



HUITONGDA NETWORK CO., LTD.

匯通達網絡股份有限公司

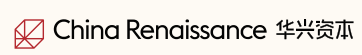
(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 9878



GLOBAL OFFERING

Joint Sponsors, Joint Representatives, Joint Global Coordinators,
Joint Bookrunners and Joint Lead Managers



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



IMPORTANT

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



Huitongda Network Co., Ltd. 匯通達網絡股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 51,606,200 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 5,160,700 H Shares (subject to adjustment)
Number of International Offer Shares	: 46,445,500 H Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$48.00 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: RMB1.00 per H Share
Stock code	: 9878

Joint Sponsors, Joint Representatives, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



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, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VIII to this prospectus, has been registered by 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 as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, February 11, 2022 (Hong Kong time) and, in any event, not later than Thursday, February 17, 2022 (Hong Kong time). The Offer Price will be not more than HK\$48.00 and is currently expected to be not less than HK\$43.00 per Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, February 17, 2022 (Hong Kong time) between the Joint Representatives (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Share are required to pay, on application, the maximum Offer Price of HK\$48.00 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, a Hong Kong Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%, subject to refund if the Offer Price as finally determined is less than HK\$48.00.

The Joint Representatives (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that 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 a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.htd.cn not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, please refer "Structure of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "Risk Factors," "Appendix V – Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix VI – Summary of Articles of Association of the Company" to this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to "Qualified Institutional Buyer" in reliance on Rule 144A under the US Securities Act or another exemption from, or in a transaction not subject to, registration under the US Securities Act and (b) outside the United States in an offshore transaction in accordance with Regulation S under the US Securities Act.

January 31, 2022

ATTENTION

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

This document is available at the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.htd.cn). If you require a printed copy of this document, you may download and print from the website addresses above.

IMPORTANT

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.htd.cn. 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 H Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, both at 2862 8690 on the following dates:

Monday, January 31, 2022	– 9:00 a.m. to 9:00 p.m.
Friday, February 4, 2022	– 9:00 a.m. to 9:00 p.m.
Saturday, February 5, 2022	– 9:00 a.m. to 6:00 p.m.
Sunday, February 6, 2022	– 9:00 a.m. to 6:00 p.m.
Monday, February 7, 2022	– 9:00 a.m. to 9:00 p.m.
Tuesday, February 8, 2022	– 9:00 a.m. to 9:00 p.m.
Wednesday, February 9, 2022	– 9:00 a.m. to 9:00 p.m.
Thursday, February 10, 2022	– 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 the Hong Kong Offer Shares” for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application must be for a minimum of 100 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.

<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
100	4,848.38	2,000	96,967.53	10,000	484,837.68	300,000	14,545,130.40
200	9,696.75	2,500	121,209.42	20,000	969,675.36	400,000	19,393,507.20
300	14,545.13	3,000	145,451.31	30,000	1,454,513.04	500,000	24,241,884.00
400	19,393.51	3,500	169,693.19	40,000	1,939,350.72	600,000	29,090,260.80
500	24,241.89	4,000	193,935.07	50,000	2,424,188.40	700,000	33,938,637.60
600	29,090.26	4,500	218,176.95	60,000	2,909,026.08	800,000	38,787,014.40
700	33,938.64	5,000	242,418.84	70,000	3,393,863.76	900,000	43,635,391.20
800	38,787.02	6,000	290,902.61	80,000	3,878,701.44	1,000,000	48,483,768.00
900	43,635.39	7,000	339,386.37	90,000	4,363,539.12	2,000,000	96,967,536.00
1,000	48,483.77	8,000	387,870.15	100,000	4,848,376.80	2,580,300 ⁽¹⁾	125,102,666.57
1,500	72,725.65	9,000	436,353.91	200,000	9,696,753.60		

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

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

EXPECTED TIMETABLE⁽¹⁾

Hong Kong Public Offering commences. 9:00 a.m. on Monday,
January 31, 2022

Latest time for completing electronic applications
under **White Form eIPO** service through the
designated website at www.eipo.com.hk⁽²⁾ 11:30 a.m. on Thursday,
February 10, 2022

Application lists open⁽³⁾ 11:45 a.m. on Thursday,
February 10, 2022

Latest time for (a) completing payment of **White Form
eIPO** applications by effecting internet banking
transfer(s) or PPS payment transfer(s) and (b) giving
electronic application instructions to HKSCC⁽⁴⁾ 12:00 noon on Thursday,
February 10, 2022

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.

Application lists close⁽³⁾ 12:00 noon on Thursday,
February 10, 2022

Expected Price Determination Date⁽⁵⁾ Friday, February 11, 2022

(1) Announcement of the Offer Price and the
International Offer Price on our website www.htd.cn⁽⁶⁾
and the website of the Hong Kong Stock Exchange at
www.hkexnews.hk on or before Thursday, February 17, 2022

(2) Announcement of the level of indications of interest
in the International Offering, the level of applications
in the Hong Kong Public Offering and basis of
allocation of the Hong Kong Offer Shares under the
Hong Kong Public Offering to be published on our
website www.htd.cn⁽⁶⁾ and the website of the
Hong Kong Stock Exchange at www.hkexnews.hk
on or before. Thursday, February 17, 2022

(3) 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, including

EXPECTED TIMETABLE⁽¹⁾

- in the announcement to be posted on our website at www.htd.cn⁽⁶⁾ and the website of the Hong Kong Stock Exchange at www.hkexnews.hk, respectively Thursday, February 17, 2022

- from the designated results of allocation website at www.iporeresults.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 from 8:00 a.m. on Thursday, February 17, 2022 to 12:00 midnight on Wednesday, February 23, 2022

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Thursday, February 17, 2022, Friday, February 18, 2022, Monday, February 21, 2022 and Tuesday, February 22, 2022

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before⁽⁷⁾⁽⁹⁾ Thursday, February 17, 2022

White Form e-Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before⁽⁸⁾⁽⁹⁾ Thursday, February 17, 2022

Dealings in the H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. Friday, February 18, 2022

The application for the Hong Kong Public Offer Shares will commence from Monday, January 31, 2022 through to Thursday, February 10, 2022. Such time period is longer than the normal market practice of 3.5 business days. The application monies (including brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and Financial Reporting Council transaction levy) 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 or before Thursday, February 17, 2022. Investors should be aware that the dealings in H Shares on the Stock Exchange are expected to commence on Friday, February 18, 2022.

EXPECTED TIMETABLE⁽¹⁾

- (1) All dates and times refer to Hong Kong local time, except as otherwise stated.
- (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 money) until 12:00 noon on the last day of submitting applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, February 10, 2022, the application lists will not open and close on that day. See “How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening and Closing of the Application Lists” for details.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf should see “How to Apply for the Hong Kong Offer Shares – 6. Applying Through CCASS EIPO Service” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Friday, February 11, 2022 and, in any event, not later than Thursday, February 17, 2022. If, for any reason, we do not agree with the Joint Representatives (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares by Thursday, February 17, 2022, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (7) The H Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be on or around Friday, February 18, 2022, provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination” in this prospectus has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk in all respects at or before that time.
- (8) e-Refund payment instructions/refund checks 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. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.
- (9) Applicants who have applied on **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares may collect any refund checks (where applicable) and/or H Share certificates in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, February 17, 2022 or such other date as notified by us as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through **CCASS EIPO** service should refer to the section headed “How to Apply for the Hong Kong Offer Shares – 14. Dispatch/Collection of H Share certificates and Refund Monies – Personal Collection – If you apply through CCASS EIPO service” in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

EXPECTED TIMETABLE⁽¹⁾

H Share certificates and/or refund checks for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies" and "How to Apply for the Hong Kong Offer Shares – 14. Dispatch/Collection of H Share certificates and Refund Monies" in this prospectus.

The above expected timetable is a summary only. You should see "Structure of the Global Offering" and "How to Apply for the 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.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, we will make an announcement as soon as practicable thereafter.

CONTENTS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. 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 pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the GREEN Application Form 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 included in this prospectus and the GREEN Application Form must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or advisors, or any other person or party involved in the Global Offering. Information contained on our website, located at www.htd.cn, does not form part of this prospectus.

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SUMMARY

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 and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the entire prospectus 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 out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. We applied for listing under Rule 8.05(3) of the Listing Rules, and listing of the Company was approved by: (i) the Shareholders’ general meeting held on May 10, 2021; and (ii) the CSRC in its approval letter dated September 30, 2021.

OVERVIEW

We are a fast growing commerce and service platform dedicated to serving business customers in China’s retail market, and we endeavour to provide quality merchandise and services to China’s lower-tier market*. China’s lower-tier retail market refers to the retail industry of China’s lower-tier market, which covers all suburban and rural areas, as well as the urban areas of the cities in China that are not tier-one and -two cities according to the Frost & Sullivan Report.

According to the Frost & Sullivan Report, the retail industry in both the lower-tier market and the overall PRC market remains highly fragmented and less penetrated by digitalization, and among the commerce platforms serving businesses in the retail industry in China, we ranked first and third in terms of transaction value of commerce business in the lower-tier market and in the overall PRC market in 2020, respectively, with a market share of less than 1% in each market.

We provide both commerce business and service business to our customers.

- Under our commerce business, we procure products, including household appliances, consumer electronics, agricultural means of production, vehicles and auto parts, homebuilding and renovation materials, and liquor and beverages, from our suppliers and distribute mainly to wholesaler customers and member stores through our self-operated *HTD Mall* webpage. The revenue generated from our commerce business mainly includes sales revenue under direct sales model and commission income and service fees charged under online marketplace model.
- Under our service business, leveraging our digitalization capabilities, we mainly offer SaaS+ (through our *Super Boss* webpage and mobile app) and merchant solutions to retail stores and wholesalers along the industry value chain. The revenue generated from our service business mainly includes subscription fees we charged under SaaS+ business and service fees we charged under merchant solutions business.

* The majority of our revenue is generated from wholesaler customers with a delivery address and member stores registered in the lower-tier market. According to the Frost & Sullivan Report, wholesalers in the industry generally operate their business within certain areas, and their warehouses are usually located close to their targeted markets for cost and operating efficiency reasons, as such their delivery address is generally able to represent their targeted markets; retail stores in the industry generally operate their business around the business registration address, as such the business registration address is generally able to represent their targeted markets.

SUMMARY

We established a membership-based business model in 2015 for retail businesses, since when we started to serve local retail stores in China's towns and villages as the core of our member stores. We provide our member stores with stable one-stop supply chains, which include abundant merchandise offered on our platform with flexible delivery service options, addressing the diverse needs of the lower-tier retail market. To strengthen our interactions with member stores, we built a team of highly localized client managers, who have a deep understanding of the lower-tier market and provide in-person training and marketing services to the owners of our member stores.

With our extensive and expanding member store network that deeply penetrates into the towns and villages in China, we have enhanced our relationship with suppliers that include brand manufacturers and distributors. Consequently, we were able to broaden our core market to counties and other areas of the lower-tier market, and enjoy a more diverse group of customers. In addition to member stores, we have also been developing our business with wholesaler customers, who we consider as our future strategic partners to further expand the reach of our retail ecosystem into the broader lower-tier market. During the Track Record Period, we have accumulatively connected over 160,000 member stores, 10,000 suppliers and 20,000 wholesaler customers.

For the nine months ended September 30, 2021, we had 57,074 active member stores, 13,653 active wholesaler customers and 4,268 suppliers forming a retail ecosystem with over 175,000 SKUs covering 21 provinces and over 20,000 towns and villages across China. From January 1, 2021 to the Latest Practicable Date, we had 62,599 active member stores, 17,244 active wholesaler customers and 5,286 suppliers. According to the Frost & Sullivan Report, the way we calculate our active member stores and active wholesaler customers is in line with the market practice.

Meanwhile, we have also expanded our merchandise offerings to six major categories, including household appliances, consumer electronics, agricultural means of production, vehicles and auto parts, and homebuilding and renovation materials, as well as liquor and beverages. According to the Frost & Sullivan Report, such merchandise have significant growth potential in household spending in the lower-tier market. For instance, the average household consumption spending on durable goods and agricultural means of production in the lower-tier market, which include household appliances, consumer electronics, homebuilding and renovation materials and agricultural means of production, increased from approximately RMB3,500 in 2015 to approximately RMB6,700 in 2020 with a CAGR of 13.9% and is expected to reach approximately RMB10,700 in 2025 with a CAGR of 9.8%, according to the Frost & Sullivan Report. In addition, they are generally associated with higher merchandise value and greater expectations for customer service and experience, according to the Frost & Sullivan Report. As a result, our rapidly growing commerce business contributes to our higher bargaining power with suppliers, allowing us to supply customers with competitively-priced products. This in turn solidified our market leadership.

SUMMARY

The retail industry in both the lower-tier market and the overall PRC market remains highly fragmented, and we believe we have established our competitive edges in the market and are able to distinguish from our potential competitors and achieve a rapid growth during the Track Record Period mainly from the following aspects:

- since our inception in 2010, we have been strategically building up our presence and operating capabilities in the lower-tier market which has distinct market attributes and consumption characteristics. For further information, see “Industry Overview – China’s Distinctive Lower-tier Retail Market”. With over 10 years of experience in China’s lower-tier market, we have accumulated deep operational expertise and insights into the demands and preferences of the lower-tier market. Leveraging our expanding retail ecosystem, we have been able to better understand and capture the lower-tier market’s demands and provide a diversified merchandise portfolio to better serve the market;
- we have developed strong supply chain capabilities in merchandise with significant growth potential in household spending in the lower-tier market and gradually diversified our merchandise offerings under the various merchandise categories aforementioned. For instance, our revenue generated from agricultural means of production doubled from RMB5,219.4 million in 2018 to RMB10,937.0 million in 2020. According to the Frost & Sullivan Report, the main product types covered by the other major commerce platforms are generally FMCG and durable goods. For further information, see “Industry Overview – Competitive Landscape”;
- we have established a series of complementary infrastructures to support our business, such as online commerce platforms, digital solutions, logistics networks and information systems. Additionally, we have established an extensive and highly localized service network with 2,902 client managers located across 21 provinces and deeply penetrated in the towns and villages in China. Our client managers not only focus on the development and management of customers and promotion of our business, but also provide more in-depth client services to our member stores, including providing training, planning and execution of marketing campaigns and activities, and managing member stores’ merchandise sourcing. For further information, see “Business – Our Strengths – Client management team highly compatible with the lower-tier retail market”; and
- in view of the strong desire of traditional offline retail stores to transform their business model with holistic digital solutions, we are dedicated to collaborating with our member stores and providing them with comprehensive empowerment solutions and services, such as SaaS+, which helps to further motivate the member stores and enhance customer stickiness. Our SaaS+ business has achieved significant growth during the Track Record Period, demonstrating its wide acceptance by the businesses in the lower-tier market. For further information, see “Business – Service Business – SaaS+.”

