenues, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Shares in the secondary market; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor or any of the Hong Kong Underwriters:

(i) that any statement contained in any of this prospectus, GREEN Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in this prospectus, GREEN Application Forms or any notices, announcements, advertisements,

communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of this prospectus, GREEN Application Forms or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any breach of any of the material obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Sole Sponsor, Sole Representative, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties (as defined in the Hong Kong Underwriting Agreement) pursuant to the indemnity provisions under the Hong Kong Underwriting Agreement; or

(v) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenues, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading, any of the representations, warranties, agreements and undertakings of our Company, Wang Yong and Wisdom Oasis as stated in the Hong Kong Underwriting Agreement; or

(vii) the materialisation of any of the risks set out in the section headed "Risk Factors" in each of this prospectus, the preliminary offering circular (as defined in the Hong Kong Underwriting Agreement) and the PHIP (as defined in the Hong Kong Underwriting Agreement); or

(viii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other

than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(ix) the Company withdraws this prospectus, GREEN Application Forms, the formal notice (as defined in the Hong Kong Underwriting Agreement) and/or any other documents issued or used in connection with the Global Offering; or

(x) any expert named in this prospectus has withdrawn its consent to being named in any of this prospectus and GREEN Application Forms or to the issue of any of this prospectus and GREEN Application Forms.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

By our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or our securities will be completed within six months from the commencement of dealings) except pursuant to the Global Offering (including the Over-allotment Option), or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to the Stock Borrowing Agreement, he/it shall not and shall procure that the relevant registered holder(s) of Shares shall not:

(a) at any time in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "**Relevant Securities**"); and

(b) at any time in the period of the following six months commencing from the expiry of the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company, as the case may be.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(a) when he/it pledges or charges any securities or interests in any securities of our Company beneficially owned by him/it, whether directly or indirectly, in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of Shares of our Company so pledged or charged; and

(b) when he/it receives any indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published as required under the Listing Rules.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

By our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the First Six-Month Period, we have undertaken to each of the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or repurchase, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or to

purchase, any Shares or other equity securities of our Company, or any interest in any of the foregoing), or deposit any Shares or other equity securities of the Company, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company, or any interest in any of the foregoing); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by the delivery of Shares or such other equity securities of our Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or equity securities will be completed within the First Six-Month Period).

In the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in our securities. Each of the Controlling Shareholders undertakes to each of the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with the undertakings in (a), (b), (c) and (d) above.

By the Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Sole Representative (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (including pursuant to Note (2) to Rule 10.07 of the Listing Rules), except for any transfer of Shares pursuant to the Stock Borrowing Agreement:

(a) he/it will not, and will procure that the relevant registered holder(s) will not at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an encumbrance (as defined in the Hong Kong Underwriting Agreement) over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any interest in any of the foregoing) directly or indirectly held by him/it as of the Listing Date, or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any interest in any of the foregoing) directly or indirectly held by him/it as of the Listing Date; or (iii) enter into any transaction with the same economic effect as any transaction specified in (a)(i) or (a)(ii) of this paragraph; or (iv) offer to or agree to or announce any intention to effect any transaction specified in (a)(i), (a)(ii) or (a)(iii) of this paragraph, in each case, whether any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) of this paragraph is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(b) he/it will not, during the Second Six-Month Period, enter into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance (as defined in the Hong Kong Underwriting Agreement) pursuant to such transaction, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

Each of our Company and the Controlling Shareholders has agreed to indemnify each of the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including any breach by them, respectively, of the Hong Kong Underwriting Agreement or certain provisions thereof.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 7.75% of the aggregate Offer Price of all of the Hong Kong Offer Shares initially being offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, if any, the International Underwriters will be paid an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters, but not the Hong Kong Underwriters. In addition, the Hong Kong Underwriters may receive a discretionary incentive fee of up to 2.25% of the Offer Price for each Offer Share (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

Assuming an Offer Price of HK$13.61 per Share (being the mid-point of the indicative Offer Price range) and assuming that the Over-allotment Option is not exercised at all, the aggregate commissions and fees, together with listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Global Offering are estimated to be approximately HK$89.55 million in total and are payable by our Company.

Our Company expects to pay the International Underwriters a gross underwriting commission equal to 7.75% of the Offer Price for each International Offer Share (including any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, each International Offer Share reallocated to the Hong Kong Public Offering and each Share to be issued pursuant to the Over-allotment Option, if any). Our Company may also in our sole and absolute discretion pay one or more of the International Underwriters an additional discretionary incentive fee of up to 2.25% of the Offer Price for each of the International Offer Shares.

Hong Kong Underwriters' interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested directly or indirectly in any Shares or securities in our Company or any other member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or securities in our Company or any other member of the Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally but not jointly agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Representative on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to allot and issue up to an aggregate of 4,603,400 additional Shares, representing approximately 15.0% of the number of Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations in the International Offering, if any.

The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that undertakings similar to those given to the Hong Kong Underwriters will be given by our Company to the International Underwriters under the International Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "**Syndicate Members**", may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for China International Capital Corporation Hong Kong Securities Limited and its affiliates as the stabilizing manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares.

All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described under the section headed "The Structure of the Global Offering – Stabilizing Action" in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

THE SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

(a) the Hong Kong Public Offering of initially 3,069,200 Offer Shares (subject to adjustment) in Hong Kong as described in the paragraph headed "– The Hong Kong Public Offering" in this section; and

(b) the International Offering of an aggregate of 27,621,400 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S or other available exemption from the registration requirements of the US Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for the International Offering Shares under the International Offering, but may not do both.

The number of Hong Kong Offer Shares and International Offering Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed "– Pricing and Allocation" in this section.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 3,069,200 Hong Kong Offer Shares at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.9% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "– Conditions of the Global Offering" in this section.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools for allocation purposes, with any odd board lots being allocated to pool A.

- ***Pool A***: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less.

- ***Pool B***: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

For the purpose of this sub-section only, the "subscription price" for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 1,534,600 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the discretion of the Sole Representative, subject to the following:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 9,207,200 Shares, representing approximately 30% of Offer Shares initially available under the Global Offering.

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 12,276,400 Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering.

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 15,345,400 Shares, representing approximately 50% of Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Representative. Subject to the foregoing paragraph, the Sole Representative may in its discretion reallocate Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Sole Representative will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Representative deems appropriate. In the event of reallocation of Offer Shares between the

International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offering shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed by less than 15 times, or (b) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed, then up to 3,069,200 Offer Shares may be reallocated from the International Offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 6,138,400 Shares, representing approximately 20% of the number of the Offer shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the Offer Price shall be fixed at HK$11.86 per Offer Share (being the low-end of the indicative Offer Price range) in accordance with Guidance Letter HKEx-GL91-18.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offering Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offering Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$15.35 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, equal to a total of HK$3,100.93 for one board lot of 200 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "– Pricing and Allocation" in this section, is less than the maximum price of HK$15.35 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 27,621,400 Shares (subject to reallocation and the Over-allotment Option), representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering.

Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 16.65% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Offering Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. The International Offering will include selective marketing of Offer Shares to certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "– Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Representative (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Representative so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "– The Hong Kong Public Offering – Allocation" in this section, the exercise of the Over-allotment Option in whole or in part described in the paragraph headed "– Over-allotment Option" in this section, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Sole Representative.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Sole Representative on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Representative on behalf of the International Underwriters at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 4,603,400 Shares, representing approximately 15.0% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offering Shares to be issued pursuant thereto will represent approximately 2.7% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

STABILIZING ACTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the Offer Price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited. The price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day of the lodging of applications under the Hong Kong Public Offering. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist

of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of the Shares will be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws, rules and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Offer Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 4,603,400 Offer Shares, which is approximately 15.0% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) under the SFO include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our Shares;

(b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;

(e) selling or agreeing to sell any of our Shares in order to liquidate any position held as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Wednesday, August 4, 2021. As a result, demand for the Shares and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 4,603,400 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Wisdom Oasis, pursuant to the Stock Borrowing Agreement.

If the Stock Borrowing Agreement with Wisdom Oasis is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager (or any person acting for it) for the settlement of over- allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to Wisdom Oasis or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Wisdom Oasis by the Stabilizing Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Monday, July 5, 2021 and, in any event, no later than Tuesday, July 6, 2021, by agreement between the Sole Representative (for itself and on behalf of the Underwriters), and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Sole Representative, on behalf of the Underwriters, and our Company.

The Offer Price will not be more than HK$15.35 per Offer Share and is expected to be not less than HK$11.86 per Offer Share, unless otherwise announced by the Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Representative, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.youquhui.com**, notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Representative, for itself and on behalf of the Underwriters, and our Company, will be fixed within such a revised Offer Price range. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications in light of the change in the number of Offer Shares and/or the Offer Price. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in the prospectus, use of proceeds, and any other financial information which may change materially as a result of such reduction. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any such notice so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by the Sole Representative, for itself and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Supplemental listing documents will also be issued by the Company in the event of a reduction in the number of Offer Shares and/or the Offer Price. Such supplemental listing documents will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

In the event of a reduction in the number of Offer Shares, the Sole Representative may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10.0% of the total number of the Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Friday, July 9, 2021 on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.youquhui.com**.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Representative, for itself and on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be available pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between us and the Sole Representative (for itself and on behalf of the Underwriters);

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Representative, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times as specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than Wednesday, July 28, 2021 (i.e., the 30th day after the date of this prospectus).

If, for any reason, the Offer Price is not agreed between our Company and the Sole Representative (for itself and on behalf of the Underwriters) on or before Tuesday, July 6, 2021, the Global Offering will not proceed and will lapse immediately.

The completion of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company and on the websites of Stock Exchange at **www.hkexnews.hk** and our Company at **www.youquhui.com** on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised.

Application for Listing on the Stock Exchange

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued under the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, July 12, 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, July 12, 2021.

The Shares will be traded in board lots of 200 Shares each and the stock code of the Shares will be 2177.

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at **www.youquhui.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8646 on the following dates:

Monday, June 28, 2021 – 9:00 a.m. to 9:00 p.m.
Tuesday, June 29, 2021 – 9:00 a.m. to 9:00 p.m.
Wednesday, June 30, 2021 – 9:00 a.m. to 9:00 p.m.
Thursday, July 1, 2021 – 9:00 a.m. to 6:00 p.m.
Friday, July 2, 2021 – 9:00 a.m. to 9:00 p.m.
Saturday, July 3, 2021 – 9:00 a.m. to 6:00 p.m.
Sunday, July 4, 2021 – 9:00 a.m. to 6:00 p.m.
Monday, July 5, 2021 – 9:00 a.m. to 12:00 noon

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Representative, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and

- are not a legal or natural person in the PRC.

If an application is made by a person under a power of attorney, the Company and the Sole Representative may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules and guidance letters issued by the Stock Exchange, or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offering Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

(a) have a valid Hong Kong identity card number; and

(b) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, you:

(i) **undertake** to execute all relevant documents and instruct and authorize the Company and/or the Sole Representative (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) **agree** to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Act and the Articles of Association;

(iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) **agree** that none of the Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the **White Form eIPO** Service Provider, their respective directors, officers, employees, partners, agents, advisors, and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) **agree** to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint

Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) **agree** that your application will be governed by the laws of Hong Kong;

(xii) **represent**, **warrant** and **undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) **warrant** that the information you have provided is true and accurate;

(xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) **authorize** the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned as set out in section "— Personal Collection" of this prospectus to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) **understand** that the Company, the Sole Representative and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
200	3,100.93	7,000	108,532.77	80,000	1,240,374.56	900,000	13,954,213.76
400	6,201.88	8,000	124,037.46	90,000	1,395,421.38	1,000,000	15,504,681.95
600	9,302.81	9,000	139,542.14	100,000	1,550,468.20	1,534,600(1)	23,793,484.92
800	12,403.74	10,000	155,046.82	150,000	2,325,702.30		
1,000	15,504.68	15,000	232,570.23	200,000	3,100,936.39		
1,200	18,605.62	20,000	310,093.64	250,000	3,876,170.49		
1,400	21,706.55	25,000	387,617.05	300,000	4,651,404.59		
1,600	24,807.49	30,000	465,140.46	350,000	5,426,638.69		
1,800	27,908.43	35,000	542,663.87	400,000	6,201,872.78		
2,000	31,009.37	40,000	620,187.28	450,000	6,977,106.88		
3,000	46,514.04	45,000	697,710.69	500,000	7,752,340.98		
4,000	62,018.73	50,000	775,234.10	600,000	9,302,809.17		
5,000	77,523.41	60,000	930,280.92	700,000	10,853,277.37		
6,000	93,028.10	70,000	1,085,327.74	800,000	12,403,745.56		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria set out in the sub-section headed "— 2. Who Can Apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website. You authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO service**.

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the **White Form eIPO** Service Provider at +852 2862 8690 on the following dates:

Monday, June 28, 2021 – 9:00 a.m. to 9:00 p.m.
Tuesday, June 29, 2021 – 9:00 a.m. to 9:00 p.m.
Wednesday, June 30, 2021 – 9:00 a.m. to 9:00 p.m.
Thursday, July 1, 2021 – 9:00 a.m. to 6:00 p.m.
Friday, July 2, 2021 – 9:00 a.m. to 9:00 p.m.
Saturday, July 3, 2021 – 9:00 a.m. to 6:00 p.m.
Sunday, July 4, 2021 – 9:00 a.m. to 6:00 p.m.
Monday, July 5, 2021 – 9:00 a.m. to 12:00 noon

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, June 28, 2021 until 11:30 a.m. on Monday, July 5, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, July 5, 2021 or such later time under the "— 10. Effects of Bad Weather on the Opening and Closing of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Commitment to Sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "**UNQ Holdings Limited**" **White Form eIPO** application submitted via the **www.eipo.com.hk** to support sustainability.

6. APPLYING THROUGH CCASS EIPO SERVICE

General

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong if you complete an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Representative and our Hong Kong Share Registrar.

Applying through CCASS EIPO service

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors, the Sole Representative and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree with the Company, for itself and for the benefit of each of the Shareholder and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each of the Shareholder and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that the Shares are freely transferable by their holders;

- authorize the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Applying through CCASS EIPO service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, June 28, 2021 – 9:00 a.m. to 8:30 p.m.
Tuesday, June 29, 2021 – 8:00 a.m. to 8:30 p.m.
Wednesday, June 30, 2021 – 8:00 a.m. to 8:30 p.m.
Friday, July 2, 2021 – 8:00 a.m. to 8:30 p.m.
Saturday, July 3, 2021 – 8:00 a.m. to 1:00 p.m.
Monday, July 5, 2021 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, June 28, 2021 until 12:00 noon on Monday, July 5, 2021 (24 hours daily, except on Monday, July 5, 2021, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, July 5, 2021, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening and Closing of the Application Lists" in this section.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Note:

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by the Company and its Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

The Company and its Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Representative, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, July 5, 2021, the last day for applications, or such later time as described in "10. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$15.35 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 200 Hong Kong Offer Shares, you will pay HK$3,100.93.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in "— 4. Minimum Application Amount and Permitted Numbers", or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "The Structure of the Global Offering – Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- an announcement of "extreme conditions" caused by a super typhoon by the Government of Hong Kong in accordance with revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019 in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on

Monday, July 5, 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, July 5, 2021 or if there is/are a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made on our website at **www.youquhui.com** and the website of the website of the Stock Exchange at **www.hkexnews.hk**.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, July 9, 2021 on the Company's website at **www.youquhui.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.youquhui.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, July 9, 2021;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8 a.m. on Friday, July 9, 2021 to 12:00 midnight on Thursday, July 15, 2021; and

- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Friday, July 9, 2021 to Wednesday, July 14, 2021 (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong).

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "The Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

(a) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or

(b) if any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Representative, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offering Shares;
- your **electronic application instructions** through the **White Form eIPO** Service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Representative believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "The Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, July 9, 2021.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the CCASS EIPO service where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Friday, July 9, 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. Monday, July 12, 2021, provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, July 9, 2021, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, July 9, 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(ii) If you apply through CCASS EIPO service

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, July 9, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Friday, July 9, 2021. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, July 9, 2021 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, July 9, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, July 9, 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF UNQ HOLDINGS LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of UNQ HOLDINGS LIMITED (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-74, which comprises the consolidated balance sheets as of December 31, 2018, 2019 and 2020, the Company's balance sheet as of December 31, 2019 and 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-74 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 28, 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 1.3 and Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 1.3 and Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as of December 31, 2019 and 2020 and the consolidated financial position of the Group as of December 31, 2018, 2019 and 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Note 1.3 and Note 2.1 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 31 to the Historical Financial Information which contains information about the dividends paid by the Group in respect of the Track Record Period.