SUMMARY

Our Commerce Business

Our commerce business is our principal business, which serves the businesses which mainly operate in the lower-tier retail market, including retail stores and wholesaler customers. We operate mainly under direct sales model and online marketplace model. Under our direct sales model, we procure merchandise and take inventory from our suppliers and then offer a wide and expanding range of merchandise to our member stores and our wholesaler customers. We bear relevant risks in our operations, though we do not own or operate any offline member stores. To a much lesser extent, we also offer merchandise directly to consumers through our self-operated online stores on third-party e-commerce platforms and through our own sales department. Revenue from merchandise sales is recognized at the point in time when the control of the merchandise has been transferred, which is when the goods are delivered and accepted. We bill our customers before or after delivery of merchandise, depending on industries. We also operate an online marketplace on *HTD Mall*, a website owned and operated by us, where third-party vendors can sell merchandise from their own online stores opened thereon to our customers, and we charge commissions on their sales generated on *HTD Mall*. Commission income is recognized on a net basis which is based on a fixed percentage of the sales amount, and we bill the third-party vendors for such commissions on a real-time basis whenever a transaction happens from their online stores. We provide a range of operating and technical support to these third-party vendors and charge service fees accordingly. Revenue of such service fees is recognized at the point in time when the performance obligations for the services are completed. We bill the third-party vendors for the service fees before we provide relevant supporting service. Our commerce business accounted for more than 99% of our revenue during the Track Record Period and its gross margin was 3.2%, 2.7%, 2.4%, 2.0% and 2.2% in 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, respectively.

Our Service Business

We have also successfully launched our service business, including SaaS+ business and merchant solutions business, based on our experience and resources accumulated. Our SaaS+ business, launched in 2017, focuses on helping retail stores improve in-store management efficiency and realize effective online business operation. Our SaaS products provide retail stores with digital solutions through our *Super Boss* webpage and mobile app, which has digital retail management, online storefront and data analytics functions. Our SaaS+ business also provides retail stores with customized on-site marketing services through our client management teams. We charge subscription fees for our SaaS+ business. Revenue from subscription fees is generally recognized on a ratable basis, which is generally on a straight-line basis, over the subscription period beginning on the date that the service is made available to the customer as the relevant services are rendered. We usually bill our member stores when entering into agreements with them. As our SaaS+ business continues to grow rapidly, we expect its revenue and profit contribution to increase in the future. Our merchant solutions business, still in its early stage of development, mainly focuses on establishing and upgrading the digital infrastructures of the participants along the value chain of China's retail market, including brand manufacturers, suppliers and wholesalers. Under merchant solutions business, we provide targeted marketing solutions to improve customers' marketing capabilities and increase their sales, and software customization solutions to equip our

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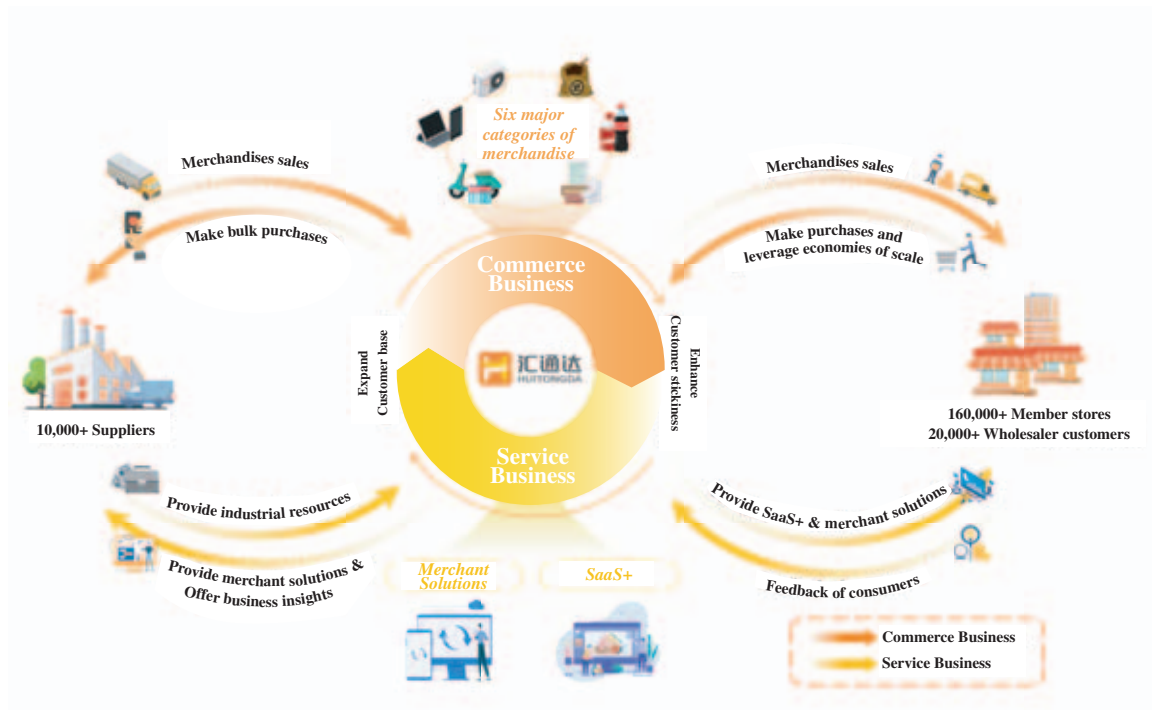
customers with digital means to optimize their sales and achieve their digitalization transformation. In our collaboration with suppliers, we also offer business insights that we obtain from business transactions supported by our data analysis and knowhow while our suppliers would provide industrial resources to us. Revenue from merchant solutions and other related services is generally recognized at the point in time when the performance obligations for the services are completed. We bill our customers for merchant solutions by phases according to contracts.

Our Other Business

We also offer certain other services that are ancillary to our two main businesses above, including maintenance and installation services along with the sales of merchandise, sales planning services and others.

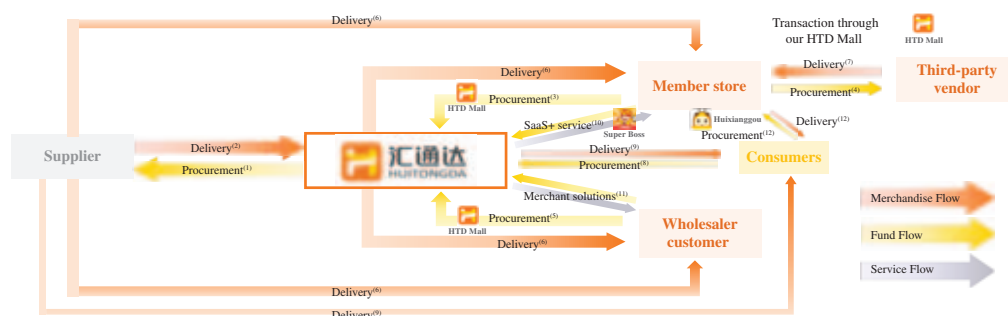
Our Business Model

Our commerce and service businesses have been enhancing each other to establish a mutually-reinforcing relationship. Specifically, our member stores accumulated from our commerce business provide a large customer base for our service business, to whom we can introduce our SaaS+; meanwhile, the continuous penetration of our service business increases customer stickiness and further bolsters our commerce business. The following chart illustrates our business model:



SUMMARY

The following diagram illustrates the merchandise flow, fund flow and service flow related to our business, and the interactions among our business segments:



Notes:

- (1) As a process of merchandise sourcing, we purchase products from suppliers for the six categories of merchandise that we offer on our platform under the direct sales model. We generally pay our suppliers after we receive the products.
- (2) As a process of merchandise sourcing, our suppliers deliver the products to us, and are generally responsible for the transportation and relevant logistics costs.
- (3) Under the direct sales model of our commerce business, our member stores purchase merchandise from us through *HTD Mall* and we generate revenue from the sales thereof.
- (4) Under the online marketplace model of our commerce business, third-party vendors (including some of our suppliers) sell merchandise from their own online stores opened on *HTD Mall* to our customers, and we charge commissions on their sales generated on *HTD Mall*. We also provide a range of operating and technical support to these third-party vendors and charge service fees accordingly.
- (5) Under the direct sales model of our commerce business, our wholesaler customers purchase merchandise from us through our sales department and *HTD Mall*. We also offered battery operating leases to wholesaler customers as part of our direct sales during the Track Record Period, and we have ceased this business in December 2020. We generated revenue from the sales and the lease.
- (6) Under the direct sales model of our commerce business, through our headquarter, our wholly-owned subsidiaries, and our regional service platforms as established with our channel partners, we deliver the merchandise to customers' designated addresses (i) through third-party logistics companies, (ii) through delivery directly arranged by the supplier, or (iii) through customer pick-up. As of September 30, 2021, we have established a warehouse network comprising 511 warehouses across 24 provinces.
- (7) Under the online marketplace model of our commerce business, third-party vendors (including some of our suppliers) take care of the delivery of products.
- (8) Under the direct sales model of our commerce business, consumers purchase our merchandise through our self-operated online stores on third-party e-commerce platforms and through our own sales department and we generate revenue from the sales thereof.
- (9) Under the direct sales model of our commerce business, we deliver the merchandise to consumers' designated addresses (i) through third-party logistics companies, (ii) through delivery directly arranged by the supplier, or (iii) through consumer pick-up. As of September 30, 2021, we have established a warehouse network comprising 511 warehouses across 24 provinces.
- (10) Under our service business, with the support of our regional service platforms as established with our channel partners, we provide free standard SaaS products and paid SaaS+ through our *Super Boss* mobile app and webpage, of which we charge subscription fees.
- (11) Under our service business, apart from wholesaler customers we also provide merchant solutions to brand manufacturers, suppliers and other customers, of which we charge service fees.
- (12) Consumers visit our member stores to pick up merchandise purchased at the online storefronts operated by such member stores via *Huixianggou*, which is one of the optional SaaS+ modules we offer to help member stores build up their own personalized online storefront with various marketing functions.

SUMMARY

Our Ecosystem

The chart below illustrates the core participants and their interactions within our retail ecosystem:



We provide following services to our member store customers:

1. Our client managers visit our member stores on a regular basis to enhance offline interactions with them on a face-to-face basis;
2. Our client managers provide our SaaS products related training to our member stores;
3. Our client managers assist our member stores to launch marketing activities;
4. Our client managers guide member store owners to manage customer relationship;
5. Consumers visit our member stores to pick up merchandise purchased at the online storefront operated by such member stores via *Huixiangou*; and
6. Our member stores use our SaaS+ to promote the operating efficiency of their online and in-store business.

We provide following services to our wholesaler customers:

7. We provide stable and quality-assured supply chains for our wholesaler customers; and
8. We provide digitalization solutions for our wholesaler customers to achieve cost reduction and efficiency improvements.

SUMMARY

With our mutually-reinforcing commerce and service businesses, we intend to further digitalize the entire value chain of the lower-tier retail market across multiple industries in order to minimize cost and maximize efficiency, which we believe will propel our retail ecosystem forward.

During the Track Record Period, we have achieved a rapid growth. Our revenue increased by 46.4% from RMB29,801.7 million in 2018 to RMB43,633.2 million in 2019, and further increased by 13.7% to RMB49,629.1 million in 2020. Our revenue increased by 35.1% from RMB34,418.5 million for the nine months ended September 30, 2020 to RMB46,495.9 million for the nine months ended September 30, 2021. Our adjusted net profit (non-IFRS measure) increased by 100.7% from RMB124.3 million in 2018 to RMB249.5 million in 2019, and further increased by 29.1% to RMB322.1 million in 2020. Our adjusted net profit (non-IFRS measure) increased by 149.2% from RMB138.9 million for the nine months ended September 30, 2020 to RMB346.2 million for the nine months ended September 30, 2021. For further information, see “– Non-IFRS Measures.” We experience seasonality in our business for particular merchandise categories, reflecting the seasonal fluctuations in both customer purchases and the frequency of marketing activities and promotional activities. During the Track Record Period, our revenue for the first half of the year was lower than that for the second half of the year. However, the impact of seasonality on our overall business has been relatively mild due to our diversified merchandise portfolio and our rapid growth. The seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results. For further information, see “Business – Seasonality”.

OUR MARKET AND INDUSTRY

China’s lower-tier market is underpinned by a large population and vast geographical coverage. According to the Frost & Sullivan Report, the permanent resident population in China’s lower-tier market reached 1.23 billion by the end of 2020, accounting for over 87% of China’s total population. Meanwhile, the market size of China’s lower-tier retail market reached RMB15.1 trillion in 2020 and represented approximately 79.2% of China’s overall retail market, according to the Frost & Sullivan Report.

Driven by the rising disposable income and consumption upgrade, China’s lower-tier retail market is expected to experience robust growth with significant potential. According to the Frost & Sullivan Report, the annual per capita disposable income in China’s lower-tier market is expected to grow at a CAGR of 7.2% from approximately RMB29,000 in 2020 to approximately RMB40,000 in 2025, higher than the growth of 6.3% in the tier-one and -two market. This is expected to further drive the market size of China’s lower-tier retail market to increase to RMB20.6 trillion in 2025. With the rising income level and stronger spending appetite, consumers in China’s lower-tier market are increasingly focused on product and service quality, especially for merchandise with higher value and expectation for customer service and consumption experience.

In contrast to the tier-one and -two market, China’s lower-tier retail market features distinct market attributes and consumption characteristics, which are especially prominent in the town-and-village market. The retail industry in China’s lower-tier market remains highly reliant on offline retail stores, which play an indispensable role during the transaction process. Meanwhile, China’s lower-tier retail industry is hindered by the excessively layered and lengthy transaction process along the value chain, less developed logistics infrastructure and a low level of digitalization, which leads to low efficiency in the industry.

SUMMARY

OUR STRENGTHS

We believe the following competitive advantages have contributed to our success and will help drive our growth in the future:

- fast growing commerce and service platform dedicated to serving business customers in China's retail market;
- diversified and tailored SaaS+ business addressing the customers' needs;
- client management team highly compatible with the lower-tier retail market;
- unmatched market insights and merchandise portfolio in China's lower-tier market; and
- visionary management team with proven track records.

OUR STRATEGIES

To achieve our mission and further solidify our leadership, we intend to pursue the following strategies:

- further increase the number of our member stores and expand the penetration of our business in the lower-tier market;
- increase investment in the IT infrastructure of our platform;
- enhance our SaaS+ business monetization capability;
- deepen business collaboration with wholesaler customers and increase monetization; and
- selectively pursue strategic alliances, investments and acquisitions.

RISK FACTORS

Our business and the Global Offering involve certain risks as set out in "Risk Factors" in this prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include: (i) if we fail to retain existing customers or attract new customers, or if our customers decrease their level of business and revenue contribution, our financial condition and business operations may be materially and adversely affected; (ii) our commerce business relies on the lower-tier market's demand for the merchandise we offer. A material change in consumer demand or preferences, or any unexpected situation with a negative impact on market demand may materially and adversely affect our business and results of operations; (iii) our inability to maintain stable relationships with our suppliers, or failure to secure alternative suppliers, could have a material and adverse effect on our business and financial condition; (iv) if we are unable to provide satisfactory customer services, our business and reputation may be materially and adversely affected; (v) any delivery delay, improper handling of goods or increase in transportation costs of our

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logistic service providers could adversely affect our business and results of operations; (vi) improper activities of third-party vendors or the sales through their storefronts on our online marketplace may damage our brand, subject us to liability and harm our business and financial results; (vii) we cannot assure you that we will be able to execute our strategies effectively, such as maintaining the growth of our business, and expanding into new regions of the lower-tier market; and (viii) our expansion into new merchandise categories and the substantial increases in the merchandise we offer may expose us to new challenges and more risks.

KEY OPERATING DATA

The following table sets forth the number of active member stores and the number of active wholesaler customers during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
Number of active member stores ⁽¹⁾	34,968	34,225	32,715	24,961	57,074
Number of active wholesaler customers ⁽²⁾	12,955	19,425	18,807	14,543	13,653

Notes:

- (1) The decrease in the number of our active member stores in 2019 and 2020 was primarily because (i) household appliance was one of the main merchandise categories we offered to our customers during the Track Record Period. In 2018, 2019 and 2020, we had 21,686, 18,307 and 16,863 active member stores mainly engaging in the distribution of household appliance products, accounting for 62.0%, 53.5% and 51.5% of our total active member stores. The market of traditional household appliance, such as air conditioner, TV, washing machine and fridge, declined during the same period, especially in 2020 when such market was adversely affected during the COVID-19 outbreak, as such, the number of our active member stores decreased; and (ii) our member stores' businesses were adversely affected during the COVID-19 outbreak in 2020, primarily due to local governments, especially in towns and villages, implementing strict travel restrictions, and as a result, some member stores became more prudent in sourcing merchandise from us. As such, some member stores ceased to transact with us.
- (2) The decrease in the number of our active wholesaler customers in 2020 and for the nine months ended September 30, 2021 was primarily because (i) household appliance was one of the main merchandise categories we offered to our customers during the Track Record Period. In 2018, 2019 and 2020, we had 7,920, 7,945 and 6,198 wholesaler customers who mainly procured household appliance products from us, accounting for 61.1%, 40.9% and 33.0% of our total active wholesaler customers. The market of traditional household appliance, such as air conditioner, TV, washing machine and fridge, declined during the same period, especially in 2020 when such market was adversely affected during the COVID-19 outbreak, and therefore some wholesalers ceased to transact with us; (ii) we have been proactively assessing and optimizing our customer mix strategies to focus on the large-scale wholesalers who mainly focus on the lower-tier market and tend to have sizable demand and procurement volume, and selectively reducing the number of small-scale wholesalers, and (iii) the wholesaling industry was facing fierce competition in the same period, and the degree of concentration has been rising therein, leading to industry consolidation among our wholesaler customers. According to the Frost & Sullivan Report, the number of overall market players in the wholesaling industry decreased by approximately 20% in 2020.

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

Summary of Consolidated Statements of Profit or Loss

The following table summarizes our results of operations for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>				
				<i>(unaudited)</i>	
Revenue	29,801,661	43,633,230	49,629,135	34,418,543	46,495,876
Cost of revenue	(28,794,677)	(42,354,142)	(48,284,624)	(33,598,674)	(45,267,019)
Gross profit	1,006,984	1,279,088	1,344,511	819,869	1,228,857
Other revenue	12,456	14,516	23,496	13,663	33,227
Other net gain	101,690	131,590	121,646	87,313	115,857
Research and development costs	(34,678)	(49,283)	(58,276)	(35,603)	(54,930)
Selling and marketing expenses	(428,030)	(563,650)	(609,585)	(367,361)	(526,678)
Administrative and other operating expenses	(451,337)	(478,056)	(415,033)	(321,472)	(357,292)
Profit from operations	207,085	334,205	406,759	196,409	439,041
Finance income	35,952	52,730	101,006	62,269	101,003
Finance costs	(436,420)	(633,467)	(704,878)	(528,412)	(621,854)
Net finance costs	(400,468)	(580,737)	(603,872)	(466,143)	(520,851)
Shares of losses of associates	–	–	(1,408)	(583)	(1,048)
Loss before taxation	(193,383)	(246,532)	(198,521)	(270,317)	(82,858)
Income tax	(82,230)	(58,291)	(81,471)	(35,835)	(75,032)
Loss for the year/period	(275,613)	(304,823)	(279,992)	(306,152)	(157,890)
Attributable to:					
Equity shareholders of					
the Company	(295,749)	(415,333)	(405,287)	(381,199)	(279,815)
Non-controlling interests	20,136	110,510	125,295	75,047	121,925
Loss for the year/period	(275,613)	(304,823)	(279,992)	(306,152)	(157,890)

SUMMARY

Our other net gain primarily consists of net realized and unrealized gain from investments in structured deposits and wealth management products issued mainly by state-owned, joint-stock and large commercial banks. During the Track Record Period, we purchased substantial amounts of structured deposits and wealth management products mainly to improve the return on our cash balances. We consider making such investments to be in the best interest of us and our shareholders as a whole. For further information, see “Financial Information – Certain Components of Our Consolidated Statements of Financial Position – Financial Assets at Fair Value Through Profit or Loss” and “Risk Factors – Risks Relating to Our Business and the Industry – Our financial assets at fair value through profit or loss are subject to changes and the valuation of such assets is subject to uncertainties due to the use of valuation techniques and market observable and unobservable inputs, which may in turn adversely affect our financial performance.”

Non-IFRS Measures

The following table reconciles our adjusted net profit (non-IFRS measures) to the most directly comparable financial measure in accordance with IFRS, loss before taxation, for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>				
Loss for the year/period	(275,613)	(304,823)	(279,992)	<i>(unaudited)</i> (306,152)	(157,890)
Add: interest expenses arising from redeemable capital contributions ⁽¹⁾ . . .	399,900	554,317	602,140	445,069	504,060
Adjusted net profit (non-IFRS measures)⁽²⁾	124,287	249,494	322,148	138,917	346,170

Notes:

- (1) Interest expenses arising from redeemable capital contribution represents interest on our Series A, Series A+, Series B, Series C, Series D and Series E investments. We recorded interest expenses arising from redeemable capital contribution in each year throughout the Track Record Period. Upon completion of the Global Offering, the redeemable capital contribution in connection with such investments would be converted into equity of the Company and subsequently no interest expenses would incur. In addition, the interest expenses arising from redeemable capital contribution is a non-cash and non-operational item, which is not directly correlated with our business performance in a particular year. Therefore, the adjustment item is non-cash and does not result in cash outflow, which complies with guidance letter HKEX-GL103-19 issued by the Stock Exchange.
- (2) We believe that the presentation of such non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of interest expenses arising from redeemable capital contributions that does not reflect our ongoing operating performance. The use of the non-IFRS measures have limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to, the analysis of our results of operations or financial condition as reported under the IFRS. In addition, the non-IFRS measures may be defined differently from similar terms used by other companies.

SUMMARY

Revenue Breakdown

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

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Commerce business	29,660,600	99.5	43,378,563	99.4	49,302,000	99.3	34,210,985	99.4	46,143,517	99.2
Direct sales	29,660,600	99.5	43,378,563	99.4	49,299,968	99.3	34,210,281	99.4	46,141,311	99.2
Consumer electronics	5,838,766	19.6	11,782,677	27.0	17,371,629	35.0	12,234,332	35.6	18,054,756	38.8
Household appliances	17,021,402	57.1	16,428,714	37.7	12,173,644	24.5	8,835,117	25.7	8,793,140	18.9
Agricultural means of production	5,219,437	17.5	9,540,558	21.9	10,937,047	22.0	7,330,863	21.3	10,376,235	22.3
Vehicles and auto parts	439,946	1.5	3,817,360	8.7	5,414,057	10.9	3,626,235	10.5	4,946,105	10.6
Homebuilding and renovation materials	280,072	0.9	1,025,871	2.4	2,501,784	5.0	1,627,348	4.7	3,010,832	6.5
Liquor and beverages	495,635	1.7	704,163	1.6	756,126	1.5	457,656	1.3	777,269	1.7
Others ⁽¹⁾	365,342	1.2	79,220	0.1	145,681	0.4	98,730	0.3	182,974	0.4
Online marketplace	-	-	-	-	2,032	0.0	704	0.0	2,206	0.0
Service business	25,264	0.1	55,448	0.1	242,722	0.5	154,330	0.4	277,765	0.6
SaaS+ subscription	23,711	0.1	49,358	0.1	119,087	0.2	93,709	0.2	163,206	0.4
Merchant solutions	1,553	0.0	6,090	0.0	123,635	0.3	60,621	0.2	114,559	0.2
Others	115,797	0.4	199,219	0.5	84,413	0.2	53,228	0.2	74,594	0.2
Total	29,801,661	100.0	43,633,230	100.0	49,629,135	100.0	34,418,543	100.0	46,495,876	100.0

Note:

(1) Others mainly include solar panels and FMCG.

The following table sets forth a breakdown of our revenue contribution by customer type for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Member stores	14,492,316	48.6	17,130,069	39.3	13,470,374	27.1	10,153,881	29.5	11,500,513	24.7
Wholesaler customers	14,756,230	49.5	25,366,870	58.1	35,010,152	70.6	23,582,672	68.5	33,534,416	72.1
Consumers	553,115	1.9	1,136,291	2.6	1,148,609	2.3	681,990	2.0	1,460,947	3.2
Total	29,801,661	100.0	43,633,230	100.0	49,629,135	100.0	34,418,543	100.0	46,495,876	100.0

SUMMARY

During the Track Record Period, we generated substantially all of our revenue from our commerce business, principally direct sales of products to our member stores and wholesaler customers. During the Track Record Period, our revenue from direct sales increased by 46.2% from RMB29,660.6 million in 2018 to RMB43,378.6 million in 2019, and further by 13.7% to RMB49,300.0 million in 2020. Our revenue from direct sales increased by 34.9% from RMB34,210.3 million for the nine months ended September 30, 2020 to RMB46,141.3 million for the nine months ended September 30, 2021. The main components of our commerce business are direct sales and online marketplace, and the main components of our services business are SaaS+ subscription and merchant solutions. Other revenue includes revenue from non-core business such as sales planning services, maintenance and installation services and others.

Our total revenue increased from RMB29,801.7 million in 2018 to RMB43,633.2 million in 2019, primarily due to the increase in the revenue from the sales of consumer electronics and agricultural means of production. Our revenue increased from RMB43,633.2 million in 2019 to RMB49,629.1 million in 2020, primarily due to the increase in the revenue from the sales of consumer electronics, agricultural means of production, vehicles and auto parts, and homebuilding and renovation materials. Our total revenue increased from RMB34,418.5 million for the nine months ended September 30, 2020 to RMB46,495.9 million for the nine months ended September 30, 2021, primarily due to the increase in the revenue of commerce business from the sales of consumer electronics, agricultural means of production, vehicles and auto parts and homebuilding and renovation materials.

Our revenue from the sales of consumer electronics increased from RMB5,838.8 million in 2018 to RMB11,782.7 million in 2019, and further increased to RMB17,371.6 million in 2020, primarily because we actively enhanced our sales efforts, diversified our merchandise portfolio, and expanded our network of customers, while at the same time the market demand for consumer electronics increased substantially in 2019, a trend which was further promoted by travel restrictions during the COVID-19 outbreak in 2020. Our revenue from the sales of consumer electronics increased from RMB12,234.3 million for the nine months ended September 30, 2020 to RMB18,054.8 million for the nine months ended September 30, 2021, primarily because we actively enhanced our sales efforts of consumer electronics, expanded our network of customers, and our key products, such as the communications products, achieved significant increase in sales volume.

Our revenue from the sales of agricultural means of production increased from RMB5,219.4 million in 2018 to RMB9,540.6 million in 2019, and further increased to RMB10,937.0 million in 2020. Our revenue from the sales of agricultural means of production increased from RMB7,330.9 million for the nine months ended September 30, 2020 to RMB10,376.2 million for the nine months ended September 30, 2021, primarily because the market demand increased as the impact of COVID-19 subsided, as well as we actively enhanced the sales of key products, such as fertilizer and animal feed.

SUMMARY

Our revenue from the sales of vehicles and auto parts increased significantly from RMB439.9 million in 2018 to RMB3,817.4 million in 2019, and further increased to RMB5,414.1 million in 2020, primarily due to the substantial increase in our sales of electric bicycle batteries in 2019 and our expansion into new merchandise in this category, such as electric vehicles, in 2020. Our revenue from the sales of vehicles and auto parts increased from RMB3,626.2 million for the nine months ended September 30, 2020 to RMB4,946.1 million for the nine months ended September 30, 2021, primarily because market demand rebounded as the impact of COVID-19 subsided, and we enhanced the sales of key products, such as auto parts.

Our revenue from the sales of homebuilding and renovation materials increased from RMB280.1 million in 2018 to RMB1,025.9 million in 2019, and further increased to RMB2,501.8 million in 2020, primarily because we increased our sales and marketing efforts for this merchandise category. Our revenue from the sales of homebuilding and renovation materials increased from RMB1,627.3 million for the nine months ended September 30, 2020 to RMB3,010.8 million for the nine months ended September 30, 2021, primarily because our sales volume of glass and cables grew rapidly.

Gross Profit and Gross Margin

The following table sets forth our gross profit in absolute amounts and as a percentage of revenue, or gross margins, by business segment, for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Commerce business	936,737	3.2%	1,159,640	2.7%	1,163,622	2.4%	687,187	2.0%	1,004,673	2.2%
Direct Sales	936,737	3.2%	1,159,640	2.7%	1,161,610	2.4%	686,502	2.0%	1,002,478	2.2%
Consumer electronics . . .	115,007	2.0%	245,664	2.1%	255,701	1.5%	172,977	1.4%	209,336	1.2%
Household appliances . . .	687,751	4.0%	658,638	4.0%	569,163	4.7%	313,273	3.5%	470,232	5.3%
Agricultural means of production	94,459	1.8%	137,321	1.4%	125,569	1.1%	86,108	1.2%	125,685	1.2%
Vehicles and auto parts . .	13,205	3.0%	45,009	1.2%	81,724	1.5%	54,956	1.5%	67,624	1.4%
Homebuilding and renovation materials . . .	8,266	3.0%	31,484	3.1%	57,646	2.3%	32,215	2.0%	63,763	2.1%
Liquor and beverages . . .	14,846	3.0%	36,602	5.2%	55,077	7.3%	22,461	4.9%	61,063	7.9%
Others ⁽¹⁾	3,203	0.9%	4,922	6.2%	16,730	11.5%	4,512	4.6%	4,775	2.6%
Online Marketplace	-	-	-	-	2,012	99.0%	685	97.3%	2,195	99.5%
Service business	22,564	89.3%	44,920	81.0%	122,417	50.4%	94,287	61.1%	165,633	59.6%
SaaS+ subscription	21,364	90.1%	43,973	89.1%	115,244	96.8%	91,104	97.2%	159,465	97.7%
Merchant solutions	1,200	77.3%	947	15.6%	7,173	5.8%	3,183	5.3%	6,168	5.4%
Others	47,683	41.2%	74,528	37.4%	58,472	69.3%	38,395	72.1%	58,551	78.5%
Total	<u>1,006,984</u>	3.4%	<u>1,279,088</u>	2.9%	<u>1,344,511</u>	2.7%	<u>819,869</u>	2.4%	<u>1,228,857</u>	2.6%

Note:

(1) Others mainly include solar panels and FMCG.