No statutory financial statements for the Company

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
June 28, 2021

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) in accordance with International Standards on Auditing issued by the IAASB ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,		
	Note	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*6*	2,540,961	2,781,719	2,800,846
Cost of revenue	*6, 8*	(1,924,616)	(1,978,257)	(1,912,732)
Gross profit		616,345	803,462	888,114
Selling and marketing expenses	*8*	(395,024)	(533,307)	(640,568)
General and administrative expenses	*8*	(70,811)	(106,129)	(97,859)
Research and development expenses	*8*	–	(1,590)	(8,761)
Net impairment losses on financial assets	*20*	(2,154)	(942)	(5,914)
Other income	*7*	6,349	7,538	12,635
Other (losses)/gains – net	*10*	(84)	2,273	(3,106)
Operating profit		154,621	171,305	144,541
Finance income	*11*	947	621	565
Finance costs	*11*	(17,852)	(18,608)	(22,761)
Finance costs – net		(16,905)	(17,987)	(22,196)
Dividends on preferred shares	*31*	–	(8,471)	–
Fair value changes from preferred shares	*24*	(100,687)	(190,543)	(88,634)
Share of net profit of associates and joint ventures accounted for using the equity method	*14*	4,357	6,321	9,286
Profit/(loss) before income tax		41,386	(39,375)	42,997
Income tax expenses	*12*	(41,329)	(46,364)	(44,911)
Profit/(loss) for the year		57	(85,739)	(1,914)
Attributable to:				
– Owners of the Company		53	(85,466)	(1,088)
– Non-controlling interests		4	(273)	(826)
		57	(85,739)	(1,914)

	Note	Year ended December 31,		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
Other comprehensive income/(losses)				
Items that may be reclassified to profit or loss				
Share of other comprehensive income/(losses) of associates and joint ventures accounted for using the equity method	*14*	188	337	(893)
Exchange differences on translation of foreign operations		8,136	5,607	(14,181)
Items that will not be reclassified to profit or loss				
Change in fair value of preferred shares from own credit risk	*24*	388	27	–
Total other comprehensive income/(losses)		8,712	5,971	(15,074)
Total comprehensive income/(losses) for the year		8,769	(79,768)	(16,988)
Attributable to:				
– Owners of the Company		8,765	(79,495)	(16,162)
– Non-controlling interests		4	(273)	(826)
		8,769	(79,768)	(16,988)
Earnings per share for profit/(loss) attributable to owners of the Company				
– Basic earnings/(loss) per share	*13*	0.07	(114.46)	(0.99)
– Diluted earnings/(loss) per share	*13*	0.07	(114.46)	(0.99)

CONSOLIDATED BALANCE SHEETS

	Note	As of December 31,		
		2018	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*15*	12,105	24,245	34,893
Intangible assets	*16*	1,291	870	1,922
Deferred tax assets	*29*	5,186	10,102	25,830
Investments accounted for using the equity method	*14*	8,948	15,606	23,999
Total non-current assets		27,530	50,823	86,644
Current assets				
Inventories	*18*	412,059	400,317	659,361
Trade and other receivables	*20*	407,993	365,378	526,959
Other current assets	*19*	123,542	161,192	264,977
Financial assets measured at fair value through profit or loss	*21*	–	44,000	–
Restricted cash	*22*	44,247	4,831	3,200
Cash and cash equivalents	*22*	156,159	538,561	252,334
Total current assets		1,144,000	1,514,279	1,706,831
Total assets		1,171,530	1,565,102	1,793,475
(DEFICITS)/EQUITY				
Capital and reserves attributable to owners of the Company				
Share capital	*23*	–	–	–
Share premium	*23*	–	–	2,318,000
Other reserves	*26*	(149,604)	(125,397)	(1,481,399)
Accumulated losses		(123,682)	(220,677)	(217,870)
		(273,286)	(346,074)	618,731
Non-controlling interests		–	(73)	(1,044)
Total (deficits)/equity		(273,286)	(346,147)	617,687

	Note	As of December 31,		
		2018	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings	*27*	10,420	12,896	42,305
Lease liabilities	*30*	3,177	10,370	14,983
Preferred shares	*24*	705,666	896,182	–
Total non-current liabilities		719,263	919,448	57,288
Current liabilities				
Contract liabilities	*6(a)*	6,716	3,913	3,425
Trade and other payables	*28*	354,441	616,032	489,620
Lease liabilities	*30*	6,782	8,110	9,722
Current tax liabilities	*32*	39,040	31,362	35,094
Borrowings	*27*	318,574	332,384	580,639
Total current liabilities		725,553	991,801	1,118,500
Total liabilities		1,444,816	1,911,249	1,175,788
Total (deficits)/equity and liabilities		1,171,530	1,565,102	1,793,475

BALANCE SHEET OF THE COMPANY

	Note	As of December 31, 2019	As of December 31, 2020
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Investment in a subsidiary		–	2,318,000
Total non-current assets		–	2,318,000
Current assets			
Other current assets	*19*	2,104	9,226
Cash and cash equivalents		–	1
Total current assets		2,104	9,227
Total assets		2,104	2,327,227
(DEFICITS)/EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*23*	–	–
Share premium	*23*	–	2,318,000
Accumulated losses		(7,863)	(30,840)
Total (deficits)/equity		(7,863)	2,287,160
LIABILITIES			
Current liabilities			
Trade and other payables	*28*	9,967	40,067
Total liabilities		9,967	40,067
Total (deficits)/equity and liabilities		2,104	2,327,227

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company						
	Note	**Share capital**	**Share premium**	**Other reserves**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total (deficits)/ equity**
		RMB'000 (Note 23)	*RMB'000*	*RMB'000 (Note 26)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2018		–	–	(164,173)	(123,450)	(287,623)	473	(287,150)
Comprehensive income								
Profit for the year		–	–	–	53	53	4	57
Other comprehensive income	*26*	–	–	8,712	–	8,712	–	8,712
Transactions with owners:								
Dissolution of the companies now comprising the Group	*1.2*	–	–	(5,657)	(285)	(5,942)	–	(5,942)
Share-based payment expenses for employees	*25*	–	–	11,537	–	11,537	–	11,537
Acquisition of non-controlling interests	*26, 35*	–	–	(23)	–	(23)	(477)	(500)
At December 31, 2018		–	–	(149,604)	(123,682)	(273,286)	–	(273,286)
At January 1, 2019		–	–	(149,604)	(123,682)	(273,286)	–	(273,286)
Comprehensive (losses)/income								
Loss for the year		–	–	–	(85,466)	(85,466)	(273)	(85,739)
Other comprehensive income	*26*	–	–	5,971	–	5,971	–	5,971
Transactions with owners:								
Issuance of ordinary shares	*23*	–	–	–	–	–	–	–
Share-based payment expenses for employees	*25*	–	–	18,236	–	18,236	–	18,236
Dividends distribution	*31*	–	–	–	(11,529)	(11,529)	–	(11,529)
Contributions from non-controlling interests		–	–	–	–	–	200	200
At December 31, 2019		–	–	(125,397)	(220,677)	(346,074)	(73)	(346,147)
At January 1, 2020		–	–	(125,397)	(220,677)	(346,074)	(73)	(346,147)
Comprehensive (losses)/income								
Loss for the year		–	–	–	(1,088)	(1,088)	(826)	(1,914)
Other comprehensive losses	*26*	–	–	(15,074)	–	(15,074)	–	(15,074)
Transactions with owners:								
Extinguishment of preferred shares	*26*	–	–	977,867	3,895	981,762	–	981,762
Completion of Reorganization	*26*	–	2,318,000	(2,318,000)	–	–	–	–
Acquisition of non-controlling interests	*26, 35*	–	–	(55)	–	(55)	(145)	(200)
Distribution to shareholders	*26*	–	–	(740)	–	(740)	–	(740)
At December 31, 2020		–	2,318,000	(1,481,399)	(217,870)	618,731	(1,044)	617,687

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,		
		2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash (used in)/generated from operations	*33(a)*	(20,495)	411,138	(300,581)
Interest received		1,076	3,675	565
Income tax paid		(36,511)	(67,975)	(68,400)
Net cash (used in)/generated from operating activities		(55,930)	346,838	(368,416)
Cash flows from investing activities				
Purchases of property, plant and equipment	*15*	(1,345)	(4,586)	(8,340)
Purchases of intangible assets	*16*	(233)	(711)	(1,282)
Proceeds from disposal of property, plant and equipment		79	33	19
Acquisition of financial assets at FVPL	*21*	(406,000)	(325,000)	(114,000)
Proceeds from disposal of financial assets at FVPL and investment income	*21*	411,780	281,656	158,398
Loans to related parties	*36(b)*	(9,000)	(65,200)	(36,200)
Loans to third parties		–	–	(4,000)
Repayment of loans by related parties	*36(b)*	–	9,000	36,200
Interests on loans to related parties		–	–	5,121
Payments for investments accounted for using the equity method	*14*	(2,143)	–	–
Net cash (used in)/generated from investing activities		(6,862)	(104,808)	35,916
Cash flows from financing activities				
Proceeds from contributions from non-controlling interests		–	200	–
Proceeds from borrowings from third parties	*33(b)*	600,795	729,102	1,039,806
Proceeds from borrowings from related parties	*33(b), 36(b)*	5,390	125,343	–

	Note	Year ended December 31,		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
Proceeds from guarantees for offshore borrowings	22	–	41,919	–
Payment of listing expenses		–	(658)	(3,083)
Repayment of borrowings to third parties	33(b)	(521,593)	(716,359)	(757,514)
Repayment of borrowings to related parties	33(b), 36(b)	(25,152)	(5,742)	(130,001)
Payment of guarantees for borrowings	36(b)	(3,919)	–	(51,330)
Interest paid		(16,579)	(17,525)	(17,509)
Dividends distribution	31	(17,622)	(17,945)	(2,055)
Transactions with non-controlling interests	35	(500)	–	(200)
Dissolution of the companies now comprising the Group to shareholders	1.2	(942)	–	–
Distribution to shareholders		–	–	(740)
Payments of lease liabilities	33(b)	(7,949)	(10,076)	(13,158)
Net cash generated from financing activities		11,929	128,259	64,216
Net (decrease)/increase in cash and cash equivalents		(50,863)	370,289	(268,284)
Cash and cash equivalents at beginning of year		191,675	156,159	538,561
Effect on exchange rate difference		15,347	12,113	(17,943)
Cash and cash equivalents at end of year	22	156,159	538,561	252,334

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND REORGANIZATION

1.1 General information

UNQ HOLDINGS LIMITED (the "Company") was incorporated in the Cayman Islands on October 31, 2019 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

The Company is an investment holding company. The Company and the companies shown in Note 1.2 below now comprising the Group (together, the "Group") are principally engaged in (i) selling goods to customers ("Sales of Goods Business"), including Business To Business Model ("B2B") and Business To Consumer Model ("B2C"); (ii) the facilitation of brand partners' online operating services ("Online Operating Business"); (iii) the provision of digital marketing services ("Digital Marketing Business") (collectively, the "Listing Business") in the People's Republic of China (the "PRC").

Immediately after the completion of the Reorganization as set out in Note 1.2, the ultimate holding company of the Company is Wisdom Oasis Holdings Limited ("Wisdom Oasis Holdings"). Mr. Wang Yong is the ultimate controlling shareholder of the Company.

1.2 History and Reorganization of the Group

1.2.1 History of the Group

Prior to the incorporation of the Company and the completion of the Reorganization (the "Reorganization") as described in Note 1.2.2, the Listing Business were carried out by Shanghai UNQ Business Consulting Co., Ltd. (上海普卉商務諮詢有限公司, "UNQ Business Consulting") and its subsidiaries, and UNQ (Shanghai) Supply Chain Management Co., Ltd. (優趣匯(上海)供應鏈管理有限公司, "UNQ Supply Chain") and its subsidiaries (collectively, the "Operating Companies").

On August 5, 2010, UNQ Business Consulting was incorporated in the PRC by Mr. Wang Yong, Mr. Ning Jing and Hangzhou Xunala E-commerce Co., Ltd. ("Hangzhou Xunala"). The share capital was RMB5,000,000. On October 17, 2014, UNQ Supply Chain was incorporated by Mr. Wang Yong, Mr. Ning Jing and Hangzhou Xunala. The share capital of UNQ Supply Chain was RMB1,000,000. Starting in 2014, the business of UNQ Business Consulting was gradually transferred to another newly incorporated company UNQ Supply Chain. UNQ Business Consulting eventually liquidated and deregistered on July 25, 2018.

On December 8, 2014, Transcosmos Inc. ("TCI") entered into an investment agreement pursuant to which TCI acquired UNQ Supply Chain's newly issued shares as well as shares of Mr. Wang Yong and Mr. Ning Jing ("Round A Pre-IPO Investment"). Upon the completion, the share capital of UNQ Supply Chain was increased to RMB1,187,500. The shares acquired by TCI contained certain mandatory purchase rights and call option and therefore are regarded as preferred shares (Note 24).

On July 15, 2016, TCI entered into another investment agreement pursuant to which TCI acquired UNQ Supply Chain's newly issued shares as well as shares of Mr. Wang Yong, Mr. Ning Jing and Hangzhou Xunala ("Round B Pre-IPO Investment"). Upon the completion, the share capital of UNQ Supply Chain were further increased to RMB1,289,541. The shares acquired by TCI contained certain mandatory purchase rights and call option and therefore are regarded as preferred shares.

To implement the share incentive scheme, Langyu (Shanghai) Enterprise Management Consulting Center (Limited Partnership) ("Langyu Partnership") and Ningbo Meishan Bonded Port Area Langyue Investment Management Enterprise (Limited Partnership) ("Langyue Partnership") were incorporated in the PRC. On December 18, 2016, UNQ Supply Chain increased its share capital and the newly issued shares of 39,883 was acquired by Langyu Partnership. On June 26, 2017, UNQ Supply Chain further increased its share capital and the newly issued shares of 22,617 was acquired by Langyue Partnership. Upon the completion of above two transactions, the share capital of UNQ Supply Chain was increased to RMB1,352,041.

On July 28, 2017, Mr. Ning Jing entered into an equity transfer agreement pursuant to which Mr. Ning Jing transferred his 2.72% equity interest to Mr. Wang Yong. Meanwhile TCI acquired 2.45% equity interest from Mr. Ning Jing ("Round C Pre-IPO Investment") and the shares acquired also contained certain mandatory purchase rights and call option and therefore are regarded as preferred shares.

1.2.2 Reorganization of the Group

In preparation for the listing for the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent following steps to further complete the Reorganization. Prior to the Reorganization, Mr. Wang Yong, TCI and other shareholders owned 47.37%, 42.35% and 10.28% of equity interest of UNQ Supply Chain respectively.

(i) On July 10, 2019, according to equity transfer agreements, Langyu Partnership, Langyue Partnership and Hangzhou Xunala transferred all the shares in UNQ Supply Chain to their individual shareholders.

(ii) The Company was incorporated in the Cayman Islands on October 31, 2019. The initial authorized capital of the Company was HK$380,000 divided into 3,800,000,000 shares of par value of HK$0.0001 each. Upon incorporation, the Company allotted and issued 653,927 and 125,473 shares to offshore holding vehicles owed by Mr. Wang Yong and other shareholders except for TCI.

(iii) On November 5, 2019, E-Bloom Holdings Limited ("E-Bloom Holdings") was incorporated in the British Virgin Islands ("BVI") with limited liability and is authorized to issue 50,000 shares of a single class, each with a par value of US$0.01, of which 100 share has been allotted and issued to the Company for cash at par upon incorporation. E-Bloom Holdings became a wholly-owned subsidiary of the Company.

(iv) On November 19, 2019, UNQ Holdings (HK) Limited ("UNQ Hong Kong Holdings") was incorporated in Hong Kong with limited liability with the initial issued share capital of HK$1.00 of one share of HK$1.00, which was allotted and issued to E-Bloom Holdings. UNQ Hong Kong Holdings became an indirect wholly-owned subsidiary of the Company.

(v) On January 31, 2020, UNQ Hong Kong Holdings acquired 57.65% of equity interest in UNQ Supply Chain from Mr. Wang Yong and other shareholders except for TCI, with reference to the price of register capital.

(vi) On June 5, 2020, a series of agreements (collectively, "Restructure Framework Agreement") was entered into among TCI, UNQ Supply Chain, UNQ Hong Kong Holdings, the Company and Mr. Wang Yong. Pursuant to the Restructure Framework Agreement and supplemental agreement, the mandatory purchase right and call option attached to the shares of UNQ Supply Chain had been terminated by TCI. On June 10, 2020, UNQ Hong Kong Holdings acquired 42.35% equity interest of UNQ Supply Chain from TCI, as the result, the Company allotted and issued 572,641 new ordinary shares on June 12, 2020 to TCI representing 42.35% of total number of issued shares of the Company.

Upon the completion of Reorganization transactions, Mr. Wang Yong, TCI, other shareholders owned 47.63%, 42.35% and 10.02% of equity interest of the Company respectively.

According to the articles of the association of UNQ Supply Chain, the decision-making mechanism over their financial and operating policies to obtain benefits from their activities are vested with the board of directors of UNQ Supply Chain. Mr. Wang has controlling power over the board of directors in UNQ Supply Chain throughout the Track Record Period, by having the right to appoint the majority seats of directors.

As of the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Company name	Place and date of incorporation establishment	Registered Capital (thousand)	Percentage of attributable equity interest				Principal activities and place of operation	Note
			As of December 31,			As of the date of this report		
			2018	2019	2020			
Directly held								
E-Bloom Holdings	BVI, November 5, 2019	USD0.01	N/A	100%	100%	100%	Holding Company	(i)
Indirectly held								
UNQ Hong Kong Holdings	Hong Kong, November 19, 2019	HKD0.001	N/A	100%	100%	100%	Holding Company	(i)
UNQ Supply Chain	The PRC, October 17, 2014	RMB1,352	100%	100%	100%	100%	Sales of goods in the PRC	(ii)
Shanghai Spot E-Commerce Co., Ltd. 上海思珀特電子商務有限公司	The PRC, June 4, 2013	RMB5,000	100%	100%	100%	100%	Sales of goods in the PRC	(i)
Hangzhou Spot E-commerce Co., Ltd. 杭州思珀特電子商務有限公司	The PRC, November 19, 2014	RMB5,000	100%	100%	100%	100%	Sales of goods in the PRC	(i)
Shanghai Yikemai Business Consulting Co., Ltd. 上海意可邁商務諮詢有限公司	The PRC, July 26, 2012	RMB5,000	100%	100%	100%	100%	Sales of goods in the PRC	(i)
Shanghai Fuli Culture Media Co., Ltd. 上海芙立文化傳媒有限公司	The PRC, November 28, 2016	RMB5,000	100%	100%	100%	100%	Brand marketing services in the PRC	(i)
U.Sun Trading (Shanghai) Co., Ltd. 妍晟貿易(上海)有限公司	The PRC, June 8, 2017	RMB500	100%	100%	100%	100%	Sales of goods in the PRC	(i)
UNQ Japan Co., Ltd.	Japan, October 2, 2014	JPY100,000	100%	100%	100%	100%	Cross-border sales of goods	(i)
UNQ Hong Kong Limited 優趣匯香港有限公司	Hong Kong, August 27, 2015	USD500	100%	100%	100%	100%	Cross-border sales of goods	(iii)
UNQ (Shanghai) International Trading Co., Ltd. 優趣匯(上海)國際貿易有限公司	The PRC, July 7, 2016	RMB5,000	100%	100%	100%	100%	Sales of goods in the PRC	(i)
Ningbo Spot International Trading Co., Ltd. 寧波思珀特國際貿易有限公司	The PRC, December 26, 2017	RMB5,000	100%	100%	100%	100%	Sales of goods in the PRC	(i)
Route (Shanghai) Information Technology Co., Ltd. 容異(上海)信息科技有限公司	The PRC, September 19, 2018	RMB10,000	98%	98%	100%	100%	IT services in the PRC	(i)
Cankaoxian (Hangzhou) Culture Media Co., Ltd. 參考線(杭州)文化傳媒有限公司	The PRC, June 24, 2019	RMB2,000	N/A	80%	80%	80%	Brand marketing services in the PRC	(i)
Shanghai Litun Culture Media Co., Ltd. 上海栗豚文化傳媒有限公司	The PRC, August 23, 2019	RMB1,000	N/A	51%	51%	51%	Brand marketing services in the PRC	(i)
U.Sun (Hong Kong) Trading Co., Ltd. 妍晟(香港)貿易有限公司	Hong Kong, September 24, 2018	USD500	100%	100%	100%	100%	Cross-border sales of goods	(iv)
UNQ (Shanghai) Medical Appliance Co., Ltd. 優趣匯(上海)醫療器械有限公司	The PRC, November 29, 2019	RMB10,000	N/A	100%	100%	100%	Sales of goods in the PRC	(i)
Bengbu Chengwang E-commerce Co., Ltd. 蚌埠橙往電子商務有限公司	The PRC, November 19, 2019	RMB1,000	N/A	100%	100%	100%	Sales of goods in the PRC	(i)
Shanghai Yuyi Trading Co., Ltd. 上海好驛貿易有限公司	The PRC, April 10, 2019	RMB1,000	N/A	100%	100%	100%	Sales of goods in the PRC	(i)

(i) No audited financial statements have been prepared for the subsidiaries as they are not required to issue audited financial statements under the statutory requirements of their places of incorporation.