SUMMARY

The following table sets forth our gross profit in absolute amounts and as a percentage of revenue, or gross margins, by customer type for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Member stores	556,253	3.8%	597,319	3.5%	492,076	3.6%	336,922	3.3%	427,986	3.7%
Wholesaler customers	405,265	2.7%	633,028	2.5%	793,516	2.3%	454,936	1.9%	742,804	2.2%
Consumers	45,466	8.2%	48,741	4.3%	58,919	5.1%	28,011	4.1%	58,067	4.0%
Total	<u>1,006,984</u>	3.4%	<u>1,279,088</u>	2.9%	<u>1,344,511</u>	2.7%	<u>819,869</u>	2.4%	<u>1,228,857</u>	2.6%

During the Track Record Period, our single largest component of cost of revenue was our merchandise procurement cost in relation to our commerce business, which accounted for 99.2%, 99.1%, 99.1%, 99.2% and 99.4% of our total cost of revenue, in 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, respectively. Our gross margin was 3.4%, 2.9%, 2.7%, 2.4% and 2.6% in 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, respectively. Our gross margin decreased from 3.4% in 2018 to 2.9% in 2019 and further to 2.7% in 2020, primarily due to a decrease in our gross margin from the commerce business. Our gross margin increased from 2.4% for the nine months ended September 30, 2020 to 2.6% for the nine months ended September 30, 2021, primarily due to the increase in our gross margin from the commerce business and increasing revenue contribution from the service business. The gross margin of our commerce business decreased from 3.2% in 2018 to 2.7% in 2019, and further to 2.4% in 2020, primarily because the revenue from the sales of household appliances as a percentage of our total revenue decreased, whilst the revenue from the sales of consumer electronics and agricultural means of production as percentages of our total revenue increased. The gross margin of household appliances was higher than the gross margin of consumer electronics and agricultural means of production during 2018, 2019 and 2020. The gross margin of our commerce business increased from 2.0% for the nine months ended September 30, 2020 to 2.2% for the nine months ended September 30, 2021. In particular, in our direct sales business, the gross margin of consumer electronics decreased, primarily because we adopted the strategy of enhancing our cooperation with brand manufacturers at a low gross margin to increase market share and expand sales channel. The gross margin of household appliances increased, primarily due to the increase in the proportion of sales of smart household appliances with higher gross margin. The gross margin of liquor and beverages increased, primarily due to (i) the increase in the selling price driven by the high market demand for Chinese liquor; and (ii) our enhanced Chinese liquor supply chain capabilities. The gross margin of homebuilding and renovation materials, agricultural means of production and vehicles and auto parts products remained relatively stable.

SUMMARY

In our commerce business, the changes in gross margin were mainly affected by our merchandise mix and the respective gross margin of each merchandise category. In our service business, the gross margin of our SaaS+ subscription increased in 2020, primarily due to increased economies of scale, and the gross margin of our SaaS+ subscription remained relatively stable for the nine months ended September 30, 2021 compared to the same period in 2020. The gross margin of our merchant solutions decreased in 2018, 2019 and 2020, primarily because we (i) adopted the strategy of increasing market share and expanding sales channel at a low gross margin; and (ii) increased outsourcing certain merchant solutions to third-party providers to facilitate the delivery of our services, incurring higher outsourcing costs. The gross margin of our merchant solutions remained relatively stable for the nine months ended September 30, 2021 compared to the same period in 2020. For further information, see “Financial Information – Principal Components of our Consolidated Statements of Profit or Loss – Gross Profit and Gross Margin” and “Financial Information – Results of Operations.”

Our net loss was RMB275.6 million, RMB304.8 million, RMB280.0 million, RMB306.2 million and RMB157.9 million in 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, respectively. Besides the significant amounts of merchandise procurement cost, selling and marketing expenses and administrative and other operating expenses, our net loss position during the Track Record Period was mainly due to the interest expenses arising from redeemable capital contribution, which accounted for RMB399.9 million, RMB554.3 million, RMB602.1 million, RMB445.1 million and RMB504.1 million in 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, respectively. Our adjusted net profit (non-IFRS measure), which has been adjusted for interest expenses arising from redeemable capital contributions, was RMB124.3 million, RMB249.5 million, RMB322.1 million, RMB138.9 million and RMB346.2 million in 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, respectively.

As of December 31, 2018, 2019, 2020 and as of September 30, 2021, we had accumulated losses of RMB311.7 million, RMB727.0 million, RMB1,132.3 million and RMB1,412.1 million, respectively, primarily due to the net losses incurred as a result of the significant amounts of interest expenses arising from redeemable capital contributions during the Track Record Period.

We believe we are able to improve our profitability in the future through (i) the growth of our revenue by attracting more customers and increase the transaction value; (ii) the growth of our revenue from service business by further monetize our SaaS+ business which entails comparatively higher gross margin than our commerce business; and (iii) the improvement in the management of our costs and expenses by leveraging our scale of business. For further information, see “Financial Information – Major Factors Affecting Our Results of Operations.”

SUMMARY

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of
	2018	2019	2020	September 30, 2021
	<i>(RMB in thousands)</i>			
Non-current assets				
Property, plant and equipment	39,923	41,215	45,085	40,110
Right-of-use assets	115,245	158,138	127,927	103,201
Investment property	–	4,036	3,901	3,744
Interests in associates	–	–	18,042	2,046
Financial assets at fair value through other comprehensive income	2,000	2,000	2,000	2,000
Pledged deposits	–	–	630,000	1,875,000
Time deposits	–	90,000	530,000	140,000
Deferred tax assets	45,558	57,850	63,006	82,135
Total non-current assets	202,726	353,239	1,419,961	2,248,236
Current assets				
Financial assets at fair value through profit or loss	1,365,540	3,607,396	1,073,930	3,243,036
Inventories	2,509,103	3,014,101	2,250,583	3,071,466
Trade and bill receivables	1,127,147	1,307,992	1,847,404	2,307,529
Prepayments, deposits and other receivables	4,858,139	6,876,030	6,620,010	12,013,088
Pledged deposits	2,955,861	2,814,776	4,006,904	5,185,105
Time deposits	–	–	160,000	30,000
Cash and cash equivalents	2,500,968	1,167,709	4,315,977	2,276,418
Taxation recoverable	–	1,574	562	–
Total current assets	15,316,758	18,789,578	20,275,370	28,126,642
Current liabilities				
Bank loans and other borrowings	230,758	484,539	212,782	583,326
Loans from non-controlling shareholders of subsidiaries	148,483	79,666	40,588	59,431
Lease liabilities	40,651	50,653	56,427	35,513
Trade and bills payables	7,180,792	8,493,358	11,419,335	18,262,518
Other payables and accruals	349,103	657,074	443,761	429,477
Contract liabilities	1,802,809	3,191,145	2,133,207	3,412,933
Provisions	7,177	12,395	843	–
Redeemable capital contributions	6,928,973	7,483,290	9,285,430	8,854,015
Taxation payable	36,637	23,090	50,822	54,126
Total current liabilities	16,725,383	20,475,210	23,643,195	31,691,339
Net current liabilities	(1,408,625)	(1,685,632)	(3,367,825)	(3,564,697)
Total assets less current liabilities	(1,205,899)	(1,332,393)	(1,947,864)	(1,316,461)
Non-current liabilities				
Lease liabilities	69,355	101,284	79,627	61,858
Deferred income	2,332	17,688	17,000	17,000
Total non-current liabilities	71,687	118,972	96,627	78,858
NET LIABILITIES	(1,277,586)	(1,451,365)	(2,044,491)	(1,395,319)
CAPITAL AND RESERVES				
Share capital	485,361	485,361	508,658	508,658
Reserves	(2,597,786)	(3,046,167)	(3,808,687)	(3,272,878)
Total deficit attributable to equity shareholders of the Company	(2,112,425)	(2,560,806)	(3,300,029)	(2,764,220)
Non-controlling interests	834,839	1,109,441	1,255,538	1,368,901
TOTAL DEFICIT	(1,277,586)	(1,451,365)	(2,044,491)	(1,395,319)

SUMMARY

During the Track Record Period, we have invested in substantial amounts of structured deposits and wealth management products. Our financial assets at fair value through profit or loss include structured deposits and wealth management products and have experienced fluctuation of their fair values. As of December 31, 2018, 2019, 2020 and as of September 30, 2021, our financial assets at fair value through profit or loss was RMB1,365.5 million, RMB3,607.4 million, RMB1,073.9 million and RMB3,243.0 million. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, net realized and unrealized gain on financial assets at fair value through profit or loss with respect to our structured deposits and wealth management products amounted to RMB91.5 million, RMB106.1 million, RMB113.2 million, RMB87.0 million and RMB104.4 million, respectively. For further information, see “Risk Factors – Risks Relating to Our Business and the Industry – Our financial assets at fair value through profit or loss are subject to changes and the valuation of such assets is subject to uncertainties due to the use of valuation techniques and market observable and unobservable inputs, which may in turn adversely affect our financial performance.”

Our net current liabilities increased to RMB3,564.7 million as of September 30, 2021 from RMB3,367.8 million as of December 31, 2020 primarily due to (i) an increase in trade and bills payables, as a result of our improved supply chain capabilities and our negotiation with suppliers to defer payment terms through payment of bills; and (ii) an increase in contract liabilities, as a result of customers placing orders in advance to lock supply and price given high market demand of our merchandise. Our net current liabilities increased to RMB3,367.8 million as of December 31, 2020 from RMB1,685.6 million as of December 31, 2019, primarily due to (i) an increase in new bank acceptance bills as a result of our improved supply chain capabilities and our negotiation with suppliers to defer payment terms through payment of bills; and (ii) an increase in our redeemable capital contributions, primarily because we received new capital contributions from investors and the corresponding interest expenses increased in 2020. Our net current liabilities increased to RMB1,685.6 million as of December 31, 2019 from RMB1,408.6 million as of December 31, 2018, primarily due to (i) an increase in trade and bills payables to our suppliers as a result of the expansion of our business, (ii) an increase in contract liabilities, which was primarily due to the increased scale of our direct sales and increase in advances from customers as a result of the commencement of the battery operating leases, and (iii) an increase in our redeemable capital contributions, primarily because we received new capital contributions from new investors and the corresponding interest expenses increased in 2019. For further information, see “Appendix I – Accountants’ Report – Consolidated Statements of Changes in Equity.”

We recorded net liabilities throughout the Track Record Period, primarily due to redeemable capital contributions and the interest expenses arising from redeemable capital contributions. Our redeemable capital contributions would be re-designed and reclassified from liabilities to equity as a result of the automatic conversion into our Shares, upon which we may reverse back to a net current assets position and net assets position from net current liabilities position and net liabilities position. For details, see note 30 to the Historical Financial Information included in the Accountants’ Report in Appendix I to this prospectus. As such, despite that we recorded net current liabilities, net liabilities and net losses throughout the Track Record Period, we believe we have working capital sufficiency for the next twelve months. In addition, we plan to generate more revenue through increasing the number of our member stores and expanding the penetration of our business in the lower-tier market, and adopt comprehensive measures to effectively control cost and operating expenses, in order to enhance our working capital management efficiency. As advised by our PRC legal advisor, under the Articles of Association and the PRC Company Law, we are not allowed to pay dividend under a net liabilities position as determined in accordance with either the PRC accounting principles or the IFRS. For further information, see “Financial Information – Dividend Policy.”

SUMMARY

Summary of the Consolidated Statements of Cash Flows

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Operating cash flows before changes					
in working capital	382,255	468,349	499,188	308,380	454,985
Changes in working capital	(830,190)	239,009	40,946	369,977	(663,407)
Tax paid	(91,687)	(93,422)	(67,871)	(47,193)	(92,448)
Net cash (used in)/generated from operating activities ⁽¹⁾	(539,622)	613,936	472,263	631,164	(300,870)
Net cash (used in)/generated from investing activities	(940,884)	(2,174,263)	2,138,383	(246,747)	(1,432,598)
Net cash generated from/(used in) financing activities	2,756,157	227,068	537,622	(247,688)	(306,091)
Net increase/(decrease) in cash and cash equivalents	1,275,651	(1,333,259)	3,148,268	136,729	(2,039,559)
Cash and cash equivalents at the beginning of the year/period	1,225,317	2,500,968	1,167,709	1,167,709	4,315,977
Cash and cash equivalents at the end of the year/period	2,500,968	1,167,709	4,315,977	1,304,438	2,276,418

Note:

- (1) The net cash used in operating activities in 2018 was primarily due to: (i) an increase in trade and other receivables because of the increase in our sales, and (ii) an increase in inventories because of our business expansion. The net cash used in operating activities for the nine months ended September 30, 2021 was primarily due to: (i) an increase in trade and other receivables mainly due to prepayments of RMB4,500.0 million made in September 2021 related to consumer electronics, which we made to secure product supply from a leading consumer electronics manufacturer, with which we entered into a national designated agency arrangement in September 2021, and, as of December 7, 2021, we had sold over 90% of such products to our customers or had received refund of prepayments from that manufacturer due to temporary supply shortage; as of December 7, 2021, the aforementioned consumer electronics related prepayments had been subsequently settled in cash with an amount of RMB4,405.7 million, and as such, we believe that such short-term negative movements in working capital during the same period shall not have continuous material impact on our cash flows from operating activities and shall not lead to net operating cash outflows for the full financial year of 2021, (ii) an increase in inventories because of our business expansion, and (iii) an increase in pledged deposits for issuance of bills payable and letters of credit. For further information, see “Financial Information – Liquidity and Capital Resources – Cash Flows – Net Cash Used in or Generated from Operating Activities” and notes 22(b) to the Historical Financial Information included in the Accountants’ Report in Appendix I to this prospectus. In order to ensure steady operations and improve our net operating cash outflows position, going forward, we plan to take the following measures to improve working capital efficiency: (i) strengthening our market research capabilities and implementing procurement decisions in accordance with respective market demand, (ii) enhancing our cooperation with suppliers to reduce the amount of the prepayments required and secure credit terms where applicable, and (iii) improving our inventory management in light of the market demand and the turnover days of particular merchandise.

Key Financial Ratios

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(unaudited)</i>				
Revenue growth ⁽¹⁾	–	46.4%	13.7%	–	35.1%
Adjusted net profit margin (non-IFRS measure) ⁽²⁾	0.4%	0.6%	0.6%	0.4%	0.7%

SUMMARY

Notes:

- (1) Revenue growth ratio equals revenue growth divided by revenue for the same period of the last year.
- (2) Adjusted net profit margin (non-IFRS measure) equals adjusted net profit (non-IFRS measure) divided by revenue.

DIVIDEND

According to PRC law and regulations, we may not pay dividends unless we have distributable profits in a given year as determined under PRC GAAP or IFRS. As of December 31, 2018, 2019, 2020 and as of September 30, 2021, we had accumulated losses of RMB311.7 million, RMB727.0 million, RMB1,132.3 million and RMB1,412.1 million, respectively, primarily due to the net losses incurred as a result of the significant amounts of interest expenses arising from redeemable capital contributions during the Track Record Period. As a result, during the Track Record Period, no dividend was declared or paid by our Company. For further information, see “Risk Factors – Payment of dividends is subject to restrictions under PRC law and regulations.” Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors including our future earnings and cash inflows, future plan for use of funds, long-term development of our business and other legal and regulatory restrictions. Dividend declaration and payment shall be proposed by our Board in accordance with our Articles of Association and relevant PRC law and regulations. There is no assurance that dividends of any amount will be declared or be distributed in any year.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$45.50 per Share (being the mid-point of the indicative Offer Price range of HK\$43.00 and HK\$48.00), we estimate that we will receive net proceeds of approximately HK\$2,225.6 million from the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes:

- approximately 30% of the net proceeds, or HK\$667.7 million, for enhancing relationships with our existing customers and further expanding our customer base;
- approximately 25% of the net proceeds, or HK\$556.4 million, for optimizing the capability and efficiency of our supply chain;
- approximately 20% of the net proceeds, or HK\$445.1 million, for increasing investment in the IT infrastructure of our platform and enhancing SaaS+ business monetization capability;
- approximately 15% of the net proceeds, or HK\$333.8 million, for selectively pursuing strategic alliances, investments, or acquisitions with the following participants; and
- approximately 10% of the net proceeds, or HK\$222.6 million, would be used as our working capital.

SUMMARY

OUR SINGLE LARGEST SHAREHOLDER

As of the Latest Practicable Date, Mr. Wang held an aggregate of approximately 32.56% interest in our share capital, including approximately 30.27% direct interest and approximately 2.29% indirect interest through Nanjing Yuanbai, and was the single largest Shareholder of our Company. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Conversion of Domestic Shares into H Shares, Mr. Wang will hold an aggregate of approximately 29.56% interest in our share capital, including approximately 27.48% direct interest and 2.08% indirect interest through Nanjing Yuanbai. Accordingly, Mr. Wang will remain as our single largest Shareholder, and our Company will not have any controlling shareholder upon completion of the Global Offering and the Conversion of Domestic Shares into H Shares. For further information, see “Relationship with our Single Largest Shareholder.”

PRE-IPO INVESTMENTS

Since our incorporation, we have completed several rounds of equity financing in the past few years. For further information, see “History, Development and Corporate Structure – Pre-IPO Investments.”

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in “Connected Transactions”.

COVID-19 IMPACTS

A novel strain of coronavirus, COVID-19, was detected and emerged globally in December 2019. In response to the COVID-19 outbreak, Chinese government has taken a number of actions, which included, among other things, compulsory quarantine, travel restrictions, closure of workplaces and facilities and public activity restrictions.

Our business was affected by the COVID-19 outbreak and relevant government policies in the first half of 2020, especially during February and March 2020. Subject to various travel restrictions imposed by local governments in an effort to curb the spread of the COVID-19 pandemic, logistics services to deliver our merchandise to customers were temporarily compromised in February and March 2020, especially in Hubei province. In addition, the delivery of products from our suppliers to us was also adversely affected during such period. In order to mitigate the adverse impact of the COVID-19 pandemic on our supply chain, on the one hand, we actively communicated with customers to agree with the postponement of delivery of relevant merchandise, and on the other hand, we proactively coordinated with suppliers to arrange delivery of the relevant products to us as soon as practicable. Starting from April 2020, the logistics service to deliver the merchandise to our customers and the delivery of products from our suppliers had generally been resumed to normal.

SUMMARY

Our sales of merchandise of household appliances, agricultural means of production, vehicle and auto parts, and liquor and beverages were most affected by the COVID-19 outbreak. In particular, market demand for household appliances decreased substantially during the first half of 2020, primarily because local governments, especially in towns and villages, imposed strict travel restrictions, which created certain difficulties for the transportation of merchandise, and our member stores became more prudent in sourcing merchandise from us during the COVID-19 outbreak. In our commerce business, our direct sales to member stores, principally household appliances, were adversely affected by the COVID-19 outbreak, and our transaction value with member stores decreased by 32.4% in the first half of 2020 compared to the same period in 2019. In terms of geographic regions, our sales in Hubei, Shandong, Jiangxi, Anhui, and Jiangsu provinces were most affected by the COVID-19 outbreak. In our services business, in order to help our member stores alleviate the financial burden caused by the COVID-19 outbreak, we made two lower-priced SaaS+ packages free during the COVID-19 outbreak, which adversely affected the growth of our revenue from SaaS+ subscription in 2020.

Despite the impact of the COVID-19 outbreak on our business, we did not suspend our business operations as a result of COVID-19 outbreak and still managed to achieve a revenue growth of 13.7% in 2020, which is largely due to the continued growth of our two business segments and our prompt measures to mitigate the impact of the COVID-19 outbreak. The measures we adopted during the COVID-19 outbreak to ensure the health and safety of our employees as well as our business operations included: regular increase of employee salaries, distribution of personal protective equipment such as masks to our employees, disinfection of working areas and extension of credit terms to certain high quality customers with long cooperation history with us. Therefore, our Directors believe that the outbreak of COVID-19 had no material adverse impact on the Group's business taken as whole during the Track Record Period. For further information, see "Business – Our Products and Services."

Although conditions have substantially improved since the second half of 2020 in China, there is still a possible re-emergence and further spread of COVID-19 and the actions adopted by the government authorities to contain it. In response to the possibility of future outbreak of COVID-19 pandemic in China, we have adopted various precautionary measures and business contingency plan to mitigate the potential adverse impact to our business operations. We have formed a COVID-19 pandemic control and emergency committee comprising our management and officers. Our precautionary measures and contingency plan include, among others, (i) provision of personal protective equipment such as masks, disinfectant water, and gloves at workplaces; (ii) regular disinfection of working area and vehicles; (iii) prompt reporting of suspected cases of COVID-19 if any; (iv) in the case of identification of person with high temperature, the relevant person would be arranged to have COVID-19 test and the relevant premise where such person works would be disinfected immediately; (v) we regularly monitor the new cases of COVID-19 in the provinces where we have operations and we would recommend our customers to increase procurement and maintain an appropriate inventory level, as well as enhance our trainings and offer more digital solutions to customers to mitigate adverse impact of potential COVID-19 outbreak on their offline marketing and sales; and (vi) we would proactively collaborate with our suppliers and quality logistic service providers to optimize the supply chain management in order to reduce the negative effect brought by potential COVID-19 outbreak on the delivery of merchandise to us and our customers. For further information, see "Risk Factors – Risks relating to Our Business and the Industry – Our business, financial condition and results of operations may be materially and adversely affected by a number of force majeure events, including but not limited to natural disasters, acts of terrorism, acts of war, occurrence of pandemics, political transformations, financial tsunamis, global macroeconomic changes or epidemics, and other catastrophes in the PRC and globally."

SUMMARY

RECENT DEVELOPMENTS

Recent Developments of Our Business Operations

In the nine months ended September 30, 2021, our commerce and service businesses continued to expand, and our revenue increased significantly from the same period in 2020, which were mainly because (i) our sales of consumer electronics and agricultural means of production increased substantially, since the adverse impact of COVID-19 outbreak has gradually subsided in China and market demand for such merchandise has substantially increased; and (ii) we strengthened our cooperation with suppliers so that we can offer a more diverse range of popular merchandise with strengthened supply chain capabilities.

Based on the unaudited management accounts, our net loss for the year ended December 31, 2021 is estimated to decrease, compared to the year ended December 31, 2020, primarily due to our profitability improvement in 2021. This prospectus has disclosed a loss estimate in the section headed “Financial Information,” however, excluding the impact of the interest expenses arising from redeemable capital contributions, we are expected to have an adjusted net profit for the year ended December 31, 2021.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since September 30, 2021, being the end date of the periods reported on in the Accountants’ Report in Appendix I to this prospectus, and there is no event since September 30, 2021 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this prospectus.

Recent Developments in Our Regulatory Environment

The Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》)

The Measures for the Supervision and Administration of Online Transactions (the “**Online Transactions Measures**”), which came into force in May 2021, has clarified the registration system for online business entities, defined the role of online service providers, and provided more detailed requirements for service providers like us, including but not limited to: (i) we shall verify and register the information submitted by the operators in the platform, and submit the operator’s identity information to the market regulation department twice a year; (ii) we shall clearly distinguish between operators that have undergone market entity registration and operators that have not undergone market entity registration to ensure that customers can clearly identify them; (iii) we shall establish an inspection and monitoring system for the business activities within the platform, and timely handle and report relevant illegal acts to the relevant market regulation department; (iv) if we take warning, suspension or termination of service and other measures against the operators in the platform, we shall publicize the relevant information within one working day upon the date of making the decision; and (v) we shall provide the information of the operators using our platform, information of goods or services and information of transaction in accordance with the requirements of the market regulation department in the supervision and law enforcement activities, and actively cooperate with the market regulation department in monitoring the illegal behavior of online transactions.

SUMMARY

According to the Online Transactions Measures, these measures apply to the business activities of selling goods or services provided through information networks such as the internet within the territory of the PRC as well as apply to the supervision and management thereof by the market regulation administrations.

We are a commerce and service platform dedicated to serving businesses operating in China's retail market. We directly sell and let merchants sell their products through network platform, while under competent market regulation administration's supervision and management. Therefore, the Online Transactions Measures applies to us. We have taken measures to ensure ongoing compliance with the Online Transactions Measures in the future, which mainly include the following measures.

- We have established a special leading group and have signed a commitment letter for platform compliance operation. We regularly submitted relevant data on platform to the regulatory authorities, established a meeting and communication mechanism to communicate with the regulatory authorities from time to time, joined a special e-commerce communication group of mainstream platforms in Nanjing, China, joined the online transaction social collaboration and co-governance system for users, and continued to abide by the regulatory requirements for platform service providers.
- We have established relevant necessary internal control systems, such as (i) the "Specification for Handling Customer Complaints of Huitongda Network Co., Ltd." (《匯通達網絡股份有限公司客戶投訴問題處理規範》), which specifies the handling time limit, handling process and competent department of the customer complaints in online transactions; (ii) the "Rules for Violation and Handling of Merchant's Violations" (《商家違規行為及處理規則》), which specifies the circumstances, handling process and consequences of merchant's violations on our network platform; (iii) the "Rules for Recall of Merchandise on the Huitongda Platform" (《匯通達平台商品召回規則》), which specifies the identification, recall process and violation handling of the sold merchandise with quality and safety risks or quality and safety problems in our network platform; (iv) the "Specification for Food Safety Management of Huitongda" (《匯通達食品安全管理規範》), which specifies the review and registration process, operation management and handling of violations of laws and regulations of food merchants selling on our network platform; (v) the "General Rules for Business Management" (《商家管理規範總則》), which is the overall management specification for transaction management, market management, violations and handling of settled merchants; (vi) the "Rules for the Quality Management of Goods on Merchants on the Huitongda Platform" (《匯通達平台商家商品品質管制規範》), which specifies the management of merchants qualification on our network platform, the management of purchase sources, the exposure of illegal merchants and cooperation with the regulatory authorities, etc.; (vii) the "Cooperation Agreement on Settlement of *HTD Mall*" (《匯通達商城入駐合作協定》), which specifies the cooperation mode of both parties, the qualification requirements for settled merchants, the rules for the listed goods, merchandise delivery and quality assurance, after-sales and customer service, settlement rules, and has formulated necessary agreements between us and merchants; and (viii) the "Service Agreement on Huitongda POP Open Platform" (《匯通達POP開放平台服務協定》), which specifies the cooperation mode of both parties, the qualification requirements for settled merchants, the rules for the listed goods, merchandise delivery and quality assurance, after-sales and customer service, settlement rules, etc., which continuously conform to the relevant requirements for platform service providers set out in the Online Transactions Measures.

SUMMARY

- Our PRC legal advisor has advised that, up to the Latest Practicable Date, we have not been subject to any punishment or investigation in violation of the Online Transactions Measures. Considering that (i) we organized the special group regarding the compliance operation, and have been informed of the latest laws and regulations since the communication mechanism was built with the regulatory authorities; (ii) we established the relevant internal control system which has been strictly implemented so that we would verify and register the information submitted by the operators, establish an inspection and monitoring system or engage in acts that are in compliance with the relevant laws and regulations; (iii) since the Online Transactions Measures came into force, the market regulation department has issued compliance letters to the Company and major subsidiaries, and up to the Latest Practicable Date, we have not been subject to any punishment or investigation in violation of the Online Transaction Measures; and (iv) we had complied with the applicable PRC laws, rules and regulations relating to personal data in all material respects, up to the Latest Practicable Date, we had complied with the Online Transactions Measures in all material aspects.

As advised by our PRC legal advisor, based on the above, the Online Transactions Measures has no material and adverse impact on our financial performance and business operations. Our Directors believe that, based on the view of our PRC legal advisor, the Online Transactions Measures has no material and adverse impact on our results of business operations and financial performance. We will continue to comply with the relevant requirements of the Online Transactions Measures, which may increase our compliance costs.

Having considered the measures taken by us and the view of our PRC legal advisor as stated above, and on the basis that the Joint Sponsors have obtained and reviewed relevant documents, internal policies and information provided by us in relation to our measures to ensure compliance with the Online Transactions Measures, and discussed with the PRC legal advisor to the Joint Sponsors to understand the relevant PRC laws, rules and regulations relating to Online Transactions Measures and its implications on the Group, the Joint Sponsors concurred with views of our PRC legal advisor and our Directors in relation to the impact of the Online Transactions Measures on our business operations and financial performance as set out above.