(ii) UNQ Supply Chain had prepared statutory audited financial statements for the years ended December 31, 2018 and 2019 in accordance with PRC GAAP which were audited by Shanghai Bokai CPA Limited.

(iii) UNQ Hong Kong Limited had prepared statutory audited financial statements for the years ended December 31, 2018 and 2019 in accordance with Hong Kong Financial Reporting Standards which were audited by Smart Team CPA Limited.

(iv) U.Sun (Hong Kong) Trading Co., Ltd. had prepared statutory audited financial statements for the period from September 2018 to December 2019 in accordance with Hong Kong Financial Reporting Standards which were audited by Smart Team CPA Limited.

1.3 Basis of presentation

These above-mentioned entities now comprising the Group, engaging in the Listing Business, were under common control of Mr. Wang Yong throughout the Track Record Period, including before and after the Reorganization. The Company and those companies newly set up during the Reorganization are new companies which have not been involved in any business prior to the Reorganization and their operations do not meet the definition of a business. Accordingly, the Reorganization is merely a recapitalization of the Listing Business and does not result in any changes in business substance, nor in any management or the ultimate controlling party of the Listing Business. The Group resulting from the Reorganization is regarded as a continuation of the Listing Business for the purpose of this report and the Historical Financial Information has been prepared and presented as a continuation of the Listing Business with the assets and liabilities of the Group recognized and measured at the carrying amounts of the Listing Business prior to the Reorganization. For the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis.

The Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the Listing Business, under the common control of Mr. Wang Yong immediately before and after the Reorganization and now comprising the Group as if the current group structure had been in existence throughout the years presented, or since the date when the consolidated companies first came under the control of Mr. Wang Yong, whichever is a shorter period.

Inter-company transactions, balances and unrealized gains or losses on transactions between the group companies are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Company has been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and preferred shares, which are carried at fair value.

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

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning January 1, 2020, are consistently applied to the Group for the Track Record Period.

New standards, amendments and interpretations not yet adopted

New standards, amendments and interpretations that have been published but not yet effective and have not been early adopted by the Group during the Track Record Period, are as follows:

	Effective for annual periods beginning on or after
Amendment to IFRS 16 – COVID-19 Related Rent Concessions	June 1, 2020
IFRS 17 – Insurance Contracts	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 – Interests Rate Benchmark Reform – Phase 2	January 1, 2021

	Effective for annual periods beginning on or after
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 16 – Property, plant and equipment: Proceeds before intended use	January 1, 2022
Amendments to IAS 37 – Onerous contract – cost of fulfilling a contract	January 1, 2022
Annual improvements to IFRS standards 2018-2020	January 1, 2022
Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IFRS 3 – Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8 – Definition of Accounting Estimates	January 1, 2023

The Group has already commenced an assessment of the impact of these new or amended standards which are relevant to the Group's operations. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Principles of combination and equity accounting

2.2.1 Subsidiaries

Consolidation

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

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in consolidated income statements.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IFRS 9 either in consolidated income statements or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statements.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Separate financial statements

Investments in subsidiaries are carried at cost less impairment. Cost includes direct attributable costs of investment. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognized in profit or loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

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

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 2.2.4 below), after initially being recognized at cost.

2.2.3 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures.

Interests in joint ventures are accounted for using the equity method (see Note 2.2.4 below), after initially being recognized at cost.

2.2.4 Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investees in profit or loss, and the Group's share of movements in other comprehensive income of the investees in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the investees, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these investees. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in impairment of non-financial assets (see Note 2.7).

2.2.5 Changes in ownership interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid or received and the relevant share acquired or disposed of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Segment reporting

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

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is RMB. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries consider RMB as their functional currency. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other (losses)/gains – net.

2.4.3 Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognized in consolidated statements of comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the year during in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased property, plant and equipment, the shorter lease term as follows:

• Vehicles	4-5 years
• Office and other equipment	3-5 years
• Leasehold improvements	Shorter of the term of the lease or the estimated useful lives of the assets
• Right-of-use-assets	Shorter of the term of the lease or the estimated useful lives of the assets

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Construction in progress represents the direct costs of leasehold improvement less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in the consolidated statements of comprehensive income.

2.6 Intangible assets

2.6.1 Computer software

Acquired computer software programs are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 10 years.

2.7 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

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

2.8.2 Recognition and derecognition

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.8.3 Measurement

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

Debt instruments

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

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income (FVOCI) are measured at fair value. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1.2 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 20 for further details.

Derecognition

The Group derecognizes a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred; and

- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

Other financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets where the Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.10 Inventories

Merchandises are stated at the lower of cost and net realizable value. The cost of inventories is measured by using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold and services performed in the ordinary course of business. Trade and other receivables are generally due for settlement within 90 days after acceptance of delivery, and are all classified as current.

Trade and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1.2 for a description of the Group's impairment policies.

2.12 Cash and cash equivalents and restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investments with maturity of less than three months.

Cash that is restricted from withdrawal, from use or from being pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

2.13 Share capital

Ordinary shares are classified as equity.

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

2.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

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

2.15 Preferred shares

Preferred shares are redeemable upon occurrence of certain future events and at the option of the holders.

Preferred shares are designated as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statement of profit or loss.

Subsequent to initial recognition, preferred shares are carried at fair value with changes in fair value recognized in the consolidated statement of profit or loss, except for the portion attributable to credit risk change that should be charged to other comprehensive income. Dividends on preferred shares classified as debt were recognized as expenses in the consolidated statement of profit or loss.

The preferred shares are extinguished when the obligation specified in the contract is discharged or cancelled or expired. The Group settled the preferred shares by issuing its own equity instruments, which is not in accordance with the original terms of the preferred shares, the Group recognizes a gain or loss in profit or loss for the difference between the carrying amount of the preferred shares and the fair value of the equity instrument.

2.16 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

All borrowing costs are recognized in the consolidated statements of comprehensive income in the period in which they are incurred.

2.17 Current and deferred income tax

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

2.17.1 Current income tax

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

2.17.2 Deferred income tax

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

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

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

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

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

2.18 Employee benefits

(a) Short-term obligations

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

(b) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

(c) Housing funds, medical insurances and other social insurances

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

2.19 Share-based compensation

Share-based compensation benefits are provided to employees via the employee share incentive scheme. Information relating to the schemes is set out in Note 25.

Share incentive scheme

Equity-settled share-based payment transactions are share-based payment arrangement in which the Group received services by employees as consideration for its own equity instrument.

For an equity-settled share-based payment transaction, the fair value of equity instrument granted is recognized as an employee benefits expense with a corresponding increase in equity.

The total amount to be expensed is determined by reference to the fair value of the shares granted excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The Share incentive scheme is administrated by UNQ Supply Chain, which is consolidated in accordance with the principles in note 1.2. When the shares are granted but not vested, they are recognized as treasury share of the Group.

2.20 Provisions

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

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

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

2.21 Revenue recognition

The Group recognizes revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. Control of good or service refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the good or service.

The Group generates revenues from two major revenue stream, including sale of goods and provision of services.

2.21.1 Sales of goods

Revenue from sale of goods includes two models, Business To Business Model ("B2B") and Business To Consumer Model ("B2C"). Revenues are measured as the amount of consideration the Group expects to receive in exchange for transferring goods to customers, net of discounts, rebate to customers, refund liabilities, value added tax and related surcharges. Refund liabilities, which are reduced from revenue, are estimated based on historical data the Group has maintained and its analysis of returns by categories of goods, and subject to adjustments to the extent that actual returns differ or expected to differ.

B2B Model

The Group sells goods to e-commerce platforms and other small-scale distributors ("Platforms and Distributors"). The Group acts as a principal under B2B Model since it controls the goods purchased from suppliers, takes inventory risk and has pricing latitude when selling goods to Platforms and Distributors. Revenue from sale of goods under B2B Model is recognized when control of goods is transferred to Platforms and Distributors.

Under B2B distribution model, control of goods is transferred to Platforms and Distributors when the goods are delivered to Platforms and Distributors. Platforms and Distributors have full discretion over the channel and price to sell the goods to end customers, and there is no unfulfilled obligation that could affect the Platforms and Distributors' acceptance of the goods.

Under B2B consignment model, control of goods is transferred to Platforms and Distributors when end customers confirm acceptance on platforms. The Group has the call back right and controls the goods before end customers confirm acceptance on platforms.

Particularly for cross-border transactions, control of goods is transferred to Platforms and Distributors when the goods pass the ship's rail at the named port of shipment or other fulfilled International Rules for the Interpretation of Trade Terms ("Incoterms") agreed in the contracts, and the delivery service is recognized in the accounting period when the services are rendered.

B2C Model

Under B2C Model, the Group established and operates online stores authorized by the brand owners on platform. The Group acts as a principal under B2C Model since it controls the goods purchased from suppliers, takes inventory risk and has pricing latitude when selling goods to users of the platform. Users of the platform are considered as the customers as they place orders on the online stores and make online payments through third-party payment channels. Revenue from sale of goods under B2C Model is recognized when control of goods is transferred to users, being when users receive the goods upon delivery. The funds will not be released to the Group by these third-party payment channels until the users confirm the acceptance on the platform. Commission paid to platforms, which are considered as incremental costs of obtaining a contract, are expenses as incurred because the amortization period of the asset is less than one year.

2.21.2 Provision of services

Revenue from providing services is recognized in the accounting period when the services are rendered.

Online operating services

The Group provides online operating services to the customers. The Group is not involved in determining goods specifications and display of the goods in the online store and is not the primary obligor for the delivery of the goods, does not have legal title to the goods and does not have any latitude in establishing prices and selecting merchandise. Based on these facts, the Group has determined that it acts as online operating services provider under these arrangements and recognized service fees on the value of merchandise sold or sharing of online operating results, which was calculated based on a pre-determined formula. Revenue generated from online operating services is recognized on a gross basis which the Group acts as a principal to control the specified services before being transferred to the customer, be primarily responsible for fulfilling the contract and have discretion in establishing prices. Therefore, the Group recognizes service fees as revenue in the consolidated statements of comprehensive income. All direct costs that the Group incurs in the provision of online operating services are classified as cost of revenue in the consolidated statements of comprehensive income.

Digital marketing services

The Group also provides digital marketing services to customers. Customers may elect to use the Group's comprehensive end-to-end e-commerce solutions or select specific elements of its e-commerce supporting infrastructure and marketing services that best fit their needs. The Group charges its customers a combination of fix fees based on the prices charged to comparable customers or expected cost plus margin. Revenue generated from digital marketing services is recognized on a gross basis which the Group acts as a principal to control the specified services before being transferred to the customer, be primarily responsible for fulfilling the contract and have discretion in establishing prices. Therefore, the Group recognizes service fees as revenue in the consolidated statements of comprehensive income. All direct costs that the Group incurs in the provision of digital marketing services are classified as cost of revenue in the consolidated statements of comprehensive income.

2.21.3 Contract asset and contract liability

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group has a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration from the customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

2.22 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

2.23 Leases

The Group leases properties as lessee. Rental contracts are typically made for fixed periods of 2 to 4 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

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

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

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

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

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

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The right-of-use assets are presented under the property, plant and equipment in Note 15(b), the lease liabilities are present separately on the consolidated statements of financial position. The Group considers the lease as a single transaction in which the assets and liabilities are integrally linked. There is no net temporary difference at inception. Subsequently, the differences arisen on settlement of the liabilities and the amortization of the right-of-use assets, there will be a net temporary difference on which deferred tax is recognized.

2.24 Vendor rebates

The Group periodically receives consideration from certain vendors, representing:

– Volume rebates for products purchased which are calculated based on purchase volumes over a period of time. The Group accounts for the volume rebates received from its vendors as a reduction to the price it pays for the products purchased, related rebates are deducted from the cost of revenue if the products are sold.

– Reimbursement for the expenditures occurred for brand marketing and promotion activities. The Group accounts for the reimbursement as a reduction of selling and marketing expenses.

2.25 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the year in which the dividends are approved by the entities' shareholders or directors, where appropriate.

2.26 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.27 Research and development expenses

Research and development expenses are recognized as expenses as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets during the Track Record Period.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

3.1.1 Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group determines to present its consolidated financial statements in RMB. The Group determines that the functional currency of UNQ Hong Kong Limited is USD and that of UNQ Japan Co., Ltd. is JPY.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB currency units, was as follows:

	As of December 31, 2018			
	USD	**JPY**	**RMB**	**HKD**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalent	7	1,424	4,032	–
Trade receivables	–	7,195	–	–
Trade payables	–	(2,407)	(639)	–

	As of December 31, 2019			
	USD	**JPY**	**RMB**	**HKD**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalent	776	15,079	7,735	756
Trade receivables	–	10,843	–	–
Trade payables	–	(5,723)	–	(308)

	As of December 31, 2020			
	USD	JPY	RMB	HKD
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalent	2,359	1,489	12,027	157
Trade receivables	1,123	18,273	1,642	631
Trade payables	–	(3,538)	–	–

(a) Sensitivity

A 5 percent strengthening of foreign currency against the following currencies at each period end would have changed post tax profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	As of December 31,		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
USD	–	25	114
JPY	255	843	674
RMB	118	274	66
HKD	–	19	23
	373	1,161	877

A 5 percent weakening of the RMB against the above currencies at December 31, 2018, 2019 and 2020 would have the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Cash flow and fair value interest rate risk

The Group's interest-bearing assets and liabilities are bank borrowings, cash and cash equivalents and financial assets carried at FVPL. Therefore, the Group's interest rate risk mainly arises from bank borrowings, cash and cash equivalents and financial assets carried at fair value through profit or loss. Except for bank borrowings which are entitled to fixed interest rates and expose the Group to the fair value interest rate risk, cash and cash equivalents and financial assets carried at FVPL are carried at variable rates and expose the Group to cash flow interest rate risk.

3.1.2 Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, wealth management products, as well as trade and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Credit risk of cash deposit and wealth management products at banks

The Group expects that there is no significant credit risk associated with cash and cash equivalents and short-term investments, which were held by reputable financial institutions in the jurisdictions where the Company and its subsidiaries are located. The Group believes that it is not exposed to unusual risks as these financial institutions have high credit quality.

(ii) Credit risk of trade receivables

The Group's mainly customers are e-commerce platforms with high reputation in China. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

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

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

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables, details of which was included in Note 20.

(iii) Credit risk of other receivables

Other receivables mainly comprise amounts due from related parties, rebates from vendors, deposits and other receivables. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

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

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days of when they fall due.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 360 days past due.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

No significant changes to estimation techniques or assumptions were made during the Track Record Period.

3.1.3 Liquidity risk

Liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of December 31, 2018					
Financial liabilities					
– Trade and other payables (excluding accrued payroll and other taxes payable)	330,539	–	–	–	330,539
– Borrowings – principal	318,574	6,027	4,393	–	328,994
– Borrowings – interest	5,929	70	48	–	6,047
– Lease liabilities (including interest payments)	7,254	2,748	606	–	10,608
	662,296	8,845	5,047	–	676,188
As of December 31, 2019					
Financial liabilities					
– Trade and other payables (excluding accrued payroll and other taxes payable)	590,202	–	–	–	590,202
– Borrowings – principal	332,384	7,910	4,986	–	345,280
– Borrowings – interest	4,193	56	16	–	4,265
– Lease liabilities (including interest payments)	9,043	10,670	409	–	20,122
	935,822	18,636	5,411	–	959,869
As of December 31, 2020					
Financial liabilities					
– Trade and other payables (excluding accrued payroll and other taxes payable)	464,460	–	–	–	464,460
– Borrowings – principal	580,639	14,896	16,241	11,168	622,944
– Borrowings – interest	5,939	325	400	181	6,845
– Lease liabilities (including interest payments)	12,174	11,924	3,774	–	27,872
	1,063,212	27,145	20,415	11,349	1,122,121

3.2 Capital management

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

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

The Group monitors capital (including share capital and share premium) by regularly reviewing the capital structure on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "borrowings" and "lease liabilities" as shown in the consolidated statement of financial position) less cash and cash equivalents, and liquid investment which are financial assets held at fair value through profit or loss. The Group does not consider the amount of preferred shares when calculating net debt. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. In the opinion of the directors of the Company, the Group's capital risk is low.