Regulations regarding personal information protection and data security

As advised by our PRC legal advisor, the Internet sector in China is undergoing intensive legislative supervision in terms of personal information protection and data security.

Recent updates in rules and regulations regarding personal information protection and data security include:

- (1) the “**Data Security Law**” issued by SCNPC on June 10, 2021 and became effective on September 1, 2021;
- (2) the “**Personal Information Protection Law**” issued by SCNPC on August 20, 2021 and became effective on November 1, 2021;

SUMMARY

- (3) the “**Measures for Cybersecurity Review**” (《網絡安全審查辦法》) (the “**Measures II**”) promulgated by CAC on December 28, 2021 and will be effective on February 15, 2022; and
- (4) the “**Network Data Security Management Regulations (Draft for Comments)**” (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft for Comments**”, together with the Measures II, the “**CAC Measures and Draft**”) promulgated by CAC on November 14, 2021 and the final version yet to come into effect. For further information, see “Regulatory Overview.”

The impact of the CAC Measures and Draft on our business operation and proposed Listing

The data collected and processed by us mainly includes the customers’ names, addresses, contact information, etc., and is mainly used for the delivery of the products for our own business. Therefore, we use the network to carry out data processing activities within the territory of the PRC in our business operations, making the CAC Measures and Draft applicable to us.

We have been valuing the data and personal information protection issue, and have formulated corresponding internal control systems for data processing. After the promulgation of the CAC Measures and Draft, we organized relevant personnel of IT department to digest the CAC Measures and Draft, and actively required all departments to carry out business operation and data processing activities in accordance with relevant regulatory provisions to meet the latest regulatory requirements.

According to the Draft for Comments, if the listing in Hong Kong of a data processor affects or may affect national security, the data processor shall apply for network security review in accordance with relevant regulations. Our PRC legal advisor has advised us that, as of the Latest Practicable Date, the definition of “affects or may affect national security” has not been clarified by any PRC regulatory authorities.

Our PRC legal advisor has advised us that the data collected and processed by us does not fall into the definition of important data which affects or may affect national security or public interest listed in article 73 of the Draft for Comments, which points out that important data refers to data that may endanger national security and public interests in the case it is tampered, damaged, leaked or illegally obtained or utilized. In addition, our PRC legal advisor has advised us that, “Reply to the Reporter’s Question of the ‘Measures for Cybersecurity Review’” (《網絡安全審查辦法》答記者問) from responsible officers of CAC specified that when purchasing network products and services, operators of important networks and information systems in the fields of telecommunications, radio and television, energy, finance, transportation, railway, civil aviation, postal, water conservancy, emergency management, health, social security, science and technology industry of national defense and other industries shall consider applying for network security review in accordance with the requirements of the Measures for Cybersecurity Review. Our PRC legal advisor has advised us that the data collected and processed by us does not fall into the situations which shall consider applying for network security reviews listed in the Reply to the Reporter’s Question of the “Measures for Cybersecurity Review”.

SUMMARY

Our Directors and our PRC legal advisor take the view that the risk of giving rise to national security issues by our business operation is remote in accordance with the CAC Measures and Draft.

During the Track Record Period and up to the date of this prospectus, we have not experienced, neither were we involved in any material incident of data or personal information leakage, infringement of data protection or privacy laws and regulations or cybersecurity review, investigation or other legal proceeding, pending or threatened or initiated by relevant government authorities or third parties, or received any inquiry, notice, warning, punishment or sanctions, that may materially adversely affect our business. In addition, there is no punishment or investigation by relevant competent authorities or material data security incidents due to data processing or data protection as of the date of this prospectus.

We will continue to pay attention to the development of the CAC Measures and Draft and actively sustain communication with relevant competent authorities to ensure timely compliance with the latest regulatory requirements. Our PRC legal advisor has advised us that, if the CAC Measures and Draft come into effect, we may increase the compliance cost to meet the latest regulatory requirements, but they will not have a significant adverse impact on our business operation and financial performance. In view of the above, if the CAC Measures and Draft come into force, we will be able to comply with the CAC Measures and Draft in all material aspects, and our Directors and PRC legal advisor are of the view that the CAC Measures and Draft would not have any material adverse impact on our business operation and our proposed Listing.

Based on the above and the due diligence work conducted by the Joint Sponsors, the Joint Sponsors concur with the views of our Directors and our PRC legal advisor in this regard as disclosed above.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 51,606,200 new H Shares are issued pursuant to the Global Offering; and (ii) the Over-allotment Option is not exercised.

	Based on an Offer Price of HK\$43.00	Based on an Offer Price of HK\$48.00
Market capitalization of our H Shares ⁽¹⁾	HK\$7,652 million	HK\$8,542 million
Unaudited pro forma adjusted net tangible asset per Shares ⁽²⁾	HK\$17.13	HK\$17.58

(1) The calculation of market capitalization is based on 177,960,739 H shares expected to be in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Conversion of Domestic Shares into H Shares.

(2) The unaudited pro forma adjusted net tangible asset per H Share is calculated after making the adjustments referred to in the section headed “Appendix II – Unaudited Pro Forma Financial Information” in this prospectus.

SUMMARY

LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2021

Our Directors have prepared the estimate of the consolidated loss attributable to equity shareholders of our Company for the year ended December 31, 2021 based on the audited consolidated results of the Group for the nine months ended September 30, 2021, the unaudited consolidated results based on the management accounts of the Group for the two months ended November 30, 2021, and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2021. The estimate has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by our Group are summarized in the Accountants' Report as set out in Appendix I to this prospectus.

Estimated consolidated loss attributable to equity shareholders of our Company for the year ended December 31, 2021	Not more than RMB353.5 million
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LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. Assuming an Offer Price of HK\$45.50 per Offer Share (being the mid-point of the indicative Offer Price range) and no exercise of the Over-allotment Option, we estimate that our listing expenses will be approximately RMB99.8 million (including (i) underwriting commission of approximately RMB49.9 million, and (ii) non-underwriting related expenses of approximately RMB49.9 million, which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB31.2 million and other fees and expenses of approximately RMB18.7 million), accounting for 5.2% of the gross proceeds from the Global Offering, of which approximately RMB54.2 million is directly attributable to the offering and listing of our Offer Shares and will be deducted from equity upon the Listing, and approximately RMB45.6 million is expected to be expensed in our consolidated statements of profit or loss. Our Directors do not expect such expenses to materially impact our results of operations in 2021.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from Domestic Shares, on the basis that, among other things, we satisfy the market capitalisation/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue in 2020, being RMB49,629.1 million (equivalent to approximately HK\$60,881.2 million), which is over HK\$500 million, and (ii) our expected market capitalisation at the time of Listing, which, based on the low end of the indicative Offer Price range, exceeds HK\$4 billion.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“Alibaba China”	Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“Articles of Association” or “Articles”	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this prospectus
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Yuhui”	Beijing Yuhui Tianxin Investment Management Co., Ltd. (北京宇輝天欣投資管理有限公司), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“Board” or “Board of Directors”	the board of directors of our Company
“Board of Supervisors”	the board of supervisors of our Company
“Business day”	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“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 general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS EIPO”	the application for the Hong Kong Offer Shares to 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 through causing 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 (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 by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changxing Xiangrong”	Changxing Xiangrong Investment Center (Limited Partnership) (長興祥融投資中心(有限合夥)), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this prospectus only, Hong Kong, Macau and Taiwan

DEFINITIONS

“China Structural Reform Fund”	China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“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,” “the Company,” or “Huitongda”	Huitongda Network Co., Ltd. (匯通達網絡股份有限公司), a joint stock company with limited liabilities established under the laws of the PRC on December 6, 2010
“Company Law” or “PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on December 28, 2013 to take effective on March 1, 2014
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion of Domestic Shares into H Shares”	The conversion of 126,354,539 Domestic Shares in aggregate held by 26 existing Shareholders into H Shares on a one-for-one basis upon the completion of Global Offering. Such conversion of Domestic Shares into H Shares has been approved by the CSRC on September 30, 2021 and an application for H Shares to be listed on the Hong Kong Stock Exchange has been made to the Listing Committee
“CSDC”	China Securities Depository and Clearing Corporation Limited
“CSDC (Hong Kong)”	China Securities Depository and Clearing (Hong Kong) Company Limited

DEFINITIONS

“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of our Company
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“Five Star Holdings”	Five Star Holdings Group Co., Ltd. (五星控股集團有限公司), a company incorporated under the laws of the PRC on October 21, 2004
“FRC”	Financial Reporting Council
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
“Frost & Sullivan Report”	the industry report dated December 23, 2021 which we commissioned Frost & Sullivan to prepare on the commerce and service industry in China’s lower-tier retail market
“GDP”	gross domestic product
“General Rules of CCASS”	General Rules of CCASS published by the Stock Exchange and as amended from time to time
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group,” “our Group,” “we” or “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
“H Share Registrar”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars,” “HK dollars” or “HK\$” and “cents”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the H Shares offered by us for subscription pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the GREEN Application Form
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated January 28, 2022 relating to the Hong Kong Public Offering entered into by, among others, our Company, Wang Jianguo, the Joint Representatives and the Hong Kong Underwriters, as further described in “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement”

DEFINITIONS

“Huatai Zijin”	Huatai Zijin (Jiangsu) Equity Investment Fund (Limited Partnership) (華泰紫金(江蘇)股權投資基金(有限合夥)), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“Huaxia Life”	Huaxia Life Insurance Co., Ltd. (華夏人壽保險股份有限公司), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and Interpretation issued by the International Accounting Standards Committee
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are independent of our Company and our connected persons within the meaning ascribed under the Listing Rules
“International Offer Shares”	the 46,445,500 H Shares initially offered by our Company pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the Over-allotment Option (subject to reallocation as described in “Structure of the Global Offering”)
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States and in offshore transactions in accordance with Regulation S under the U.S. Securities Act and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in “Structure of the Global Offering” in this prospectus

DEFINITIONS

“International Underwriters”	the underwriters of the International Offering listed in the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around February 11, 2022 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in “Underwriting – Underwriting Arrangements and Expenses – The International Offering”
“Jiangsu Coastal Fund”	Jiangsu Coastal Industrial Investment Fund (Limited Partnership) (江蘇沿海產業投資基金(有限合夥)), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“Jiangsu Venture Capital”	Jiangsu Province Modern Service Industry Development Venture Capital Fund (L.P.) (江蘇省現代服務業發展創業投資基金(有限合夥)), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“Joint Bookrunners”	the joint bookrunners as named in “Directors, Supervisors and Parties Involved in the Global Offering”
“Joint Global Coordinators”	China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited, China Renaissance Securities (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Haitong International Securities Company Limited and SPDB International Capital Limited
“Joint Lead Managers”	the joint lead managers as named in “Directors, Supervisors and Parties Involved in the Global Offering”
“Joint Representatives”	China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and China Renaissance Securities (Hong Kong) Limited
“Joint Sponsors”	China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and China Renaissance Securities (Hong Kong) Limited

DEFINITIONS

“Latest Practicable Date”	January 22, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of our H Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date expected to be on or about Friday, February 18, 2022, on which dealings in our H Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), formerly known as Ministry of Information Industry of the PRC (中華人民共和國信息產業部)
“Miner Consulting”	Shanghai Miner Information Consulting Partnership (Limited Partnership) (上海民邇信息諮詢合夥企業(有限合夥)), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“Ministry of Finance” or “MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“Minsheng Investment”	Zibo Minsheng Ouming Equity Investment Partnership (Limited Partnership) (淄博民生歐明股權投資合夥企業(有限合夥)), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)

DEFINITIONS

“Mr. Wang”	Mr. Wang Jianguo (汪建國), the founder of our Group, the Chairman of the Board and a non-executive Director of the Company
“Nanjing Daoning”	Nanjing Daoning Investment Management Center (General Partnership) (南京道寧投資管理中心(普通合夥)), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“Nanjing Yuanbai”	Nanjing Yuanbai Enterprise Management Centre (Limited Partnership) (南京源柏企業管理中心(有限合夥)), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, a Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%) of not more than HK\$48.00 and expected to be not less than HK\$43.00, at which the Hong Kong Offer Shares are to be subscribed for, to be determined in “Structure of the Global Offering – Pricing and Allocation”
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, the additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 7,740,900 additional H Shares, representing up to 15% of the Offer Shares initially being offered under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in “Structure of the Global Offering”

DEFINITIONS

“PRC GAAP”	generally accepted accounting principles of PRC
“PRC government” or “State”	Central People’s Government of the People’s Republic of China, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
“Pre-IPO Investments”	the pre-IPO investment(s) in our Group undertaken by the Pre-IPO Investors, details of which are set out in “History, Development and Corporate Structure – Pre-IPO Investments”
“Pre-IPO Investors”	Shenzhen Huasheng, Tianjin New Vision, Jiangsu Venture Capital, Huatai Zijin, Suzhou Shunwei, Beijing Yuhui, Nanjing Daoning, Huaxia Life, Jiangsu Coastal Fund, Shanghai Zhaoyin, Zhongmei Green, Nanjing Yuanbai, Zhihan (Shanghai), Changxing Xiangrong, Alibaba China, SOE IIF, China Structural Reform Fund, Minsheng Investment and Miner Consulting
“Price Determination Agreement”	the agreement to be entered into by the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Friday, February 11, 2022 (Hong Kong time) on which the Offer Price is determined by the Joint Representatives (for themselves and on behalf of the Underwriters) and us, but in any event no later than Thursday, February 17, 2022
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“QIB” or “Qualified Institutional Buyer”	a qualified institutional buyer within the meaning of Rule 144A
“R&D”	Research and Development

DEFINITIONS

“Regulation S”	Regulation S under the US Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the US Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	State Administration of Taxation of the PRC (國家稅務總局)
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Zhaoyin”	Shanghai Zhaoyin Equity Investment Fund Management Co., Ltd. (上海招銀股權投資基金管理有限公司), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Huasheng”	Shenzhen Huasheng Fengda Investment Partnership (Limited Partnership) (深圳華晟豐達投資合夥企業(有限合夥)), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“SOE(s)”	state-owned enterprise(s)
“SOE IIF”	Central SOEs Industrial Investment Fund for Rural Area Co., Ltd. (中央企業鄉村產業投資基金股份有限公司), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“Special Regulations”	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994

DEFINITIONS

“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“Subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Supervisor(s)”	member(s) of our Board of Supervisors
“Suzhou Shunwei”	Suzhou Industrial Park Shunwei Technology Venture Capital Partnership (Limited Partnership) (蘇州工業園區順為科技創業投資合夥企業(有限合夥)), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“SZSE”	Shenzhen Stock Exchange (深圳證券交易所)
“Tianjin New Vision”	Tianjin New Vision Yousheng Equity Investment Partnership (Limited Partnership) (天津新遠景優盛股權投資合夥企業(有限合夥)), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“Track Record Period”	the three years ended December 31, 2018, 2019, 2020 and the nine months ended September 30, 2021
“US” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“US Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated under it
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“VAT”	value-added tax