The gearing ratios at December 31, 2018, 2019 and 2020 of the Group were as follows:

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Net debt/(cash) *(Note 33(b))*	213,904	(79,151)	408,457
Total (deficits)/equity	(273,286)	(346,147)	617,687
Gearing ratio	N/A	N/A	66%

As of December 31, 2018 and 2019, the Group had a net negative equity. As of December 31, 2020, the gearing ratio increased due to the equity of the Group was turned to be positive upon the completion of the Reorganization.

3.3 Fair value estimation

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

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As of December 31, 2018				
Liabilities				
– Preferred shares	–	–	(705,666)	(705,666)
As of December 31, 2019				
Assets				
– Financial assets at FVPL	–	–	44,000	44,000
Liabilities				
– Preferred shares	–	–	(896,182)	(896,182)
	–	–	(852,182)	(852,182)

As of December 31, 2020, there were no financial instruments carried at fair value.

The Group's financial assets at fair values included wealth management goods, fair value of which are estimated based on unobservable inputs (level 3).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There were no changes in valuation techniques during the year ended December 31, 2018, 2019 and 2020.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended December 31, 2018, 2019 and 2020.

The changes in level 3 instruments for the year ended December 31, 2018, 2019 and 2020 are described in Note 21 and Note 24, respectively.

The carrying amounts of the Group's current financial assets, including cash and cash equivalents, restricted cash, trade and other receivables, financial assets at FVPL and; financial liabilities, including borrowings, lease liabilities, trade payables, other payables, dividend payable, interest payables and refund liabilities approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Gross vs net assessment in revenue recognition

The Group sells goods to customers, provides online operating service and digital marketing service to its customers using different business models, which involves the assessment of revenue recognition on a gross or net basis, i.e. principal vs. agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified goods or services before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

(b) Allowance on doubtful receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected credit loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the years in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

(c) Provision of inventories

Inventories, consisting of goods available for sale, are valued at the lower of cost or net realizable value. Cost of inventories is determined using the weighted average cost method. This valuation requires us to make judgments, based on currently available information, about the likely method of disposition and expected recoverable values of each disposition category. Our inventory provision is made for valuation of inventory at the lower of cost or net realizable value, which is the estimated by selling price in the ordinary course of business, less applicable variable selling expenses. In addition, we generally reserve provision for inventories according to aging over certain period of time. Inventory provisions are charged to cost of goods.

(d) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC, Hong Kong and Japan. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

(e) Estimation of fair value of preferred shares

The financial instruments issued by the Group including preferred shares are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of the Group and the equity allocation model was adopted to determine the fair value of preferred shares. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 24.

(f) Recognition of share-based compensation expenses

As mentioned in Note 25, the Group has granted share options to its employees. The Group has engaged an independent valuer to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the group in applying the option pricing model.

5 SEGMENT INFORMATION

The Group's chief operating decision maker ("CODM") has been identified as the chief executive officer. The CODM reviews the consolidated results of the Group as a whole when making decisions about allocating resources and assessing performance of the Group. Thus no segment information was presented for Track Record Period.

The Group mainly operates in the PRC. As of December 31, 2018, 2019 and 2020, most of non-current assets were located in the PRC. All of the Group's revenue are derived from the PRC.

6 REVENUE AND COST OF REVENUE

Revenue mainly comprises of proceeds from sales of goods, online operating services and digital marketing services. An analysis of the Group's revenue and cost of sales by category for the years ended December 31, 2018, 2019 and 2020 is as follows:

			Year ended December 31,					
			2018		2019		2020	
	Timing of recognition	Method of revenue recognition	Revenue	Cost of revenue	Revenue	Cost of revenue	Revenue	Cost of revenue
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales of goods								
– B2B	at a point in time	Gross	1,404,323	1,265,052	1,379,966	1,248,243	1,226,516	1,058,656
– B2C	at a point in time	Gross	1,089,428	630,628	1,353,044	707,389	1,539,757	837,587
Provision of services								
– online operating services	over time	Gross	12,714	661	23,230	1,872	11,469	3,155
– digital marketing services	over time	Gross	34,496	28,275	25,479	20,753	23,104	13,334
			2,540,961	1,924,616	2,781,719	1,978,257	2,800,846	1,912,732

During the year ended December 31, 2018, 2019 and 2020, the revenue derived from external customers accounted for more than 10% of total revenue are set out below.

	Year ended December 31,		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Customer A	919,784	981,628	792,099

(a) Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	As of December 31,		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
– Related parties *(Note 36(d))*	5,593	–	–
– Third parties	1,123	3,913	3,425
	6,716	3,913	3,425

Contract liabilities generated from the following revenue categories:

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods			
– B2B	1,113	3,910	3,414
Sales of services			
– digital marketing service	2	–	11
– online operating service	5,601	3	–
	6,716	3,913	3,425

(i) Changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the goods/services are yet to be delivered.

(ii) Revenue recognized in relation to contract liabilities

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

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods			
– B2B	1,617	1,113	3,609
Sales of services			
– online operating service	11	5,601	3
– digital marketing service	–	2	–
	1,628	6,716	3,612

(iii) Unsatisfied performance obligations

The Group has elected the practical expedient for not to disclose the remaining performance obligations because the performance obligation is part of a contract that has an original expected duration of one year or less.

(iv) Assets recognized from incremental costs to obtain a contract

During the Record Period, commission paid to Platforms, which are considered as incremental costs of obtaining a contract, are expenses as incurred because the amortization period of the asset is less than one year.

7 OTHER INCOME

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Government grants (a)	6,160	4,544	7,283
Interests on loans to related parties *(Note 36(b))*	189	2,994	5,121
Interests on loans to third parties	–	–	231
	6,349	7,538	12,635

(a) Government grants mainly consisted of financial subsidies with no condition attached granted by the local governments.

8 EXPENSES BY NATURE

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Cost of goods sold	1,873,284	1,933,508	1,864,479
Sales and marketing expenses	189,469	245,835	284,157
Warehousing and logistic expenses	182,115	241,193	287,700
Employee benefit expenses *(Note 9)*	96,285	138,754	129,867
Provision for inventories *(Note 18)*	21,673	22,124	31,764
Listing expenses	–	7,863	23,051
Depreciation and amortization charges *(Note 15, 16)*	8,670	11,495	16,136
Office expenses	2,796	4,848	6,167
Professional service fee	1,630	879	3,054
Travel expenses	4,201	3,489	2,976
Taxes and surcharges	3,694	2,597	2,975
Bank and other payment channel expenses	1,120	1,132	1,443
Short-term lease payments *(Note 30)*	1,329	979	929
Auditors' remuneration			
– Audit services	1,014	246	103
Others	3,171	4,341	5,119
	2,390,451	2,619,283	2,659,920

9 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages, bonus and other benefits	71,868	101,729	115,854
Social insurance expenses	9,636	14,132	8,096
Housing benefit	3,244	4,657	5,917
Share-based payment *(Note 25)*	11,537	18,236	–
	96,285	138,754	129,867

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary to the scheme to fund the retirement benefits of the employees.

(b) According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments, affected by Coronavirus Disease 2019 (COVID-19), social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February to December 2020 have been reduced or exempted accordingly.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 3, 2, 2 directors for the years ended December 31, 2018, 2019 and 2020 whose emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining 2, 3, 3 individuals during the Track Record Period are as follows:

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	2,037	3,700	3,463
Pension costs, housing funds, medical insurance and other social insurances	192	287	198
Share-based payment *(Note 25)*	1,439	1,532	–
	3,668	5,519	3,661

The emoluments fell within the following bands:

	Year ended December 31,		
	2018	**2019**	**2020**
Emolument bands (in RMB)			
Nil – 1,000,000	–	–	–
1,000,001 – 1,500,000	1	–	3
1,500,001 – 2,000,000	–	3	–
More than 2,000,000	1	–	–
	2	3	3

10 OTHER (LOSSES)/GAINS – NET

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Gain from extinguishment of preferred shares to ordinary shares	–	–	3,054
Net foreign exchange (losses)/gains	(1,242)	1,053	(6,822)
Fair value gains on financial assets at FVPL *(Note 21)*	780	656	398
Net gains/(losses) on disposal of property, plant and equipment	6	(24)	8
Others	372	588	256
	(84)	2,273	(3,106)

11 FINANCE COSTS – NET

(a) Finance income

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Bank interest income	947	621	565

(b) Finance costs

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Interest expense on borrowings	(17,186)	(17,969)	(21,189)
Interest expense on lease liabilities *(Note 30)*	(666)	(639)	(1,445)
Others	–	–	(127)
	(17,852)	(18,608)	(22,761)

12 INCOME TAX EXPENSES

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	44,404	51,264	60,801
Deferred income tax *(Note 29)*	(3,075)	(4,900)	(15,890)
	41,329	46,364	44,911

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using the notional tax rate applicable to profits of the group entities as follows:

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before income tax	41,386	(39,375)	42,997
– Notional tax on profit/(loss) before income tax	10,347	(9,844)	10,749
– Difference in overseas tax rates	1,489	459	3,350
– Tax effect of fair value changes from preferred shares and gains from extinguishment of preferred shares	25,172	47,636	21,395
– Tax effect of dividends on preferred shares	–	2,118	–
– Tax effect of share-based payment expenses	2,884	4,559	–
– Tax effect of other non-deductible expenses	1,482	1,969	8,022
– Tax effect of non-taxable investment income	(243)	(630)	873
– Tax effect of unrecognized tax losses	4	256	(10)
– Others	194	(159)	532
Income tax expenses	41,329	46,364	44,911

No deferred tax liabilities on profits relating to investments accounted for using the equity method.

As of December 31, 2018, 2019 and 2020, the Group has not recognized deferred tax liabilities in respect of undistributed retained earnings of RMB52,853,000, RMB73,397,000 and RMB80,850,000 from Group's PRC subsidiaries. The Group does not have any profit distribution plan on its PRC subsidiaries, and intends to remain their retained earnings undistributed for daily operation and expansion of business in the PRC.

As of December 31, 2018, 2019 and 2020, the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB54,000, RMB1,025,000 and RMB987,000 as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses shall expire in five years from year of occurrence under current tax legislation.

	Unused tax losses for which no deferred tax asset was recognized As of December 31,		
Expiry year	**2018**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Expiring in year 2021	22	–	–
Expiring in year 2022	17	–	–
Expiring in year 2023	15	–	–
Expiring in year 2024	–	1,025	142
Expiring in year 2025	–	–	845
	54	1,025	987

(i) Cayman Islands corporate income tax

Under the current laws of Cayman Islands, the Company is not subject to tax on income or capital gain.

(ii) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%. Provision for Hong Kong profits tax was made on the assessable profits of entities within the Group incorporated in Hong Kong.

(iii) Japan corporate income tax

Entities incorporated in Japan are subject to Japan corporate income tax at an effective statutory tax rate of approximately 35%.

(iv) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the years ended December 31, 2018, 2019 and 2020.

(v) PRC withholding Tax ("WHT")

According to the New Corporate Income Tax Law ("New CIT Law"), distribution of profits earned by PRC companies since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on if the foreign investor is considered as the beneficial owner of the dividend according to the double tax treaty (agreement) between China and the jurisdiction of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

13 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share for the years ended December 31, 2018, 2019 and 2020 are calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the issue of shares in connection with the Reorganization completed on June 12, 2020. Preference shares that are contingently redeemable are not treated as outstanding and are excluded from the calculation of basic earnings per share.

	Year ended December 31,		
	2018	**2019**	**2020**
Net profit/(loss) attributable to the owners of the Company (RMB'000)	53	(85,466)	(1,088)
Weighted average number of ordinary shares	716,900	746,695	1,095,448
Basic earnings/(loss) per share (expressed in RMB per share)	0.07	(114.46)	(0.99)

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As the Group incurred losses for the year ended December 31, 2019 and 2020, the potential ordinary shares were not included in the calculation of dilutive earnings/(loss) per share, as their inclusion would be anti-dilutive. Accordingly, diluted earnings/(loss) per share for the year ended December 31, 2019 and 2020 are same as basic loss per share of respective years.

For the year ended December 31, 2018, 2019 and 2020, diluted earnings per share was calculated by considering that the preferred shares issued by the Company were excluded from the diluted weighted average number of ordinary shares calculation, as their effect would have been anti-dilutive.

	Year ended December 31,		
	2018	**2019**	**2020**
Net profit/(loss) attributable to the owners of the Company (RMB'000)	53	(85,466)	(1,088)
Weighted average number of ordinary shares	716,900	746,695	1,095,448
Adjustments for options granted to employees	39,455	–	–
Weighted average number of ordinary shares for calculation of diluted earnings/(loss) per share	756,355	746,695	1,095,448
Diluted earnings/(loss) per share (expressed in RMB per share)	0.07	(114.46)	(0.99)

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Amounts recognized in the consolidated balance sheet

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Investments accounted for using the equity method			
– A joint venture	6,991	13,632	21,433
– An associate	1,957	1,974	2,566
	8,948	15,606	23,999

Amounts recognized in the consolidated statement of comprehensive income

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Share of net profit of associates and joint ventures accounted for using the equity method – net			
– A joint venture	4,543	6,304	8,694
– An associate	(186)	17	592
	4,357	6,321	9,286
Share of other comprehensive income/(losses) of joint ventures accounted for using the equity method – net			
– A joint venture	188	337	(893)

(a) Investment in a joint venture

Entity	Investing date	Operating region	Share of the invested company as of December 31,		
			2018	**2019**	**2020**
UNQ International (HK) Limited	November, 2015	Hong Kong	50%	50%	50%

(b) Investment in an associate

Entity	Investing date	Operating region	Share of the invested company as of December 31,		
			2018	**2019**	**2020**
Shanghai Xuyi Industry Co., Ltd. ("Shanghai Xuyi")	August, 2018	The PRC	30%	30%	30%

(c) Movement in a joint venture and an associate

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	2,260	8,948	15,606
Addition	2,143	–	–
Share of profit for the year	4,357	6,321	9,286
Exchange differences recorded in other comprehensive income for the year	188	337	(893)
At the end of the year	8,948	15,606	23,999

15 PROPERTY, PLANT AND EQUIPMENT

	As of December 31,		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment (a)	3,038	5,898	10,602
Right-of-use assets (b)	9,067	18,347	24,291
	12,105	24,245	34,893

(a) Property, plant and equipment (excluding right-of-use assets)

	Vehicles	Office and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2018					
Cost	1,251	1,726	1,999	315	5,291
Accumulated depreciation	(539)	(820)	(691)	–	(2,050)
Net book amount	712	906	1,308	315	3,241
Year ended December 31, 2018					
Opening net book amount	712	906	1,308	315	3,241
Additions	–	736	–	609	1,345
Disposals	–	(73)	–	–	(73)
Transfer to leasehold improvements	–	–	337	(337)	–
Depreciation charge	(271)	(491)	(718)	–	(1,480)
Exchange differences	3	–	2	–	5
Closing net book amount	444	1,078	929	587	3,038
As of December 31, 2018					
Cost	1,264	2,354	2,339	587	6,544
Accumulated depreciation	(820)	(1,276)	(1,410)	–	(3,506)
Net book amount	444	1,078	929	587	3,038
Year ended December 31, 2019					
Opening net book amount	444	1,078	929	587	3,038
Additions	–	1,258	1,029	2,299	4,586
Disposals	(29)	–	(28)	–	(57)
Depreciation charge	(179)	(619)	(887)	–	(1,685)
Exchange differences	–	–	16	–	16
Closing net book amount	236	1,717	1,059	2,886	5,898
As of December 31, 2019					
Cost	1,068	3,612	3,334	2,886	10,900
Accumulated depreciation	(832)	(1,895)	(2,275)	–	(5,002)
Net book amount	236	1,717	1,059	2,886	5,898

	Vehicles	Office and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2020					
Opening net book amount	236	1,717	1,059	2,886	5,898
Additions	–	2,723	3,455	2,451	8,629
Transfer to leasehold improvements	–	–	5,307	(5,307)	–
Disposals	–	(11)	–	–	(11)
Depreciation charge	(146)	(1,074)	(2,692)	–	(3,912)
Exchange differences	–	–	(2)	–	(2)
Closing net book amount	90	3,355	7,127	30	10,602
As of December 31, 2020					
Cost	1,068	6,118	12,091	30	19,307
Accumulated depreciation	(978)	(2,763)	(4,964)	–	(8,705)
Net book amount	90	3,355	7,127	30	10,602

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Administrative expenses	1,480	1,685	3,912

(b) Right-of-use assets

	Properties
	RMB'000
At January 1, 2018	
Cost	15,458
Accumulated depreciation	(6,581)
Net book amount	8,877
Year ended December 31, 2018	
Opening net book amount	8,877
Additions	7,220
Depreciation for the year	(7,030)
Closing net book amount	9,067

	Properties
	RMB'000
At December 31, 2018	
Cost	21,615
Accumulated depreciation	(12,548)
Net book amount	9,067
Year ended December 31, 2019	
Opening net book amount	9,067
Additions	17,958
Depreciation for the year	(8,678)
Closing net book amount	18,347
At December 31, 2019	
Cost	36,058
Accumulated depreciation	(17,711)
Net book amount	18,347
Year ended December 31, 2020	
Opening net book amount	18,347
Additions	17,938
Depreciation for the year	(11,994)
Closing net book amount	24,291
At December 31, 2020	
Cost	39,450
Accumulated depreciation	(15,159)
Net book amount	24,291

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Selling and marketing expenses	1,308	1,981	1,833
Administrative expenses	5,722	6,697	10,161
	7,030	8,678	11,994

16 INTANGIBLE ASSETS

	Computer Software
	RMB'000
As of January 1, 2018	
Cost	1,589
Accumulated amortization	(371)
Net book amount	1,218
Year ended December 31, 2018	
Opening net book amount	1,218
Addition	233
Amortization	(160)
Closing net book amount	1,291
As of December 31, 2018	
Cost	1,822
Accumulated amortization	(531)
Net book amount	1,291
Year ended December 31, 2019	
Opening net book amount	1,291
Addition	711
Amortization	(1,132)
Closing net book amount	870
As of December 31, 2019	
Cost	2,533
Accumulated amortization	(1,663)
Net book amount	870
Year ended December 31, 2020	
Opening net book amount	870
Addition	1,282
Amortization	(230)
Closing net book amount	1,922
As of December 31, 2020	
Cost	2,226
Accumulated amortization	(304)
Net book amount	1,922

Amortization of intangible assets has been charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Administrative expenses	160	1,132	230

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Financial asset at amortized cost			
Trade and other receivables *(Note 20)*	407,993	365,378	526,959
Restricted cash *(Note 22)*	44,247	4,831	3,200
Cash and cash equivalents *(Note 22)*	156,159	538,561	252,334
	608,399	908,770	782,493
Financial assets at FVPL *(Note 21)*	–	44,000	–
	608,399	952,770	782,493
Financial liabilities at amortized costs			
Borrowings *(Note 27)*	328,994	345,280	622,944
Trade and other payables (excluding accrued payroll and other taxes payable) *(Note 28)*	329,923	588,570	463,540
Lease liabilities *(Note 30)*	9,959	18,480	24,705
	668,876	952,330	1,111,189
Financial liabilities at FVPL *(Note 24)*	705,666	896,182	–
	1,374,542	1,848,512	1,111,189

18 INVENTORIES

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Merchant goods	421,743	418,815	702,490
Less: provision	(9,684)	(18,498)	(43,129)
	412,059	400,317	659,361

The cost of inventories recognized as "cost of revenue" amounted to RMB1,873,284,000, RMB1,933,508,000 and RMB1,864,479,000 for the years ended December 31, 2018, 2019 and 2020, respectively.

Movements on the Group's allowance for provision of inventories are as follows:

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	1,222	9,684	18,498
Charge for the year			
– charge to profit or loss	21,673	22,124	31,764
– exchange differences	35	60	(899)
Write-off for the year	(13,246)	(13,370)	(6,234)
At end of year	9,684	18,498	43,129

19 OTHER CURRENT ASSETS

The Group

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Value added tax ("VAT") recoverable	98,602	89,912	101,482
Third parties prepayment	17,752	13,208	66,278
Consumption tax refund	4,920	43,376	61,982
Prepaid CIT expenses	–	9,033	21,645
Prepaid listing expenses	–	2,104	9,226
Others	2,268	3,559	4,364
	123,542	161,192	264,977

The Company

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Prepaid listing expenses	–	2,104	9,226

20 TRADE AND OTHER RECEIVABLES

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheets:

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– Related parties *(Note 36(d))*	201	17,056	50,972
– Third parties	255,433	189,293	205,058
	255,634	206,349	256,030
Less: allowance for impairment of trade receivables	(4,073)	(2,277)	(7,551)
	251,561	204,072	248,479
Other receivables			
– *Related parties (Note 36(d))*			
(i) Loans	9,000	63,200	63,200
(ii) Guarantee for borrowings *(Note 27(a))*	–	–	49,324
(iii) Others	395	18,255	3,380
– *Third parties*			
(i) Rebate receivables *(Note 2.24)*	134,375	62,529	127,819
(ii) Deposits	9,650	15,575	14,821
(iii) Payment on behalf of other parties	–	–	10,215
(iv) Compensation receivables	–	–	4,747
(v) Loan to a third party *(a)*	–	–	4,245
(vi) Others	3,705	5,179	3,899
	157,125	164,738	281,650
Less: allowance for impairment of other receivables	(693)	(3,432)	(3,170)
	156,432	161,306	278,480
Total trade and other receivables	407,993	365,378	526,959

(a) The loan to a third party is due within one year at interest rate of 8% per annum.

Sales of goods under lump sum basis are received in accordance with the terms of the relevant agreements. Sales income is due for payment by the customer upon the issuance of invoices.

For online operating services and digital marketing services, customers are generally given a credit term up to 90 days.

As of December 31, 2018, 2019 and 2020, the ageing analysis of the trade receivables based on invoice date were as follows:

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Up to 3 months	205,708	200,284	218,187
3 to 6 months	49,725	3,726	21,169
6 months to 1 year	201	2,339	14,491
Over 1 year	–	–	2,183
	255,634	206,349	256,030

As of December 31, 2018, 2019 and 2020, the ageing analysis of other receivables based on due date were as follows:

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Up to 3 months	155,408	163,516	281,282
3 to 6 months	803	148	150
6 months to 1 year	828	54	208
Over 1 year	86	1,020	10
	157,125	164,738	281,650

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing based on invoice. The expected loss rates are based on the payment profiles of sales and the corresponding historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

During the Track Record Period, the expected loss rates of trade receivables are determined as follows:

	Up to 3 months	**3 to 6 months**	**6 months to 1 year**	**Over 1 year**	**Total**
Trade receivables					
At December 31, 2018					
Expected loss rate	1.54%	1.80%	5.62%		
Gross carrying amount *(RMB'000)*	205,708	49,725	201	–	255,634
Loss allowance provision *(RMB'000)*	3,167	895	11	–	4,073
At December 31, 2019					
Expected loss rate	1.01%	2.22%	7.13%		
Gross carrying amount *(RMB'000)*	200,284	3,726	2,339	–	206,349
Loss allowance provision *(RMB'000)*	2,027	83	167	–	2,277

	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
At December 31, 2020					
Expected loss rate	1.56%	4.63%	13.66%	54.15%	
Gross carrying amount *(RMB'000)*	218,187	21,169	14,491	2,183	256,030
Loss allowance provision *(RMB'000)*	3,410	980	1,979	1,182	7,551

Movements on the Group's allowance for impairment of trade receivables are as follows:

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	2,443	4,073	2,277
Charge/(reversal) for the year			
– charge/(reversal) to profit or loss	1,744	(1,796)	5,377
– exchange differences	(1)	–	(103)
Write-off for the year	(113)	–	–
At end of year	4,073	2,277	7,551

The Group uses three categories for other receivables which reflect their credit risk and how the expected credit loss provision is determined for each of those categories. The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers both historical loss rates and forward-looking macroeconomic data.

A summary of the assumptions underpinning the Group's expected credit loss model is as follow:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Stage one	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage two	Receivables is more than 30 days past due in making a contractual payment/repayable demanded	Lifetime expected credit losses
Stage three	Receivables for which the counterparty fails to make contractual payments/repayable demanded within 90 days of when they fall due	Lifetime expected credit losses

The carrying amount of other receivables assessed under Stage one, two and three are as follows:

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Stage one	154,429	163,203	281,226
Stage two	979	313	56
Stage three	1,717	1,222	368
	157,125	164,738	281,650

Movements on the Group's allowance for impairment of other receivables are as follows:

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	279	693	3,432
Charge for the year			
– charge to profit or loss	410	2,738	537
– exchange differences	4	1	(69)
Write-off for the year	–	–	(730)
At end of year	693	3,432	3,170

The Group's allowance for impairment of trade and other receivables charged to profit or loss are as follows:

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	1,744	(1,796)	5,377
Other receivables	410	2,738	537
	2,154	942	5,914

21 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	–	44,000	–

The short-term investments measured at fair value through profit or loss were investment in wealth management products, denominated in RMB, without maturity date, with expected rates of return at 3.91%, 3.59% and 3.12% per annum for the years ended December 31, 2018, 2019 and 2020, respectively. The returns of the investment on these wealth management products were not guaranteed and they were measured at fair value through profit or loss. The wealth management products are expected to be disposed within one year. None of these investments were past due.

The following table presents the changes in level 3 instruments for the year ended December 31, 2018.

	Financial assets at FVPL – Wealth management products
	RMB'000
Opening balance	5,000
Addition	406,000
Gains for the period recognized in profit or loss *(Note 10)*	780
Redemption	(411,780)
Closing balance	–
Includes unrealized gains recognized in profit or loss attributable to balances held at the end of the reporting period	–

The following table presents the changes in level 3 instruments for the year ended December 31, 2019.

	Financial assets at FVPL – Wealth management products
	RMB'000
Opening balance	–
Addition	325,000
Gains for the period recognized in profit or loss *(Note 10)*	656
Redemption	(281,656)
Closing balance	44,000
Includes unrealized gains recognized in profit or loss attributable to balances held at the end of the reporting period	–

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

	Fair value at December 31, 2019	Valuation technique	Unobservable input	Range (weighted average)	Relationship of unobservable inputs to fair value
	RMB'000				
– Wealth management products	44,000	Discounted cash flow	Expected interest rate	3.59%	A change in expected interest rate per annum by 100 base point results in a change in fair value by RMB420,690.

The following table presents the changes in level 3 instruments for the year ended December 31, 2020.

	Financial assets at FVPL – Wealth management products
	RMB'000
Opening balance	44,000
Addition	114,000
Gains for the period recognized in profit or loss *(Note 10)*	398
Redemption	(158,398)
Closing balance	–
Includes unrealized gains recognized in profit or loss attributable to balances held at the end of the reporting period	–

22 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	135,914	460,365	236,330
Other monetary funds	20,245	78,196	16,004
	156,159	538,561	252,334
Restricted cash (a)	44,247	4,831	3,200
	200,406	543,392	255,534

(a) Restricted cash consists primarily of (i) bank guarantee deposits of RMB41,919,000 provided by UNQ Supply Chain as of December 31, 2018, which pledges for one short-term borrowing of JPY600,000,000 from Bank of Shanghai to UNQ Japan Co., Ltd. ("UNQ Japan") under the borrowing arrangements (Note 27(a)) and (ii) online stores guarantee bank deposits required by e-commerce platforms.

23 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	Number of ordinary shares	Equivalent value of ordinary shares
		RMB
Issued:		
Issuance of ordinary shares upon incorporation of the Company (i) and as of December 31, 2019	779,400	70
Issuance of ordinary shares (ii)	572,641	53
As of December 31, 2020	1,352,041	123

(i) On October 31, 2019, the Company was incorporated in the Cayman Islands with authorized capital of HKD380,000 divided into 3,800,000,000 ordinary shares of par value HKD0.0001 each. At the same date, the Company issued 779,400 ordinary shares at par value of HKD0.0001 each.

(ii) On June 12, 2020, the Company issued 572,641 ordinary shares at par value of HKD0.0001 each to TCI pursuant to the Restructure Framework Agreement and supplemental agreement.

(b) Share premium

Share premium of the Company represent the fair values of the subsidiaries comprising the Group acquired by the Company pursuant to the Reorganization (Note 26).

24 PREFERRED SHARES

On December 8, 2014, TCI entered into a shareholders agreement pursuant to which TCI acquired UNQ Supply Chain's newly issued shares of 15.79% equity interest with a total cash consideration of RMB44,355,000. Meanwhile, TCI acquired 12.50% equity interest from Mr. Wang Yong and Mr. Ning Jing with a total cash consideration of RMB32,931,000. The shares acquired also contained certain mandatory purchase rights and call options and therefore are regarded as preferred shares. The holder of preferred shares shall be entitled to equivalent voting right and participate in any dividend or distribution of UNQ Supply Chain. (collectively, "Series A Preferred Shares").

On July 15, 2016, TCI entered into a shareholders agreement pursuant to which TCI acquired UNQ Supply Chain's newly issued shares of 7.91% equity interest with a total cash consideration of RMB100,000,000. Meanwhile, TCI acquired 9.69% equity interest from Mr. Wang Yong, Mr. Ning Jing and Hangzhou Xunala with a total cash consideration of RMB122,500,000. The shares acquired also contained certain mandatory purchase rights and call options and therefore are regarded as preferred shares. The holder of preferred shares shall be entitled to equivalent voting right and participate in any dividend or distribution of UNQ Supply Chain. (collectively, "Series B Preferred Shares").

On July 28, 2017, Mr. Ning Jing entered into a shareholders agreement pursuant to which Mr. Ning Jing transferred his 2.72% equity interest to Mr. Wang Yong. Meanwhile, TCI acquired 2.45% equity interest from Mr. Ning Jing with a total cash consideration of RMB33,050,000 and the shares acquired also contained certain mandatory purchase rights and call options and therefore are regarded as preferred shares. The holder of preferred shares shall be entitled to equivalent voting right and participate in any dividend or distribution of UNQ Supply Chain. (collectively, "Series C Preferred Shares").

In June 2020, pursuant to the Restructure Framework Agreement and supplemental agreement, the mandatory purchase right and call option attached to the shares of UNQ Supply Chain had been terminated by TCI. TCI exchanged their equity interests in UNQ Supply Chain to the Company's ordinary shares proportionately. Thus, the financial liabilities were extinguished when the obligation specified in the contract is discharged or cancelled. The differences between the carrying amount of the financial liabilities extinguished, and the fair value of the equity instruments issued, was recognized in profit or loss.

The key terms of Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares (collectively, "Preferred Shares") are summarized as follows:

(a) Voting rights

Each preferred share has voting rights equivalent to the number of ordinary shares at the record date. The holders of preferred shares shall vote together with the ordinary shareholders, and not as a separate class or series, on all matters put before the shareholders.

(b) Redemption feature

(i) Mandatory purchase rights

TCI has the mandatory purchase rights to require redemption either from UNQ Supply Chain or Mr. Wang Yong, if any of the following conditions are met: 1) the Group fails to achieve financial performance as defined in the shareholders agreement within three years after the closing date of the issue; or 2) upon the occurrence of any event of default defined in the subscription agreement which includes but not limited to events such as revoking of any licenses or qualifications of the Group; or 3) Mr. Wang Yong or any companies controlled directly or indirectly by him, or any member of Group breach any terms of the shareholders agreement, or Mr. Wang Yong breaches the managing service agreement.

The redemption price for the above condition 1) shall be paid by Mr. Wang Yong or the Company to TCI in an amount equal to: (i) one hundred percent (100%) of the original transaction cost paid by TCI, plus (ii) benchmark bank borrowing rate per annum interest of the original issue price of the transaction cost, and (iii) any accrued but unpaid dividend thereon. The redemption price for the above condition 2) and 3) shall be paid by Mr. Wang Yong or the Company to TCI in an amount equal to one hundred and fifty percent (150%) of the original issue or transferred redeemable shares set out in the Restructure Framework Agreement.

(ii) Call options

TCI has the call options to require Mr. Wang Yong to sell shares held by him whether directly or indirectly to TCI or UNQ Supply Chain to allot and issue new shares to TCI, if any of the following conditions are met: 1) the Group fails to achieve financial performance as defined in the subscription agreement within three years after the closing date of the issue; or 2) upon the occurrence of any event of default defined in the subscription agreement which includes but not limited to events such as revoking of any licenses or qualifications of the Group; or 3) Mr. Wang Yong or any companies controlled directly or indirectly by him, or any member of Group breach any terms of the shareholders agreement, or Mr. Wang Yong breaches the managing service agreement.

The call option exercise price is determined on the basis of the net asset value or fair value of UNQ Supply Chain in the most recent month of transaction date. The shares to be sold or issued is determined through further negotiations between TCI and Mr. Wang Yong and/or such company controlled directly or indirectly by Mr. Wang Yong holds the relevant shares.

Presentation and Classification

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire instruments of preferred shares as financial liabilities at fair value through profit or loss. The fair value change of the preferred shares is recognized in profit or loss except for the portion attributable to credit risk change which shall be recognized in other comprehensive income, if any. The financial liabilities shall be extinguished when the obligation specified in the contract is discharged or cancelled. The differences between the carrying amount of the financial liabilities extinguished, and the fair value of the equity instruments issued, shall be recognized in profit or loss.

The movement of the preferred shares for the year ended December 31, 2018, 2019 and 2020 are set out below:

	Fair value
	RMB'000
As of January 1, 2018	605,367
Changes in fair value	
– change in fair value due to own credit risk charged in other comprehensive income	(388)
– change in fair value charged in profit or loss	100,687
As of December 31, 2018	705,666
As of January 1, 2019	705,666
Changes in fair value	
– change in fair value due to own credit risk charged in other comprehensive income	(27)
– change in fair value charged in profit or loss	190,543
As of December 31, 2019	896,182
As of January 1, 2020	896,182
Changes in fair value	
– change in fair value charged in profit or loss	88,634
Extinguishment of preferred shares	(984,816)
As of December 31, 2020	–

The Group has engaged an independent valuer to determine the underlying share value of the Group by discounted cash flow method and adopted equity allocation model to determine the fair value of the preferred shares as of the date of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of preferred shares are as follows:

	As of December 31,		As of June 12,
	2018	2019	2020
Discount rate	16.5%	16.5%	16.5%
Risk-free interest rate	0.1%-1.4%	0.9%	0.2%
Volatility	43%-48%	42%	57%
Possibilities under listing scenario	98%	99%	99%

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

Unobservable inputs	Range of inputs (weighted average)			Relationship of unobservable inputs to fair value
	2018	2019	2020	
Discount rate	16.5%	16.5%	16.5%	2018: increasing/decreasing the discount rate by +/- 0.25% respectively would change the fair value by -RMB12,488,000/ +RMB12,966,000 (2019: -RMB33,506,000/+RMB34,785,000, 2020: -RMB14,887,000/ +RMB15,290,000)
Risk-free interest rate	0.1%-1.4%	0.9%	0.2%	2018: A change in the risk-free interest rate by +/- 0.05% would change the fair value by +RMB300/-RMB200 (2019: +RMB7/-RMB3, 2020: +RMB6/-RMB3)
Volatility	43%-48%	42%	57%	The higher the volatility, the higher the fair value. A change in the volatility would have immaterial quantitative impact on fair value

Discount rate was estimated by weighted average cost of capital as of each valuation date. The directors estimated the risk-free interest rate based on the yield curve of Hong Kong treasury strips as of the valuation date. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before valuation date and with similar span as time to exit. Probability weight under each of the redemption feature and liquidation preferences was based on the directors' best estimates. In addition to the assumptions adopted above, the Group's projections of future performance were also factored into the determination of the fair value of the preferred shares on each valuation date.

25 SHARE-BASED COMPENSATION

(i) Share incentive scheme

In 2016, the board of directors approved the establishment of the Share incentive scheme with the purpose of which is to provide incentive for certain directors, senior management members and employees contributing to the Group through two limited liability partnerships before the Reorganization.

These two limited liability partnerships, Langyu Partnership and Langyue Partnership, which were established on June 3, 2016 and June 22, 2017 with Mr. Wang Yong being the general partner, subscribed for 39,883 shares and 22,617 shares of UNQ Supply Chain at a consideration of RMB2,911,000 and RMB1,651,000, respectively.