DEFINITIONS

“White Form eIPO”	the application process for Hong Kong Offer Shares with applications issued in applicant’s own name and submitted online through the designated website of the White Form eIPO Service Provider at <u>www.eipo.com.hk</u>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Zhihan (Shanghai)”	Zhihan (Shanghai) Investment Center (Limited Partnership) (置瀚(上海)投資中心(有限合夥)), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“Zhongmei Green”	Zhongmei Green Linong (Zhangjiakou) Enterprise Management Partnership (Limited Partnership) (中美綠色利農(張家口)企業管理合夥企業(有限合夥)), one of our Pre-IPO Investors, and further details of which are set out in “History, Development and Corporate Structure”
“%”	per cent

In this prospectus, the terms “associate,” “close associate,” “connected person,” “core connected person,” “connected transaction,” “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“active member store”	a member store that transacted at least once through our platform during the period
“active wholesaler customer”	a wholesaler customer that transacted at least once through our platform during the period
“ARPU”	average revenue per paying member store, which equals cash received from our SaaS+ business for the year or period divided by the number of paying member stores during the same year or period
“CAGR”	compound annual growth rate
“channel partners”	primarily individuals or teams with whom we established non-wholly-owned subsidiaries to serve as our regional service platforms
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2, which has been declared by World Health Organization as a pandemic on March 11, 2020
“ERP”	enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources
“ESG”	Environmental, Social and Corporate Governance
“FMCG”	fast-moving consumer goods

GLOSSARY OF TECHNICAL TERMS

“individual-run industrial and commercial household”	natural persons registered according to the law to engage in industrial or commercial operation. The debts of an individual-run industrial and commercial household shall be paid from the assets of the individual who operates the business in his own name or from the individual’s family assets if the business is operated in the name of the household, or, if it is impossible to determine whether the business is operated in the name of the individual or in the name of the individual’s household, from the individual’s family assets
“IT”	information technology
“lower-tier market”	all suburban and rural areas, as well as urban areas of the cities in China that are not the tier-one and -two cities
“lower-tier retail market”	the retail industry of the lower-tier market
“member stores”	retail stores with physical storefronts that have registered with us
“SaaS”	software as a service
“SaaS+”	SaaS products combined with value-added services such as offline marketing services provided onsite
“SKU”	stock keeping unit, a distinct type of merchandise item which is distinguished from other item types by manufacturer, function, material, size, color, packaging, warranty term and other attributes
“small and medium-sized enterprises”	enterprises that are formed within the territory of the People’s Republic of China according to the law and that have relatively small staffing and business operation scale, including medium-sized enterprises, small-sized enterprises and micro-enterprises. The list of small-sized enterprises and micro-enterprises is updated by the State Administration for Market Regulation from time to time. In the wholesaling industry, they refer to enterprises with less than 200 employees or less than RMB400 million in revenue; in the retail industry, they refer to enterprises with less than 300 employees or less than RMB200 million in revenue

GLOSSARY OF TECHNICAL TERMS

“tier-one and -two cities”	include Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Chongqing, Hangzhou, Wuhan, Xi’an, Tianjin, Suzhou, Nanjing, Zhengzhou, Changsha, Dongguan, Shenyang, Qingdao, Hefei, Foshan, Ningbo, Kunming, Fuzhou, Wuxi, Xiamen, Jinan, Dalian, Harbin, Wenzhou, Shijiazhuang, Quanzhou, Nanning, Changchun, Nanchang, Guiyang, Jinhua, Changzhou, Jiaxing, Nantong, Xuzhou, Taiyuan, Zhuhai, Zhongshan, Baoding, Lanzhou, Taizhou, Shaoxing, Yantai and Langfang as listed in the Frost & Sullivan Report
“tier-one and -two market”	urban areas of the tier-one and -two cities
“town-and-village market”	administrative divisions subject to town-level governance in China’s lower-tier market
“wholesaler customers”	our customers who procure merchandise from us and resell to their sales network or consumers

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- general political and economic conditions, including those related to the PRC;
- our business prospects and our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;
- various business opportunities that we may pursue; and
- capital market developments, changes in the global economic conditions and material volatility in the global financial markets.

FORWARD-LOOKING STATEMENTS

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the “Financial Information” section, before deciding to invest in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such event, the market price of our Shares could decline, and you may lose all or part of your investment.

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

RISKS RELATING TO OUR BUSINESS AND THE INDUSTRY

If we fail to retain existing customers or attract new customers, or if our customers decrease their level of business and revenue contribution, our financial condition and business operations may be materially and adversely affected.

During the Track Record Period, we have accumulated over 160,000 member stores and over 20,000 wholesaler customers as two main types of our customers. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, the revenue from our commerce business was RMB29,660.6 million, RMB43,378.6 million, RMB49,302.0 million, RMB34,211.0 million and RMB46,143.5 million, respectively. The growth in the number of our customers and our revenue in the past was mainly driven by a combination of factors, such as our expansion into more geographic regions, increase in merchandise categories and improving client services.

During the Track Record Period, we generated substantially all of our revenue from direct sales of our commerce business. For further information, see “Financial Information – Principal Components of Our Consolidated Statements of Profit or Loss – Revenue.” Therefore, our business’ success is dependent upon (i) our ability to retain and expand our customer base and (ii) the ability of our customers, particularly member stores, to expand their sales and engage with their customers, and to sustain their sales performance and revenue contribution. Our customer growth may gradually decline as our customer base expands and as we occupy a larger market share. If our customer growth rate declines, our business growth will be increasingly dependent on our ability to increase our business with existing customer base. There is no guarantee that the number of customers or the level of their business with us would not decline. If our customers are unable to sustain their sales performance and revenue contribution, our business and prospects may be materially and adversely affected.

RISK FACTORS

Our customer retention, growth rate and the level of our customers' business and revenue contribution could be negatively affected if:

- customers increasingly purchase from competing platforms or service providers if we fail to determine the pricing of our merchandise and services to be both acceptable to our customers and profitable, as our customers generally are price sensitive;
- consumers in the lower-tier market gradually accelerate their adaptation to online shopping, relying less on local retail stores, resulting in the loss of market share by our customers to other e-commerce platforms in China;
- we fail to introduce new and improved merchandise, or we introduce new merchandise that are not favorably received by customers and consumers;
- there are changes in customer preferences about the quality or functionality of our merchandise and services;
- we are unable to continually upgrade our platform or SaaS products;
- we are unable to present merchandise information that is useful and relevant to our customers;
- our client management team fails to provide satisfying customer services;
- we encounter technical or other relevant issues that prevent us from delivering our merchandise and services on agreed terms;
- there are adverse changes in government policies or adverse changes in our merchandise and services that are mandated by legislation, regulatory authorities or litigation; and
- we and other companies in this industry are facing negative publicity.

In addition, a decrease in customer retention, growth or the level of their business with us may not allow us to procure merchandise at current or more favorable prices or terms from our suppliers, which may have a material adverse effect on our supply chain capability, business prospects and competitive advantages in the market.

RISK FACTORS

Our commerce business relies on the lower-tier market's demand for the merchandise we offer. A material change in consumer demand or preferences, or any unexpected situation with a negative impact on market demand may materially and adversely affect our business and results of operations.

Our commerce business relies on the lower-tier market's demand for the merchandise we offer, primarily household appliances, consumer electronics, agricultural means of production, vehicles and auto parts, and homebuilding and renovation materials, as well as liquor and beverages. This depends on factors such as (i) local consumer preferences and needs, (ii) consumer spending patterns, (iii) consumer income, (iv) diversity of our merchandise offerings, and (v) consumer perceptions of and confidence in our product quality. Changes in any of the above at any time could result in decline in the market demand for the merchandise we offer. Our business growth will depend partly on our ability to (i) accurately anticipate changes in market demand and consumer preferences in the lower-tier market, (ii) introduce new and attractive merchandise in a timely manner, (iii) differentiate our merchandise and services from those of our competitors and maintain our price advantage, and (iv) develop appropriate and effective marketing and sales strategies accordingly.

If we fail to anticipate or respond to changes in the choices and preferences of the lower-tier market or fail to bring to our platform merchandise that satisfy the lower-tier market's evolving demand in a timely manner, our market share, business and profitability could be materially and adversely affected. A material change in the consumer demand or preferences could result in lower sales of our merchandise, put pressure on our merchandise pricing or lead to increased levels of sales and marketing expenses. In addition, any unexpected situation affecting the lower-tier market, such as the COVID-19 pandemic, may also materially and adversely affect our business and results of operations.

We focus on six major categories of merchandise which exhibit significant growth potential in household expenditure in China's lower-tier market. There can be no assurance that these categories of merchandise will continue to be accepted by our customers or that we will be able to anticipate or respond to changes in consumers' preferences in a timely manner. Our failure to anticipate, identify or react to these particular changes could adversely affect our sales performance and our profitability.

Our inability to maintain stable relationships with our suppliers, or failure to secure alternative suppliers, could have a material and adverse effect on our business and financial condition.

To support our growing commerce business, we source a wide range of merchandise from a large number of suppliers in the industry value chain, such as brand manufacturers and distributors. During the Track Record Period, we had more than 10,000 suppliers for six major categories of merchandise including household appliances, consumer electronics, agricultural means of production, vehicles and auto parts, and homebuilding and renovation materials, as well as liquor and beverages. Therefore, it is important to maintain a stable relationship with these suppliers to facilitate the growth and stability of our business. In particular, we normally

RISK FACTORS

do not enter into long-term contracts with our suppliers in order to retain flexibility in our operation. There is no assurance that we will be able to maintain long-term business relationships with our current suppliers. Our sales and revenue could be materially and adversely affected if our suppliers' business plans or markets change materially or if we lose one or more of our major suppliers. In addition, there is no assurance that our current or future arrangements with our major suppliers can be negotiated on terms and prices equivalent to or more favorable than current terms and prices. We may not be able to secure alternative supplies of similar quality from new suppliers at prices and terms acceptable to us, and the loss of major suppliers, or adverse change to trade terms with such suppliers, could materially and adversely affect our business, financial condition and results of operations.

In addition, there is no assurance that our suppliers will be able to supply the merchandise to us in a timely manner or that they will not increase their prices, or reduce or cease to supply merchandise to us. In turn, we may lose customers if we cannot provide a stable supply of merchandise.

If we are unable to provide satisfactory customer services, our business and reputation may be materially and adversely affected.

The success of our business depends on our ability to provide reliable and satisfactory customer services in a timely manner. Our client management team maintains customer stickiness through continuous interactions with our member stores. As of September 30, 2021, we had a team of 2,902 client managers located across 21 provinces in China. However, there is no guarantee that our client management team can provide satisfactory services to our customers. In addition, there is no assurance that our current turnover rate of client managers will not increase, or the training provided to new client managers will be sufficient to meet our standards, or that an influx of less experienced personnel will not dilute the quality of our customer service. Additionally, there is also no assurance that we will be able to recruit client managers that meet our requirements. If our client managers fail to provide satisfactory services to customers, our brand and customer loyalty may be adversely affected. Moreover, any negative publicity or feedback regarding our customer service may damage our reputation and in turn result in the loss of customers and market share.

Any delivery delay, improper handling of goods or increase in transportation costs of our logistic service providers could adversely affect our business and results of operations.

We engage logistics service providers to deliver merchandise to our customers. Some of the merchandise are also delivered to our customers by our suppliers directly. Interruptions or failures in these third parties' delivery services could jeopardize the timely or successful delivery of our merchandise, which could in turn result in the loss of customers.

RISK FACTORS

The logistics services provided by such third parties may be suspended or cancelled due to unforeseen events, which could cause interruption to the sales or delivery of our merchandise. The transportation infrastructure in the lower-tier market might not be as developed as tier-one and -two market and the vast geographic areas of the lower-tier market might raise additional difficulties for the order delivery to our customers. In addition, delivery delays may occur for various reasons beyond our control, including inclement weather, natural disasters, virus outbreaks (such as COVID-19), transportation disruptions or labor disputes. For example, subject to various travel restrictions imposed by local governments in an effort to curb the spread of the COVID-19 pandemic, logistics services to deliver our merchandise to customers were temporarily compromised in February and March 2020, especially in Hubei province. In addition, the delivery of products such as household appliances, agricultural means of production, vehicles and auto parts, and homebuilding and renovation materials from our suppliers to us was also adversely affected during such period. In addition, if our merchandise are not delivered on time or are delivered in an unexpected condition, our customers may refuse to accept our merchandise and lose confidence in our services. We have received customer complaints occasionally with regards to the delivery, return and exchange services. If our appointed third parties are unable to perform the logistics services as expected and we are unable to find alternative logistics providers in a timely manner, or if we are unable to provide delivery services at all, our business and reputation can be materially and adversely damaged.

The storage and transportation costs of our logistics service providers are subject to factors beyond our control, such as the fluctuation in gasoline prices, increase in road tolls and bridge tolls, and changes in transportation regulations. Any increase in the service costs of our logistics service providers may lead to an increase to our logistic expenses, which may in turn negatively affect our results of operations.

Improper activities of third-party vendors or the sales through their storefronts on our online marketplace may damage our brand, subject us to liability and harm our business and financial results.

We believe that the recognition and reputation of our *Huitongda* (匯通達) brand among our customers, suppliers and the third-party vendors on our online marketplace have contributed significantly to the growth and success of our business. Maintaining and enhancing the recognition and reputation of our brand are critical to our business and competitiveness.

We do not have as much control over the storage and delivery of merchandise sold on our online marketplace as we do over the merchandise that we sell directly ourselves. Many of our third-party vendors use their own facilities to store their merchandise, and many of them use their own or third-party delivery systems to deliver their merchandise to our customers, which makes it more difficult for us to ensure that our customers get the same high quality service for all merchandise sold on our mobile apps and website.

RISK FACTORS

A public perception that non-authentic, counterfeit or defective merchandise is sold on our online marketplace or that we or third-party vendors do not provide satisfactory customer service and receive customer complaints, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brand, undermine the trust and credibility we have established and have a negative impact on our ability to attract new or retain our current customers, as well as new third-party vendors on our online marketplace. If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our product and service offerings, as well as products sold by third-party vendors through our online marketplace, it may be difficult to maintain and grow our customer base, and our business and growth prospects may be materially and adversely affected. The safeguards we have in place may not be sufficient for us to avoid liability or harm to our brand, especially if such hostile, offensive, inappropriate or illegal activity is high-profile, which could adversely affect our business and financial results.

We cannot assure you that we will be able to execute our strategies effectively, such as maintaining the growth of our business, and expanding into new regions of the lower-tier market.