The Group granted share options in December 2016, June 2017, December 2018 and March 2019 to certain directors, senior management members and employees of the Group, under the Share incentive scheme, in exchange for their services to certain of the Group's subsidiaries, respectively.

The exercise price of all granted options is between RMB73 and RMB140 per ordinary share. All options granted expire in ten years from the respective grant date. The Share incentive scheme entitled the employees to have following choices:

– Option 1: If employees leave the entity before completion of the service condition (as described below), they can settle the granted options by cash paid by Mr. Wang Yong, which was calculated based on the higher price of (i) the exercise prices paid plus 10% interest per annum or (ii) the most recent audited net assets of UNQ Supply Chain multiplied by the share proportion of Langyu Partnership/Langyue Partnership multiplied by the share portion of the employee in Langyu Partnership/Langyue Partnership.

– Option 2: Employees can get shares if they complete the service condition which is to stay and serve the entity until the Company completes onshore reorganization.

Since the Company has no obligation to pay cash to employees, it is considered as an equity-settled share-based payment. The options can be separated into two parts, the first part was vested on grant date and the expenses were recognized immediately because employees can get cash from Mr. Wang Yong when they leave the Company. The second part was vested when employees complete the service condition and can get shares from the Company, the expenses were recognized over vesting period.

For those awards, evaluations are made by directors as of each reporting period to assess the likelihood of exercise of rights by the employees. Share-based compensation expenses are then adjusted to reflect the revision of original estimates.

All the interests of Langyu Partnership and Langyue Partnership were fully paid during the vesting period. As the Share incentive scheme is administrated by UNQ Supply Chain, which is combined in accordance with the principles in note 1.2. When the shares are granted but not vested, they are recognized as treasury share of the Group.

Movements in the number of share options granted and their related weighted average exercise price are as follows:

	Number of share options	**Average exercise price per share option**
		(RMB)
Outstanding as of January 1, 2018	48,674	73
Granted during the year	5,746	73
Forfeited during the year	(1,050)	73
Exercised during the year	–	73
Outstanding as of December 31, 2018	53,370	73
Vested and exercisable as of December 31, 2018	–	
Outstanding as of January 1, 2019	53,370	73
Granted during the year	12,130	140
Forfeited during the year	(3,000)	73
Exercised during the year	(62,500)	86
Outstanding as of December 31, 2019	–	–
Vested and exercisable as of December 31, 2019	–	

The weighted average share price at the date of exercise of options exercised during the year ended December 31, 2019 was RMB1,556 (2018 and 2020: not applicable).

The fair value of the share options granted under Share incentive scheme have been valued by an independent qualified valuer using Binomial valuation model as of the grant date.

Key assumptions are set as below:

	First grant	Second grant	Third grant	Fourth grant
	2016	2017	2018	2019
Risk-free interest rate	1.75%	1.80%	1.54%	1.55%
Volatility	46.9%	47.6%	45.1%	45.6%

The directors estimated the risk-free interest rate based on the yield of curve of Hong Kong Treasury strips with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on the directors' estimation at the grant date.

(ii) Non-employee share-based compensation

As described in Note 1.2, TCI acquired 2.45% equity interest from Mr. Ning Jing at the consideration of RMB33,050,000 and shares acquired also contained certain mandatory purchase rights and call option and therefore are regarded as preferred shares.

The consideration is below the fair value of the Company's shares on acquisition date which was valued by valuer. The above transactions were considered as an equity-settled share-based payment of the Group.

The total expense recognized in the consolidated income statements for share-based compensation as stated in (i) and (ii) are RMB11,537,000, RMB18,236,000 and nil for the years ended December 31, 2018, 2019 and 2020.

26 OTHER RESERVES

	Combined capital *(i)*	Treasury share *(ii)*	Share held for employee share schemes	Capital reserve	Statutory reserves *(iii)*	Share-based compensation reserve	Foreign currency translation	Change in credit risk of preferred shares	Total other reserves
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2018	10,279	(4,562)	4,562	(195,484)	1,333	17,259	(1,040)	3,480	(164,173)
Change in credit risk of preferred shares	–	–	–	–	–	–	–	388	388
Foreign currency translation	–	–	–	–	–	–	8,324	–	8,324
Dissolution of the companies now comprising the Group	(5,000)	–	–	–	(657)	–	–	–	(5,657)
Share-based payment expenses for employees *(Note 25)*	–	–	–	–	–	11,537	–	–	11,537
Acquisition of non-controlling interests *(Note 35)*	–	–	–	(23)	–	–	–	–	(23)
As of December 31, 2018	5,279	(4,562)	4,562	(195,507)	676	28,796	7,284	3,868	(149,604)
As of January 1, 2019	5,279	(4,562)	4,562	(195,507)	676	28,796	7,284	3,868	(149,604)
Change in credit risk of preferred shares	–	–	–	–	–	–	–	27	27
Foreign currency translation	–	–	–	–	–	–	5,944	–	5,944
Share-based payment expenses for employees *(Note 25)*	–	–	–	–	–	18,236	–	–	18,236
Transfer of exercised shares	–	4,562	(4,562)	47,032	–	(47,032)	–	–	–
As of December 31, 2019	5,279	–	–	(148,475)	676	–	13,228	3,895	(125,397)
As of January 1, 2020	5,279	–	–	(148,475)	676	–	13,228	3,895	(125,397)
Extinguishment of preferred shares	981,762	–	–	–	–	–	–	(3,895)	977,867
Completion of Reorganization	(987,041)	–	–	(1,330,959)	–	–	–	–	(2,318,000)
Foreign currency translation	–	–	–	–	–	–	(15,074)	–	(15,074)
Acquisition of non-controlling interests *(Note 35)*	–	–	–	(55)	–	–	–	–	(55)
Distribution to shareholders	–	–	–	(740)	–	–	–	–	(740)
As of December 31, 2020	–	–	–	(1,480,229)	676	–	(1,846)	–	(1,481,399)

(i) Combined capital

The Reorganization has not been completed as of December 31, 2019. Combined capital as of December 31, 2018 and 2019 represented the combined registered capital of the companies now comprising the Group after elimination of inter-company investment, except that ordinary shares with certain rights of TCI were recognized as "Preferred Shares".

As of December 31, 2018 and 2019, the shareholders of combined capital of the Group were as follows:

	As of December 31,			
	2018		2019	
	Combined capital	Registered capital	Combined capital	Registered capital
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
UNQ Supply Chain				
– Mr. Wang Yong	640	640	654	654
– TCI	–	572	–	572
– Other shareholders	4,639	140	4,625	126
	5,279	1,352	5,279	1,352

(ii) Treasury share

Treasury share was for the unvested shares during the vesting period for employees. As of December 31, 2019 and 2020, all treasury shares have been vested and exercised by employees, no treasury share reserves existed.

(iii) Statutory Reserves

The balance is reserved by the subsidiaries of the Group in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are related for specific purposes. PRC incorporated Company is required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's production operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

27 BORROWINGS

	As of December 31,		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Secured or guaranteed			
– Bank loans *(a)*			
– Current	284,716	305,645	549,559
– Current portion of non-current	6,582	10,199	6,577
– Non-current	5,539	5,155	20,431
– Corporate bonds *(c)*			
– Current portion of non-current	2,104	3,461	4,553
– Non-current	4,085	7,178	8,221
– Loans from other financial institutions *(d)*			
– Current	–	–	6,554
	303,026	331,638	595,895

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Unsecured			
– Bank loans *(b)*			
– Current	3,094	12,818	6,323
– Current portion of non-current	253	261	5,873
– Non-current	796	563	13,653
– Loans from other financial institutions *(b)*			
– Current	21,825	–	1,200
	25,968	13,642	27,049
Total borrowings	328,994	345,280	622,944

(a) As of December 31, 2018, borrowings of RMB150,000,000 and JPY600,000,000 (equivalent to RMB37,132,000) were secured by the Group's inventories and restricted cash. As of December 31, 2019, borrowings of RMB100,000,000 were secured by the Group's inventories. As of December 31, 2020, borrowings of RMB100,000,000 were secured by the Group's inventories and account receivables with a carrying amount of RMB125,000,000.

As of December 31, 2018, 2019 and 2020, borrowings of RMB235,000,000 and JPY973,692,000 (equivalent to RMB60,259,000), borrowings of RMB220,000,000 and JPY1,494,076,000 (equivalent to RMB95,749,000) and borrowings of RMB160,000,000 and JPY2,071,896,000 (equivalent to RMB131,018,000) were guaranteed by the Group's related parties and shareholders, respectively (Note 36(b)).

In March 2020, UNQ Supply Chain entered into two short-term revolving facility agreements with banks, each of RMB100,000,000, with the guarantee provided by TCI. UNQ Japan transferred an equivalent amount of RMB51,330,000 cash as a counter-guarantee to TCI with respect to such borrowings. As of December 31, 2020, UNQ Supply Chain renewed these two short-term revolving facility agreements with banks, each of RMB75,000,000, with the guarantee provided by TCI, and the counter-guarantee of RMB49,324,000 was held by TCI and accounted for other receivables – guarantee for borrowings (Note 20).

(b) As of December 31, 2018, 2019 and 2020, borrowings of JPY66,940,000 (equivalent to RMB4,143,000), borrowings of JPY212,860,000 (equivalent to RMB13,642,000) and borrowings of JPY408,780,000 (equivalent to RMB25,850,000) were unsecured by commercial banks.

As of December 31, 2018, 2019 and 2020, borrowings of USD3,180,000 (equivalent to RMB21,825,000), borrowings of nil and borrowings of RMB1,200,000 were unsecured by other financial institutions.

(c) On December 25, 2018, UNQ Japan issued three-year corporate bond of JPY100,000,000 (equivalent to RMB6,189,000), with guarantee of commercial bank.

On September 30, 2019, UNQ Japan issued five-year corporate bond of JPY100,000,000 (equivalent to RMB6,409,000), with guarantee of commercial bank and other financial institution.

On May 29, 2020, UNQ Japan issued five-year corporate bond of JPY100,000,000 (equivalent to RMB6,580,800), with guarantee of commercial bank and a related party (Note 36(b)).

(d) In September 2020, UNQ Japan and UNQ Hong Kong Limited separately entered into framework agreement with other financial institutions, which the maximum borrowing limit based on the book value of the account receivables due to UNQ Japan and UNQ Hong Kong Limited.

(e) As of December 31, 2018, 2019 and 2020, the Group's borrowings' carried weighted average interest rates of 7.07%, 6.13% and 4.63% per annum, respectively.

(f) Interest expenses were RMB17,186,000, RMB17,969,000 and RMB21,189,000 for the years ended December 31, 2018, 2019 and 2020, respectively.

(g) As of the date of this report, the Group obtained unutilized credit facilities from independent commercial banks in the amount of approximately RMB263.1 million.

28 TRADE AND OTHER PAYABLES

The Group

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– Related parties *(Note 36(d))*	8,433	32,854	111,865
– Third parties	242,186	363,803	286,781
	250,619	396,657	398,646
Other payables			
– Related parties *(Note 36(d))*	31,110	149,795	15,615
– Third parties	46,200	32,812	32,401
	77,310	182,607	48,016
Accrued payroll	19,392	23,385	20,979
Accrued listing expenses	–	5,305	15,322
Dividend payable *(Note 31)*	–	2,055	–
Other taxes payables	5,126	4,077	5,101
Interest payables	1,994	1,946	1,556
	354,441	616,032	489,620

The Company

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Other payables	–	9,967	40,067

As of December 31, 2018, 2019 and 2020, the ageing analysis of the trade payables based on invoice date were as follows:

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Up to 3 months	250,181	396,543	321,071
3 to 6 months	438	114	77,575
	250,619	396,657	398,646

29 DEFERRED INCOME TAX

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

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets:			
– Deferred tax assets to be recovered after more than 12 months	1,491	6,448	16,840
– Deferred tax assets to be recovered within 12 months	5,962	8,241	15,063
	7,453	14,689	31,903
Deferred tax liabilities:			
– Deferred tax liabilities to be recovered after more than 12 months	(745)	(2,401)	(3,337)
– Deferred tax liabilities to be recovered within 12 months	(1,522)	(2,186)	(2,736)
	(2,267)	(4,587)	(6,073)
Net deferred tax assets *(a)*	5,186	10,102	25,830

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

	Deferred tax assets-allowance on doubtful debts	**Deferred tax assets-accrued expenses**	**Deferred tax assets-provision for inventory**	**Deferred tax assets-lease liabilities**	**Deferred tax assets-tax losses**	**Deferred tax assets-others**	**Deferred tax liabilities-right-of-use assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2018	680	817	214	2,506	67	40	(2,219)	2,105
Charge to profit or loss	479	(111)	2,078	(16)	630	63	(48)	3,075
Exchange differences	–	–	6	–	–	–	–	6
As of December 31, 2018	1,159	706	2,298	2,490	697	103	(2,267)	5,186
As of January 1, 2019	1,159	706	2,298	2,490	697	103	(2,267)	5,186
Charge to profit or loss	274	(706)	2,382	2,130	3,159	(19)	(2,320)	4,900
Exchange differences	–	–	16	–	–	–	–	16
As of December 31, 2019	1,433	–	4,696	4,620	3,856	84	(4,587)	10,102
As of January 1, 2020	1,433	–	4,696	4,620	3,856	84	(4,587)	10,102
Charge to profit or loss	1,094	–	5,440	1,556	9,238	48	(1,486)	15,890
Exchange differences	(1)	–	(161)	–	–	–	–	(162)
As of December 31, 2020	2,526	–	9,975	6,176	13,094	132	(6,073)	25,830

(a) The Group only offset deferred tax assets and deferred tax liabilities for presentation purposes only if the deferred tax assets and the deferred tax liabilities related to income taxes levied by the same tax authority on same tax payee.

(b) The Group does not have any profit distribution plan on its PRC subsidiaries to foreign investors, and intends to remain their retained earnings undistributed for daily operation and expansion of business in the PRC. Accordingly, no deferred income tax liability on withholding tax was accrued as of the end of each reporting period.

30 LEASES

(i) Amounts recognized in the balance sheet

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Properties *(Note 15)*	9,067	18,347	24,291
Lease liabilities			
Current	(6,782)	(8,110)	(9,722)
Non-current	(3,177)	(10,370)	(14,983)
	(9,959)	(18,480)	(24,705)

As of December 31, 2018, 2019 and 2020, right-of-use assets were included in property, plant and equipment in the consolidated balance sheet.

(ii) Amounts recognized in the consolidated statements of comprehensive income

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of Right-of-use assets			
Properties *(Note 15)*	7,030	8,678	11,994
Interest expense (included in finance costs) *(Note 11)*	666	639	1,445
Expenses relating to short-term leases (included in selling and marketing expenses and administrative expenses) *(Note 8)*	1,329	979	929

The total cash outflow for leases for the years ended December 31, 2018, 2019 and 2020 is RMB9,278,000, RMB10,646,000 and RMB14,087,000, respectively.

31 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation in October 2019.

Dividends distributed by UNQ Supply Chain is summarized as follows:

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Dividend to shareholders	–	11,529	–
Dividend to preference shareholder	–	8,471	–
	–	20,000	–

During each of the years ended December 31, 2018, 2019 and 2020, UNQ Supply Chain declared dividends of nil, RMB20,000,000 and nil, respectively. Also, the dividend payments on Preference Shares that are recognized as expenses amounted to nil, RMB8,471,000 and nil, respectively.

UNQ Supply Chain paid RMB17,622,000, RMB17,945,000 and RMB2,055,000 to its shareholders during each of the years ended December 31, 2018, 2019 and 2020, respectively.

32 CURRENT TAX LIABILITIES

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
CIT payables	39,040	31,362	35,094

33 CASH FLOW INFORMATION

(a) Cash (used in)/generated from operations

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before income tax	41,386	(39,375)	42,997
Adjustments for:			
– Depreciation of property, plant and equipment *(Note 15)*	8,510	10,363	15,906
– Amortization of intangible assets *(Note 16)*	160	1,132	230
– Allowance for impairment of trade and other receivables *(Note 20)*	2,154	942	5,914
– Provision for inventories *(Note 8)*	21,673	22,124	31,764
– Dividends on preferred shares *(Note 31)*	–	8,471	–
– Non-cash employee benefits expense – share based payments *(Note 25)*	11,537	18,236	–
– Interests on loans *(Note 7)*	(189)	(2,994)	(5,352)
– Net losses/(gains) on disposal of non-current assets *(Note 10)*	(6)	24	(8)
– Fair value gains on financial assets at FVPL *(Note 10)*	(780)	(656)	(398)

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
– Gains from extinguishment of preferred shares *(Note 10)*	–	–	(3,054)
– Fair value changes of preferred shares *(Note 24)*	100,687	190,543	88,634
– Share of profits of associates and joint ventures *(Note 14)*	(4,357)	(6,321)	(9,286)
– Finance income *(Note 11)*	(947)	(621)	(565)
– Finance cost *(Note 11)*	17,852	18,608	22,761
	197,680	220,476	189,543
Changes in working capital:			
– Inventories	(148,896)	(10,442)	(289,909)
– Other current assets	(12,169)	(27,959)	(88,090)
– Trade and other receivables	(125,769)	83,325	(111,748)
– Restricted cash	(806)	(2,503)	1,631
– Contract liabilities	5,088	(2,803)	(488)
– Trade and other payables	64,377	151,044	(1,520)
	(20,495)	411,138	(300,581)

(b) Reconciliation of net (debt)/cash

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents *(Note 22)*	156,159	538,561	252,334
Financial assets at FVPL *(Note 21)*	–	44,000	–
Lease liabilities *(Note 30)*	(9,959)	(18,480)	(24,705)
Borrowings from related parties *(Note 36(d))*	(31,110)	(139,650)	(13,142)
Borrowings – repayable within one year *(Note 27)*	(318,574)	(332,384)	(580,639)
Borrowings – repayable after one year *(Note 27)*	(10,420)	(12,896)	(42,305)
Net (debt)/cash	(213,904)	79,151	(408,457)
Cash and liquid investments	156,159	582,561	252,334
Gross debt – borrowings	(360,104)	(484,930)	(636,086)
Gross debt – lease liabilities	(9,959)	(18,480)	(24,705)
Net (debt)/cash	(213,904)	79,151	(408,457)

	Other assets		Liabilities from financing activities			
	Cash and cash equivalents	Financial assets at FVPL	Leases liabilities	Borrowings from third parties	Borrowings from related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as of January 1, 2018	191,675	5,000	(10,022)	(245,198)	(47,510)	(106,055)
Cash flows	(50,863)	(5,780)	7,949	(79,202)	19,762	(108,134)
Foreign exchange differences	15,347	–	–	(4,594)	(2,590)	8,163
Other non-cash movements	–	780	(7,886)	–	(772)	(7,878)
Net debt as of December 31, 2018	156,159	–	(9,959)	(328,994)	(31,110)	(213,904)
Net debt as of January 1, 2019	156,159	–	(9,959)	(328,994)	(31,110)	(213,904)
Cash flows	370,289	43,344	10,076	(12,743)	(119,601)	291,365
Foreign exchange differences	12,113	–	–	(3,543)	(2,934)	5,636
Other non-cash movements *(i)*	–	656	(18,597)	–	13,995	(3,946)
Net cash as of December 31, 2019	538,561	44,000	(18,480)	(345,280)	(139,650)	79,151
Net debt as of January 1, 2020	538,561	44,000	(18,480)	(345,280)	(139,650)	79,151
Cash flows	(268,284)	(44,398)	13,158	(282,292)	130,001	(451,815)
Foreign exchange differences	(17,943)	–	–	4,628	(1,773)	(15,088)
Other non-cash movements	–	398	(19,383)	–	(1,720)	(20,705)
Net debt as of December 31, 2020	252,334	–	(24,705)	(622,944)	(13,142)	(408,457)

(i) The Group entered into a factoring financing arrangement of the Group's trade receivables with a third party during the year ended December 31, 2019. As per request of the Group, the third party remitted factoring proceeds to one of the Group's related party and therefore the Group's balance of borrowing due to this related party reduced accordingly. This is reflected as a non-cash movement in the above table.

34 COMMITMENT

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred for the years ended December 31, 2018, 2019 and 2020 included purchase payment obligation including software and decoration in the leased office.

	As of December 31,		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Up to 1 year	504	1,013	–

(b) Lease commitments – as lessee

The Group leases staff dormitories under non-cancellable lease agreements with lease term less than 12 months. The majority of lease agreements are signed with third parties. The future aggregate minimum lease payments under non-cancellable short-term leases are as follows:

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Up to 1 year	349	293	24

35 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES

On May 30, 2018, UNQ Supply Chain purchased 10% equity interests of U.Sun Trading (Shanghai) Co., Ltd. ("U.Sun Trading") from non-controlling interest shareholder at the consideration of RMB500,000. Upon the completion of the transaction, U.Sun Trading became a wholly owned subsidiary of UNQ Supply Chain, The Group recognized a decrease in non-controlling interests of RMB477,000 and a decrease in equity attributable to owners of the parent of RMB23,000. The effect on the equity attributable to the owners of UNQ Supply Chain during the year ended December 31, 2018 is summarized as follows:

	U.Sun Trading
	RMB'000
Consideration paid for the acquisition of non-controlling interests	500
Carrying amount of non-controlling interests	(477)
Amounts recognized in changes in the acquisition of non-controlling interests	23

On August 5, 2020, UNQ Supply Chain purchased 2% equity interests of Route (Shanghai) Information Technology Co., Ltd. ("Route") from non-controlling interests shareholders at the consideration of RMB200,000. Upon the completion of the transaction, Route became a wholly owned subsidiary of UNQ Supply Chain. The Group recognized a decrease in non-controlling interests of RMB145,000 and a decrease in equity attributable to owners of the parent of RMB55,000. The effect on the equity attributable to the owners of UNQ Supply Chain during the year ended December 31, 2020 is summarized as follows:

	Route
	RMB'000
Consideration paid for the acquisition of non-controlling interests	200
Carrying amount of non-controlling interests	(145)
Amounts recognized in changes in the acquisition of non-controlling interests	55

36 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Mr. Wang Yong 王勇	The controlling shareholder of the Group
TCI トランスコスモス株式會社	Shareholder of the Group
Mr. Ning Jing 寧靜	Director of UNQ Supply Chain
Mr. Matsumoto Ryoji 松本良二	Director of UNQ Supply Chain
UNQ International (HK) Limited 優趣匯國際香港有限公司	Joint venture of UNQ Supply Chain
Shanghai Xuyi	Associate of UNQ Supply Chain
Shanghai transcosmos Marketing Service Co., Ltd. ("TCC") 上海特思爾大宇宙商務諮詢有限公司	Subsidiary controlled by TCI
Calbee E-commerce Limited 卡樂比電子商務股份有限公司	Associate of UNQ International (HK) Limited
Calbee (Hangzhou) Food Co., Ltd. ("Calbee Hangzhou") 卡樂比(杭州)食品有限公司	Subsidiary of Calbee E-commerce Limited

The English name of the related parties represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

(b) Transactions with related parties

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods and provision of services			
– Shanghai Xuyi	166	16,191	39,387
– TCC	5,231	19,911	1,285
– Calbee Hangzhou	–	1,607	451
– Calbee E-commerce Limited	2,171	–	–
	7,568	37,709	41,123
Purchase of goods and services			
– TCI	308,095	235,729	186,966
– Shanghai Xuyi	–	71	3,291
– TCC	77,772	74,073	1,735
	385,867	309,873	191,992
Lendings			
– Shanghai Xuyi *(i)*	9,000	65,200	36,200
Repayment of lendings			
– Shanghai Xuyi	–	11,000	36,200
Interest income			
– Shanghai Xuyi *(i) (Note 7)*	189	2,994	5,121

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Borrowings			
– TCI *(ii)*	–	120,167	–
– Mr. Matsumoto Ryoji *(iii)*	5,390	5,176	–
	5,390	125,343	–
Repayment of borrowings			
– TCI *(ii) (Note 33(b))*	25,152	14,487	124,145
– Mr. Matsumoto Ryoji	–	5,742	5,856
	25,152	20,229	130,001
Interest expenses			
– TCI	891	492	2,679
– Mr. Matsumoto Ryoji	851	847	949
	1,742	1,339	3,628
Selling expenses			
– Shanghai Xuyi	601	742	–
– TCC	–	13	–
	601	755	–
Guarantee received			
– Mr. Matsumoto Ryoji *(iv)*	19,762	107,077	310,584
– TCI *(v)*	–	–	200,000
– Mr. Wang Yong *(vi)*	395,000	384,000	60,000
– Mr. Ning Jing	100,000	–	–
	514,762	491,077	570,584
Guarantee paid			
– TCI *(Note 20)*	–	–	51,330

(i) The lendings to Shanghai Xuyi are all due within one year at interest rate of from 4.35% to 8% per annum during the Track Record Period.

(ii) The borrowing from TCI is due within one year at interest rate of 2% per annum. This borrowing is repayable in full on January 30, 2020.

(iii) The borrowings from Mr. Matsumoto Ryoji are due within one year, among which the principal of JPY170,000,000 with its interest has been extended in each year during the track record period, the average interest rate during the Track Record Period was 5.86%, 5.43% and 6.87% per annum, respectively.

(iv) All guarantee provided by Mr. Matsumoto Ryoji over the borrowings will be released prior to listing.

(v) All guarantee provided by TCI over the borrowings will be released prior to listing.

(vi) All guarantee provided by Mr. Wang Yong over the borrowings have been released in June 2021.

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

Other movement of transactions with related parties are all paid and received on behalf.

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 37 is set out below.

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and bonuses	2,653	2,691	3,407
Pension costs, housing funds, medical insurance and other social insurances	273	187	168
Share-based payment *(Note 25)*	1,186	692	–
	4,112	3,570	3,575

(d) Balances with related parties

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables *(Note 20)*			
– Shanghai Xuyi	60	17,045	50,972
– Calbee Hangzhou	11	11	–
– TCC	130	–	–
	201	17,056	50,972
Other receivables *(Note 20)*			
Trade			
– Shanghai Xuyi	–	–	2,000
– TCI	–	–	1,380
– TCC	255	18,235	–
– Calbee Hangzhou	120	–	–
Non-trade: Lendings			
– Shanghai Xuyi *(i)*	9,000	63,200	63,200
Non-trade: Counter-guarantee			
– TCI *(ii)*	–	–	49,324
Non-trade: Others			
– Mr. Wang Yong	20	20	–
	9,395	81,455	115,904
Contract liabilities *(Note 6(a))*			
Trade			
– TCC	5,593	–	–
Trade payables *(Note 28)*			
– TCI	7,564	21,398	110,764
– Shanghai Xuyi	–	71	1,101
– TCC	869	11,385	–
	8,433	32,854	111,865

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Other payables *(Note 28)*			
Trade			
– TCI	–	–	123
– TCC	–	10,145	–
Non-trade: Borrowings			
– Mr. Matsumoto Ryoji *(iii)*	16,876	17,386	13,142
– TCI	14,234	122,264	–
Non-trade: Guarantee			
– TCI *(iv)*	–	–	2,350
	31,110	149,795	15,615

(i) The lendings made by the Group to Shanghai Xuyi which will be settled before listing.

(ii) The counter-guarantee held by TCI will be released once two short-term revolving facility borrowings will be settled before listing.

(iii) The borrowings from Mr. Matsumoto Ryoji of RMB13.1 million as of December 31, 2020, which have been settled in June, 2021.

(iv) The guarantee fee to be paid to TCI in relation to its provision of guarantee relating to the loans from banks, which was settled on January 20, 2021.

37 DIRECTORS' BENEFITS AND INTERESTS

(a) Directors' emoluments

The directors and received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended December 31, 2018 as follows:

	Wages, salaries and bonuses	**Pension costs, housing funds, medical insurance and other social insurances**	**Share-based payment *(Note 25)***	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors				
Mr. Wang Yong	1,183	96	1,293	2,572
Mr. Shen Yu	883	83	516	1,482
Mr. Matsumoto Ryoji	2,645	98	2,115	4,858
Non-executive Directors				
Mr. Nakayama Kokkei	–	–	–	–
Independent Non-executive Directors				
Mr. NG Kam Wah Webster	–	–	–	–
Ms. Xin Honghua	–	–	–	–
Mr. Wei Hang	–	–	–	–
	4,711	277	3,924	8,912

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended December 31, 2019 as follows:

	Wages, salaries and bonuses	Pension costs, housing funds, medical insurance and other social insurances	Share-based payment *(Note 25)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors				
Mr. Wang Yong	953	100	1,302	2,355
Mr. Shen Yu	864	89	301	1,254
Mr. Matsumoto Ryoji	2,876	104	1,234	4,214
Non-executive Directors				
Mr. Nakayama Kokkei	–	–	–	–
Independent Non-executive Directors				
Mr. NG Kam Wah Webster	–	–	–	–
Ms. Xin Honghua	–	–	–	–
Mr. Wei Hang	–	–	–	–
	4,693	293	2,837	7,823

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors respectively) for the year ended December 31, 2020 as follows:

	Wages, salaries and bonuses	Pension costs, housing funds, medical insurance and other social insurances	Share-based payment *(Note 25)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors				
Mr. Wang Yong	1,623	68	–	1,691
Mr. Shen Yu	880	62	–	942
Mr. Matsumoto Ryoji	2,975	107	–	3,082
Non-executive Directors				
Mr. Nakayama Kokkei	–	–	–	–
Independent Non-executive Directors				
Mr. NG Kam Wah Webster	–	–	–	–
Ms. Xin Honghua	–	–	–	–
Mr. Wei Hang	–	–	–	–
	5,478	237	–	5,715

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2020 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2020.

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as of December 31, 2020 as if the Global Offering had taken place on that date.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as of December 31, 2020 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of the Group as of December 31, 2020 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2020 *(Note 1)*	**Estimated net proceeds from the Global Offering** *(Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2020**	**Unaudited pro forma adjusted net tangible assets per Share** *(Note 3)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$11.86 per Offer Share	616,809	257,713	874,522	5.27	6.38
Based on an Offer Price of HK$15.35 per Offer Share	616,809	346,228	963,037	5.81	7.03

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2020 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as of December 31, 2020 of RMB618,731,000, with adjustments for the intangible assets attributable to the owners of the Company as of December 31, 2020 of RMB1,922,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$11.86 and HK$15.35 per Offer Share, being the low end to high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB30,914,000 which have been accounted for in the Group's consolidated statements of comprehensive income prior to December 31, 2020) paid/payable by the Group and takes no account of any options which may be granted under the Share Option Scheme, any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 165,894,700 Shares were in issue assuming that the Global Offering and Capitalization Issue had been completed on December 31, 2020 but takes no account of any options which may be granted under the Share Option Scheme, any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2020.

(5) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2020.

(6) For the purpose of preparing this unaudited pro forma statement of adjusted net tangible assets, the amount denominated in Chinese Renminbi have been converted into Hong Kong dollars at a rate of RMB0.8264 to HK$1.00. No representation is made that the Chinese Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of UNQ HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of UNQ HOLDINGS LIMITED (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as of December 31, 2020, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated June 28, 2021 in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as of December 31, 2020 as if the proposed initial public offering had taken place at December 31, 2020. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended December 31, 2020, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at December 31, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, June 28, 2021

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 22 June 2021 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in "Appendix V – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 22 June 2021 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorized share capital of the Company at the date of adoption of the Articles is HK$380,000 divided into 3,800,000,000 shares of HK$0.0001 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Cayman Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman

Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be payable by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The number of Directors shall not be less than two.

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director).

The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors who are to retire by rotation at such meeting.

No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors. The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by a notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall

retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Cayman Companies Act; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Cayman Companies Act.

2.6 Special resolution-majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution signed by all members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly appointed representatives), and any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member to sign.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

Extraordinary general meetings may be convened on the requisition of one or more shareholder(s) (or any one member which is a recognized clearing house (or its nominee(s)) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Act or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a statement of financial position as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may, in its absolute discretion, and without assigning any reason, refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favor of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase. The holder of the shares being purchased shall be bound to deliver up to the Company at its principal place of business in Hong Kong or such other place as the Directors shall specify the certificate(s) thereof, if any, for cancellation and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend may be paid or declared, the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which

the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three-month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Cayman Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 31, 2019 under the Cayman Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Cayman Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Cayman Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in Foss v. Harbottle (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud

against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Cayman Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Cayman Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Cayman Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Cayman Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and

liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

    (i) on or in respect of the shares, debentures or other obligations of the Company; or

    (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 ("**ES Law**") that came into force on January 1, 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, if an exempted company incorporated in the Cayman Islands is tax resident outside the Cayman Islands, it will not be required to satisfy the economic substance test set out in the ES Law.

22 General

Campbells, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to "Appendix V – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection". Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands on October 31, 2019 as an exempted company with limited liability. Our registered office address is at the offices of Campbells Corporate Services Limited at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this prospectus.

Our registered place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 20, 2020 with the Registrar of Companies in Hong Kong. Mr. SHEN Yu and Ms. SZETO Kar Yee have been appointed as the authorized representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

As of the date of this document, our Company's head office was located at 17F, LCM Square, No.4, Lane 2389, Zhangyang Road, Pudong New Area, Shanghai, PRC.

2. Changes in Share Capital

On October 31, 2019, our Company was incorporated with an authorized share capital of HK$380,000 divided into 3,800,000,000 shares of a par value of HK$0.0001 each.

The following changes in the share capital of our Company took place during the two years immediately preceding the date of this document:

(a) On October 31, 2019, our Company issued one share to Campbells Nominees Limited, which was subsequently transferred to Wisdom Oasis Limited on the same day;

(b) On October 31, 2019, our Company issued an aggregate of 779,400 Shares to the following persons:

Name	Number of Shares Alloted
Wisdom Oasis Holdings Limited	653,926
Kingdom Bridge Holdings Limited	54,082
Oasis Street I Holdings Limited	14,856
Oasis Street II Holdings Limited	3,263
Athena Land I Holdings Limited	13,556
Athena Land II Holdings Limited	7,975
Athena Land III Holdings Limited	18,552
Athena Land IV Holdings Limited	8,900
Matrix Partners China II Hong Kong Limited	4,289

(c) On April 21, 2020, Wisdom Oasis Holdings Limited transfered 10,000 Shares to Athena Land V Holdings Limited; and

(d) On June 12, 2020, our Company allotted an aggregate of 572,641 Shares to TCI.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries is set out in the Accountants' Report as set out in Appendix I to this prospectus.

The following subsidiaries have been incorporated within two years immediately preceding the date of this document:

Name of Subsidiary	Place of Incorporation	Date of Incorporation
UNQ Medical Appliance	PRC	November 29, 2019
Chengwang E-commerce	PRC	November 19, 2019
E-Bloom Holdings	BVI	November 5, 2019
Cankaoxian	PRC	June 24, 2019
Yuyi Trading	PRC	April 10, 2019
Litun Culture	PRC	August 23, 2019
UNQ Hong Kong Holdings	Hong Kong	November 19, 2019

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

Save for the subsidiaries mentioned in the Accountants' Report set out in Appendix I to this prospectus, our Company has no other subsidiaries.

4. Resolutions of the Shareholders of Our Company dated June 22, 2021

Written resolutions of our Shareholders were passed on June 22, 2021, pursuant to which, among others:

(a) conditional on the conditions of the Global Offering as set out in this document being fulfilled:

(1) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of HK$13,385.2059 be capitalized and applied in paying up in full at par value 133,852,059 Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately preceding the date on which the Global Offering becomes unconditional in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalization of the sum of HK$13,385.2059 standing to the credit of the share premium account of our Company, and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respect with the existing issued Shares with effect from the Listing Date;

(2) the Listing, the Global Offering and the Over-allotment Option were approved, and our Directors were authorized to negotiate and agree on the Offer Price for, and to allot, issue and approve the transfer of the Offer Shares;

(3) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with any Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering;

(4) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase its own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option; and

(5) the general unconditional mandate as mentioned in paragraph (3) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (4) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option); and

(b) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the Listing.

Each of the general mandates referred to in paragraphs (a)(3), (a)(4) and (a)(5) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on June 22, 2021, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option), with such mandate to expire at the earliest of: (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions); (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any repurchases by the Company may be made out of profits or out of the proceeds of a new issue of

shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the repurchase over the par value of the shares to be repurchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities, which are in the hands of the public, falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all repurchased securities (whether on the Stock Exchange or, otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the repurchase the directors of the Company resolve to hold the shares repurchased by the Company as treasury shares, shares repurchased by the Company shall be treated as canceled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the repurchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Companies Law.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In

particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for

a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, under such circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 165,894,700 Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 16,589,470 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) an equity transfer agreement dated July 10, 2019 entered into among Langyu (Shanghai) Enterprise Management Consulting Center (Limited Partnership) (琅瑜(上海)企業管理諮詢中心(有限合夥)), Ningbo Meishan Bonded Port Area Langyue Investment Management Partnership Enterprise (Limited Partnership) (寧波梅山保税港區琅玥投資管理合夥企業(有限合夥)), Hangzhou Xunala E-commerce Co., Ltd. (杭州徐娜拉電子商務有限公司), WANG Yong (王勇), YANG Sijie (楊思潔), HAN Tongpin (韓彤蘋), LAI Juncheng (賴俊成), CHEN Weiwei (陳偉偉), SHEN Yu (沈宇), XU Fei (徐斐), SONG Wei (宋瑋), SHEN Hao (沈皓), CHE Yan (車彥), XU Dongming (徐東明), ZHANG Kaixuan (張凱旋), WEI Xiaoliang (魏曉亮), QIN Jiaowei (覃嬌薇), LU Dian'an (路殿安), YIN Zhenyu (尹臻彧), ZHU Mimi (朱咪咪), LI Jiangpeng (李江鵬), WANG Yibing (王義兵), YUAN Youlan (袁幼蘭), ZHENG Shixiong (鄭世雄), LI Fen (李芬), FANG Fang (方芳), CHENG Jianjing (程建靜), WU Yuehua (吳閱華), CHEN Chun (陳醇), ZHANG Jing (張晶), YU Kefei (俞可飛), ZENG Yan (曾雁), CHEN Erhan (陳爾罕), LIU Yongming (劉勇明) and CHEN Ruigui (陳瑞貴), Matrix Partners China II Hong Kong Limited and UNQ (Shanghai) Supply Chain Management Co., Ltd. (優趣匯(上海)供應鏈管理有限公司), pursuant to which (i) Langyu (Shanghai) Enterprise Management Consulting Center (Limited Partnership) agreed to transfer 0.0020%, 0.6195%, 0.2441%, 0.2515%, 0.2589%, 0.2219%, 0.0629%, 0.0629%, 0.1091%, 0.0776%, 0.0407%, 0.1997%, 0.1128%, 0.0074%, 0.0850%, 0.0795%, 0.0499%, 0.0481%, 0.0481%, 0.0499%, 0.0462%, 0.0333%, 0.0444%, 0.0222%, 0.0318%, 0.0444%, 0.0222%,

0.0739% equity interests in UNQ (Shanghai) Supply Chain Management Co., Ltd. to WANG Yong, YANG Sijie, HAN Tongpin, LAI Juncheng, CHEN Weiwei, SHEN Yu, XU Fei, SONG Wei, SHEN Hao, CHE Yan, XU Dongming, ZHANG Kaixuan, WEI Xiaoliang, QIN Jiaowei, LU Dian'an, YIN Zhenyu, ZHU Mimi, LI Jiangpeng, WANG Yibing, YUAN Youlan, ZHENG Shixiong, LI Fen, FANG Fang, CHENG Jianjing, WU Yuehua, CHEN Chun, ZHANG Jing, YU Kefei at a consideration of RMB3,780.00, RMB1,172,640.00, RMB462,000.00, RMB476,000.00, RMB490,000.00, RMB420,000.00, RMB119,000.00, RMB119,000.00, RMB206,500.00, RMB147,000.00, RMB77,000.00, RMB378,000.00, RMB213,500.00, RMB14,000.00, RMB161,000.00, RMB150,500.00, RMB94,500.00, RMB91,000.00, RMB91,000.00, RMB94,500.00, RMB87,500.00, RMB63,000.00, RMB84,000.00, RMB42,000.00, RMB60,200.00, RMB84,000.00, RMB42,000.00, RMB140,000.00, respectively, (ii) Ningbo Meishan Bonded Port Area Langyue Investment Management Partnership Enterprise (Limited Partnership) agreed to transfer 0.9978%, 0.2751%, 0.4000% equity interests in UNQ (Shanghai) Supply Chain Management Co., Ltd. to WANG Yong, ZENG Yan, CHEN Erhan at a consideration of RMB1,888,600.00, RMB520,660.00, RMB757,120.00, respectively; (iii) Hangzhou Xunala E-commerce Co., Ltd. agreed to transfer 1.0988%, 0.2413% and 0.3172% equity interests in UNQ (Shanghai) Supply Chain Management Co., Ltd. to LIU Yongming, CHEN Ruigui and Matrix Partners China II Hong Kong Limited at a consideration of RMB2,079,848.40, RMB456,796.20 and RMB600,475.40, respectively;

(b) an equity transfer contract dated January 31, 2020 entered into among (i) WANG Yong (王勇), NING Jing (寧靜), YANG Sijie (楊思潔), HAN Tongpin (韓彤蘋), LAI Juncheng (賴俊成), CHEN Weiwei (陳偉偉), SHEN Yu (沈宇), XU Fei (徐斐), SONG Wei (宋瑋), SHEN Hao (沈皓), CHE Yan (車彥), XU Dongming (徐東明), ZHANG Kaixuan (張凱旋), WEI Xiaoliang (魏曉亮), QIN Jiaowei (覃嬌薇), LU Dian'an (路殿安), YIN Zhenyu (尹臻彧), ZHU Mimi (朱咪咪), LI Jiangpeng (李江鵬), WANG Yibing (王義兵), YUAN Youlan (袁幼蘭), ZHENG Shixiong (鄭世雄), LI Fen (李芬), FANG Fang (方芳), CHENG Jianjing (程建靜), WU Yuehua (吳閱華), CHEN Chun (陳醇), ZHANG Jing (張晶), YU Kefei (俞可飛), ZENG Yan (曾雁), CHEN Erhan (陳爾罕), LIU Yongming (劉勇明), CHEN Ruigui (陳瑞貴), Matrix Partners China II Hong Kong Limited (collectively, the "**UNQ Supply Chain Shareholders**")), (ii) UNQ Holdings (HK) Limited and (iii) UNQ (Shanghai) Supply Chain Management Co., Ltd. (優趣匯(上海)供應鏈管理有限公司), pursuant to which UNQ Holdings (HK) Limited agreed to purchase all the equity interests held by the UNQ Supply Chain Shareholders in UNQ (Shanghai) Supply Chain Management Co., Ltd.at the aggregate consideration of RMB779,399.71;

(c) a share subscription agreement dated June 5, 2020 entered into between Transcosmos Inc. (大宇宙株式會社) and UNQ Holdings Limited (优趣汇控股有限公司) (the "**UNQ Share Subscription Agreement**"), pursuant to which UNQ Holdings Limited agreed to issue and allot to Transcosmos Inc., and Transcosmos Inc. agreed to subscribe from UNQ Holdings Limited, 572,641 ordinary shares of UNQ Holdings Limited at a price of HK$838,605,619.20 ("**UNQ Subscription**");

(d) an equity transfer agreement dated June 5, 2020 entered into between Transcosmos Inc. (大宇宙株式會社) and UNQ Holdings (HK) Limited ("**UNQ SH Equity Transfer Agreement**"), pursuant to which Transcosmos Inc. agreed to transfer 42.3538% equity interests in UNQ (Shanghai) Supply Chain Management Co., Ltd. (優趣匯(上海)供應鏈管理有限公司) to UNQ Holdings (HK) Limited at a consideration of RMB762,368,744.73 ("**UNQ SH Equity Transfer**");

(e) a restructure framework agreement of UNQ (Shanghai) Supply Chain Management Co., Ltd. (the "**Restructure Framework Agreement**") dated June 5, 2020 entered into among UNQ Holdings Limited, UNQ (Shanghai) Supply Chain Management Co., Ltd., UNQ Holdings (HK) Limited, Yong Wang and Transcosmos Inc., pursuant to which (i) UNQ Holdings Limited and Transcosmos Inc. agreed to enter into the UNQ Share Subscription Agreement on the same date of the Restructure Framework Agreement; (ii) Transcosmos Inc. and UNQ Holdings (HK) Limited agreed to enter into the UNQ SH Equity Transfer Agreement on the same date of the Restructure Framework Agreement; and (iii) the UNQ Subscription shall be completed simultaneously with the UNQ SH Equity Transfer on the same date;

(f) a deed of referral undertaking executed by Transcosmos Inc. in favor of UNQ Holdings Limited on June 23, 2021, pursuant to which Transcosmos Inc. (for itself and on behalf of Transcosmos Inc. and its subsidiaries from time to time ("**TCI Group**")) undertook that (i) the TCI Group shall refer to UNQ Holdings Limited any opportunity to sell in the PRC any personal care products for babies, personal care products for adults, beauty products, health products (including over-the-counter drugs and healthcare products) and household necessities (excluding 3C products and toys) through an e-commerce platform, other than personal care products for babies, personal care products for adults and household necessities (excluding 3C products and toys) of any brands owned by Daio Paper Corporation and its subsidiaries from time to time (the "**Daio Relevant Products**"), and the Daio Relevant Products to be sold via Taobao Marketplace or Tmall.com (collectively, the "**New Opportunity**"); and (ii) Transcosmos Inc. (for itself and on behalf of TCI Group) shall grant UNQ Holdings Limited a right of first refusal in relation to any New Opportunity;

(g) a cornerstone investment agreement dated June 23, 2021 entered into among UNQ Holdings Limited, Country Garden Property Services HK Holdings Company Limited (碧桂園物業香港控股有限公司), China International Capital Corporation Hong Kong Securities Limited and Sunfund Securities Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(h) a cornerstone investment agreement dated June 23, 2021 entered into among UNQ Holdings Limited, Kobayashi Pharmaceutical Co., Ltd., China International Capital Corporation Hong Kong Securities Limited and Nomura International (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(i) a cornerstone investment agreement dated June 23, 2021 entered into among UNQ Holdings Limited, Unicharm Corporation, China International Capital Corporation Hong Kong Securities Limited and Nomura International (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus; and

(j) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademarks

(i) Trademarks Registered in China

As of the Latest Practicable Date, we had registered the following trademarks in the PRC, which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/year)
1.	UNQ	UNQ Supply Chain	3	9328451	27/04/2022
2.	UNQ	UNQ Supply Chain	8	10437301	27/03/2023
3.	优趣汇	UNQ Supply Chain	8	10437322	27/03/2023
4.	UNQ	UNQ Supply Chain	3	35662882	13/12/2029
5.	初·肌音	UNQ Japan	3	10121405	06/03/2023

(ii) Trademarks Registered in Hong Kong

As of the Latest Practicable Date, we had registered the following trademarks in Hong Kong, which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/year)
1.		UNQ HK	35	305128317	28/11/2029
2.	UNQ UNQ	UNQ HK	35	305129415	01/12/2029
3.	优趣汇 優趣匯 优趣汇 優趣匯	UNQ HK	35	305129406	01/12/2029

(iii) Trademarks Registered in Japan

No.	Trademark	Registered Owner	Class	Registered Number	Expiry Date (dd/mm/year)
1.	UNQ JAPAN	UNQ Japan	35	5798654	09/10/2025
2.	UNQ	UNQ Japan	35	5865609	08/07/2026

(iv) Trademark Application Pending in Japan

No.	Trademark	Applicant	Class	Application Number	Application Date (dd/mm/year)
1.	初・肌音	UNQ Japan	3, 5, 21	2020-60227	14/05/2020

2. Domain names

As of the Latest Practicable Date, we owned the following domain names, which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date (dd/mm/year)
1.	myunq.com	UNQ Supply Chain	20/03/2022
2.	myunq-work.com	UNQ Supply Chain	10/08/2021*
3.	rout-e.cn	Route Technology	20/02/2022
4.	unq-hz.com	Hangzhou SPT	06/07/2021*
5.	youquhui.com	UNQ Supply Chain	24/07/2021*

* *We will renew these domain names before their respective expiry dates.*

3. Copyright

No.	Copyright	Registered Owner	Registered number	Registered date (dd/mm/year)
1	Fuli Media IP Image (芙立傳媒IP形象)	Shanghai Fuli	2020-F-01014352	07/04/2020
2	UNQ Trademark (UNQ優趣匯商業標識)	the Company	2020-F-01079409	31/07/2020
3	UNQ Trademark (UNQ優趣匯商業標識)	the Company	2020-F-01079410	31/07/2020
4	UNQ Order Management System (優趣匯訂單管理系統)	UNQ HK	2020SR1225881	16/10/2020

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

(a) Executive Directors

Each of our executive Directors entered into a service contract with our Company on June 23, 2021 pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the Listing Date or until the third annual general meeting of our Company since the Listing Date (whichever ends earlier). Either party has the right to give not less than three months' written notice to terminate the agreement.

The executive Directors are not entitled to receive annual salaries in their capacities as executive Directors under their respective service contracts.

(b) Non-executive Director

The non-executive Director entered into an appointment letter with our Company on June 23, 2021. The initial term for his appointment letter shall commence from the date of his appointment and shall continue for three years after or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three month' prior notice in writing.

The non-executive Director is not entitled to receive annual salaries in his capacity as non-executive Director under his respective service contract.

(c) Independent non-executive Directors

Each of the independent non-executive Directors entered into an appointment letter with our Company on June 23, 2021. The initial term for their appointment letters shall be three years from the date of this document or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Details of the Company's remuneration policy is described in section headed "Directors and Senior Management – Remuneration of the Directors and Senior Management".

2. Remuneration of Directors

(a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) During the year ended December 31, 2018, 2019 and 2020, the total remuneration (including wages, salaries and bonuses, pension costs, housing funds, medical insurance and other social insurances and share-based payment) of our Directors were approximately RMB8.91 million, RMB7.82 million and RMB5.72 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I to this prospectus.

(c) Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2021 is expected to be approximately RMB6.80 million.

(d) No remuneration was paid to our Directors or the five highest-paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest-paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

(e) Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

3. Disclosure of interests

(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Capitalization Issue and the Global Offering

Immediately following completion of the Global Offering (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to

be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Interest in Shares

Name of Director or chief executive	Nature of interest	Number and class of securities	Approximate percentage of interest in our Company immediately after the Capitalization Issue and the Global Offering[1]
Mr. WANG Yong	Interest in controlled corporation[2]	64,392,700 ordinary Shares	38.82%
Mr. MATSUMOTO Ryoji	Interest in controlled corporation[3]	1,000,000 ordinary Shares	0.60%

Notes:

(1) The calculation is based on the total number of 180,273,000 Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(2) Wisdom Oasis, which is wholly owned by Mr. WANG Yong, is interested in 64,392,700 ordinary Shares of the Company, and thus Mr. WANG Yong is deemed to be interested in 64,392,700 ordinary Shares of the Company.

(3) Athena Land V, which is wholly owned by Mr. MATSUMOTO Ryoji, is interested in 1,000,000 ordinary Shares of the Company, and thus Mr. MATSUMOTO is deemed to be interested in 1,000,000 ordinary Shares of the Company.

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Global Offering, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, See "Substantial Shareholders".

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such Capital.

4. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors or any experts named in the paragraph headed "D. Other Information – 4. Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(b) none of the Directors or any experts named in the paragraph headed "D. Other Information – 4. Consents of Experts" below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(c) none of our Directors or any of experts named in the paragraph headed "D. Other Information – 4. Consents of Experts" below has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(d) taking no account of any Shares which may be taken up under the Global Offering, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Capitalization Issue and the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

(e) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

(f) so far as is known to our Directors, none of our Directors, their respective close associates or our Shareholders who are interested in more than 5% of the share capital of our Group has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this prospectus and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fee in relation to the Listing is USD1,000,000.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A company licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified public accountants
AllBright Law Offices	PRC legal advisor
Anderson Mori & Tomotsune	Japanese legal advisor
Campbells	Cayman Islands legal advisor
China Insights Industry Consultancy Limited	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary Expenses

We did not incur any material preliminary expenses.

8. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this document:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in this prospectus:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) no share or loan capital or debenture of our Company of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in the paragraph headed "B. Further Information about our Business – 1. Summary of Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this document.

(e) No equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.

(f) Our Company has no outstanding convertible debt securities or debentures.

(g) There is no arrangement under which future dividends are waived or agreed to be waived.

(h) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) a copy of the GREEN Application Form;

(b) the written consents referred to under the paragraph headed "Statutory and General Information – D. Other Information – 4. Consents of Experts" in Appendix IV to this prospectus; and

(c) copies of the material contracts referred to in the paragraph headed "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Clifford Chance at 27/F, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and Articles of Association;

(b) the Accountant's Report of our Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information of our Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2018, 2019 and 2020;

(e) the PRC legal opinions issued by AllBright Law Offices, our legal advisor as to PRC law, in respect of certain general corporate matters and property interests of our Group;

(f) the letter of advice prepared by Campbells, our legal advisors as to Cayman Islands law, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III to this prospectus;

(g) the Japanese legal opinions issued by Anderson Mori & Tomotsune, our Japanese legal adviser, in respect of certain matters of UNQ Japan;

(h) the Cayman Companies Act;

(i) the report issued by China Insights Industry Consultancy Limited, the summary of which is set forth in the section headed "Industry Overview" in this prospectus;

(j) the written consents referred to under the paragraph headed "Statutory and General Information – D. Other Information – 4. Consents of Experts" in Appendix IV to this prospectus;

(k) the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this prospectus; and

(l) the service contracts and the letters of appointment with our Directors referred to in "Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors' Service Contracts and Appointment Letters" in Appendix IV to this prospectus.

UNQ