As of September 30, 2021, our customer network covered over 20,000 towns and villages across 21 provinces in China. We have experienced a rapid growth in our revenue during the Track Record Period, from RMB29,801.7 million in 2018 to RMB43,633.2 million in 2019, and further to RMB49,629.1 million in 2020, and from RMB34,418.5 million for the nine months ended September 30, 2020 to RMB46,495.9 million for the nine months ended September 30, 2021. While our business has been continually growing, we cannot assure you that we are able to sustain our historical growth rate for various reasons, such as the uncertainty of the growth prospects in the lower-tier retail market, our ability to upgrade our merchandise and services, and competition within the industry. In contrast to the tier-one and -two market in China, the retail industry of the lower-tier market has its own distinctive characteristics, such as higher price sensitivity, depending more heavily on traditional offline distribution channels, and slower process of digitalization. We cannot assure you that our future development will continue at the current pace.

Moreover, our anticipated expansion into new regions of the lower-tier market and provision of new merchandise and services may constrain our managerial, operational, financial and human resources. Moreover, our targeted market may take longer time to develop as our customers, especially member stores, may need longer time to familiarize with our business model. Our current operation model may not be adequate to support our future business operations, and we cannot assure you that we will be able to effectively manage our growth or implement necessary measures to facilitate such growth. If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

RISK FACTORS

Our expansion into new merchandise categories and the substantial increases in the merchandise we offer may expose us to new challenges and more risks.

In recent years, we have continued to expand our merchandise offerings to include a wide range of merchandise categories. As of the Latest Practicable Date, we primarily offered six major categories of merchandise including household appliances, consumer electronics, agricultural means of production, vehicles and auto parts, and homebuilding and renovation materials, as well as liquor and beverages. Expansion into new merchandise categories and substantially increasing the number of merchandise involve new risks and challenges. Our lack of familiarity with these new categories and lack of relevant customer insight relating to these merchandise, especially for the lower-tier market, may make it more difficult for us to anticipate customer demand and preferences. We may misjudge customer demand, resulting in inventory buildup and possible inventory write-down. As our merchandise categories further expand, it may also make it more difficult for us to inspect and control quality, and to ensure proper handling, storage and delivery of our merchandise and the quality and customer reception of our services. As a result, we may receive more customer complaints and face costly product liability claims for selling them, which would harm our brand and reputation as well as our financial performance. Furthermore, we may not have strong negotiation power in new categories of merchandise and we may not be able to negotiate favorable terms with suppliers. We therefore may need to price more aggressively to gain market share or remain competitive in new categories. It may be difficult for us to achieve profitability in the new merchandise categories and our profit margin, if any, may be lower than we anticipate. Our new merchandise categories may not be able to replicate our success in the sales of our existing merchandise under the six major merchandise categories. Our new merchandise categories may not succeed or generate results as we anticipate. We cannot assure you that we will be able to recoup our investments in introducing these new merchandise categories. As a result, our profit may be lower than we anticipate, and our results of operations and financial conditions may be materially affected.

We may fail to successfully compete against our potential competitors, which may reduce demand for our services and merchandise, resulting in loss of market share and reduced operating margins.

The lower-tier retail market in China, which we operate in, is highly fragmented. We may face competition in each of our business segments. In terms of our commerce business, our potential competitors include other e-commerce platforms and industry players who provide merchandise similar to those we offer. In terms of our service business, we may compete with other SaaS providers and marketing solutions providers. For further information, see “Business – Competition.” Some of our potential competitors may have greater resources in certain markets than us, may provide merchandise or services that are similar to ours or that achieve greater market acceptance, undertake more far-reaching merchandise development and marketing campaigns, or may adopt more aggressive pricing policies. In addition, certain competitors may be able to secure merchandise from suppliers on more favorable terms to gain competitive advantages against us. The willingness of customers to purchase our merchandise also depends on our ability to continue offering an attractive value proposition.

RISK FACTORS

Furthermore, certain of our suppliers who are national or regional distributors may plan to build or further develop their own commerce platform to compete with us, which may significantly affect our market share. Our suppliers may also commence or improve their own logistics, warehousing and processing services, data analytics technology, or develop cooperative relationships with our customer base under a similar model. If such suppliers were to succeed to provide a viable alternative to our business and services, our business could be adversely affected by their entrance or expansion.

In terms of our SaaS+ business, we may face potential competition from other developers providing SaaS products similar to ours. As a result, some of our potential competitors may be able to leverage a larger existing customer base and sales network to adopt more aggressive pricing policies and offer more attractive sales terms, which may adversely affect our business, financial conditions and results of operations.

There can be no assurance that we will be able to compete successfully against current and future competitors, and competitive pressures may have a material and adverse effect on our business, financial conditions and results of operations.

We are subject to extensive and evolving regulatory requirements. Future regulations may impose additional requirements and obligations on our business that could materially and adversely affect our business, reputation, financial condition and results of operations.

We are subject to legal and regulatory requirements of multiple industries in the PRC because of the complex nature of our business. These legal and regulatory requirements primarily cover the industries of Internet, online transactions, and operations of business.

Various regulatory authorities of the PRC government are authorised to promulgate and implement regulations governing commerce and service platform operations. Any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

Also, the regulations of both the Internet industry and online transactions sectors are relatively new and evolving, and it is uncertain how they will be interpreted or enforced. As a result, under certain circumstances, it may be difficult to determine what actions or omissions would be deemed to be in violation of applicable laws and regulations. These uncertainties entail risks that may materially and adversely affect our business prospects. In a regulatory climate that is uncertain, our operations may be subject to direct and indirect adoption, expansion or reinterpretation of various laws and regulations. We may need to change our business models and practices at an undeterminable and possibly significant financial cost to ensure compliance. These additional monetary expenditures may increase future overheads, which may, in turn, have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

We have identified what we believe are the primary areas of government regulation that, if changed, would be costly to us. These areas include, but are not limited to, value-added telecommunications services, sales, supply, distribution and advertising of merchandise, e-commerce, consumer protection, product quality, cybersecurity, data privacy, as well as intellectual property. For further information, see “Regulatory Overview.” There could be other laws and regulations applicable to our business that we have not identified or that, if changed, may be costly to us, and we cannot predict all the ways in which implementation of such laws and regulations may affect us.

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

Furthermore, the introduction of new product and service offerings may require us to comply with additional, yet undetermined, laws and regulations. Compliance may require obtaining appropriate permits, licenses or certificates as well as expending additional resources to monitor developments in the relevant regulatory environment. The failure to adequately comply with these future laws and regulations may delay, or possibly prevent, some of our products or services from being offered to users, which may have a material adverse effect on our business, financial condition and results of operations.

Some of our wholesaler customers may have excessive inventory, and that may affect their future orders with us, and if we fail to manage our inventory effectively, our financial condition and results of operation may be materially and adversely affected.

We sell some of the merchandise to wholesaler customers who manage their own inventory, and they will independently arrange sales channels to reach their customers. As a result, we may not completely know their inventory level or whether they have excessive inventory, which could potentially affect their purchase volume from us. Further, given the uncertainty of the market, we may also be exposed to excessive inventory since it is difficult for us or our wholesaler customers to predict the market’s acceptance of our merchandise. In this case, our wholesaler customers may reduce their future purchase volume from us, as we generally do not allow wholesaler customers to return merchandise to us unless the returns are due to quality defects. For further information, see “Business – Our Products and Services – Commerce Business – Sales to wholesaler customers.” As a result, our sales, financial condition and results of operation could be materially and adversely affected.

RISK FACTORS

Our inventories mainly consist of merchandise, goods in transit and write down of inventories. Most of our inventories consist of household appliances. As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, our inventories were RMB2,509.1 million, RMB3,014.1 million, RMB2,250.6 million and RMB3,071.5 million, respectively. Our inventory turnover days were 28, 24, 20 and 16 in 2018, 2019, 2020 and for the nine months ended September 30, 2021, respectively. We implemented measures and procedures to monitor the inventory level. Our policy is to maintain an optimal level of inventory to control inventory carrying costs, while ensuring timely delivery of products, and maintain the quality and variety of merchandise available to our customers. We also review our inventory management methods and procedures periodically to minimize overstocking of merchandise. However, there is no assurance that we will always be able to maintain optimal inventory levels. If we fail to do so, we could experience shortages of products and decreased revenue if our inventory levels are too low, or we may require additional working capital and incur increased costs if our inventory levels are too high, both of which may adversely affect our business, financial condition and results of operations. We also depend on our forecasts of demand for and popularity of various merchandise to make purchase decisions and to manage our inventory. Customers' demand for merchandise, however, can change significantly between the time inventory is ordered and the date of sale due to many unpredictable reasons, and our wholesaler customers may not order merchandise in the quantities that we expect. If we fail to manage our inventory effectively, we may be subject to a decline in inventory values, and significant inventory write-downs or write-offs, which may materially and adversely affect our results of operations and financial condition.

We have had net operating cash outflow in the past, which may expose us to certain liquidity risks, constrain our operational flexibility as well as adversely affect our financial conditions and ability to expand our business.

In the year ended December 31, 2018 and the nine months ended September 30, 2021, we had net operating cash outflow of RMB539.6 million and RMB300.9 million, respectively. While we generated net cash from operating activities in the years ended December 31, 2019 and 2020, we cannot assure you that we will be able to continue to do so in the future or the amounts of cash generated from operating activities will increase due to the expansion of our business and the corresponding increases in the level of inventories and in trade and other receivables. If we record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. If we do not have sufficient working capital and are unable to generate sufficient revenues or raise additional funds, we may delay the completion of or significantly reduce the scope of our current business plan or substantially curtail our operations, any of which could materially and adversely affect our business, financial condition and results of operations. In addition, if we determine that our cash requirements exceed our cash on hand, we may seek to issue debt or equity securities or obtain a credit facility. We cannot assure you that we would be able to obtain debt or equity financing in the current economic environment. In addition, any issuance of equity or equity-linked securities could dilute our shareholders, while any incurrence of indebtedness could increase our debt service obligations and cause us to be subject to restrictive operating and finance covenants. As a result, we may face liquidity issues and our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

We have had decreasing gross margin, accumulated losses, and incurred net losses and net current liabilities in the past, which we may continue to experience in the future.

We have incurred losses in the past. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, we had net losses of RMB275.6 million, RMB304.8 million, RMB280.0 million, RMB306.2 million and RMB157.9 million, respectively. Our net losses were primarily due to the significant amounts of interest expenses arising from redeemable capital contributions during the Track Record Period. Our gross margin decreased from 3.4% in 2018 to 2.9% in 2019 and to 2.7% in 2020, and further to 2.6% for the nine months ended September 30, 2021, primarily due to a decrease in our gross margin from the commerce business. The gross margin of our commerce business decreased from 3.2% in 2018 to 2.7% in 2019 and to 2.4% in 2020, and further to 2.2% for the nine months ended September 30, 2021. Our selling and marketing expenses, administrative and other operating expenses, and net finance costs amounted to RMB1,279.8 million, RMB1,622.4 million, RMB1,628.5 million and RMB1,404.8 million in total in 2018, 2019, 2020 and for the nine months ended September 30, 2021, respectively, accounting for 4.3%, 3.7%, 3.3% and 3.0% of our total revenue. As a result, as of December 31, 2018, 2019, 2020 and as of September 30, 2021, we had accumulated losses of RMB311.7 million, RMB727.0 million, RMB1,132.3 million and RMB1,412.1 million, respectively.

We cannot assure you that we will be able to generate net profits in the future. Our ability to achieve profitability is affected by various factors that are beyond our control. These include, among others, (i) growth in the lower-tier retail market and the willingness of usage of digital solutions by retail stores in the PRC, (ii) governmental policies, initiatives and incentives affecting the lower-tier retail market, and (iii) changes in the macroeconomic and regulatory environment. Furthermore, if we are unable to successfully offset our increased costs and expenses with an appropriate increase in our revenue and margins, our financial condition and results of operations may be materially and adversely affected. We may also incur losses in the future due to our continued and increased investments in research and development, marketing, human resources, and other aspects of our business and operations. In addition, changes in competitive dynamics within the markets, and our inability to respond to these changes in a timely and effective manner may also materially and adversely affect our business, results of operations and financial conditions.

RISK FACTORS

We had net current liabilities of RMB1,408.6 million, RMB1,685.6 million, RMB3,367.8 million and RMB3,564.7 million as of December 31, 2018, 2019, 2020 and as of September 30, 2021, respectively, primarily due to (i) an increase in trade and bills payables to our suppliers because of our continued expansion during the Track Record Period, (ii) an increase in contract liabilities, reflecting the increased scale of our direct sales and increases in advances from customers after the commencement of our battery operating leases in 2019, and (iii) an increase in our redeemable capital contributions from investors. Our redeemable capital contributions would be reclassified from liabilities to equity as a result of the automatic conversion into our Shares upon the Listing. Afterwards, we may revert back to a net current assets position from a net current liabilities position. There can be no assurance that we will not experience liquidity problems in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected.

Our financial assets at fair value through profit or loss are subject to changes and the valuation of such assets is subject to uncertainties due to the use of valuation techniques and market observable and unobservable inputs, which may in turn adversely affect our financial performance.

During the Track Record Period, our financial assets at fair value through profit or loss include structured deposits and wealth management products and have experienced fluctuation of their fair values. As of December 31, 2018, 2019, 2020 and as of September 30, 2021, our financial assets at fair value through profit or loss were RMB1,365.5 million, RMB3,607.4 million, RMB1,073.9 million and RMB3,243.0 million, respectively. In 2018, 2019 and 2020 and for the nine months ended September 30, 2020 and 2021, net realized and unrealized gain on financial assets at fair value through profit or loss with respect to our structured deposits and wealth management products amounted to RMB91.5 million, RMB106.1 million, RMB113.2 million, RMB87.0 million and RMB104.4 million, respectively. Fair value of our financial assets at fair value through profit or loss is estimated by using valuation techniques and on the basis of market observable and unobservable inputs. The use of unobservable inputs renders valuation uncertain, as changes of unobservable inputs such as expected return rate may change the fair value of structured deposits and wealth management products we purchased. The significant fluctuation of our financial assets at fair value through profit or loss may continue to affect our results of operations in the future. In addition, we are exposed to credit risk in relation to our investments in structured deposits and wealth management products, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any losses from fair value changes on our financial assets at fair value through profit or loss in the future. If we incur such losses from fair value changes, our results of operations, financial condition and prospects may be adversely affected.

RISK FACTORS

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 recognition of our deferred tax assets. As of December 31, 2018, 2019 and 2020 and September 30, 2021, we had deferred tax assets of RMB45.6 million, RMB57.9 million, RMB63.0 million and RMB82.1 million, respectively. For details of the movements of our deferred tax assets during the Track Record Period, please refer to Note 31(b) of the Accountants' 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.

Our results of operations, financial conditions and prospects may be adversely affected by the recoverability of our trade and bills receivables.

Our trade and bills receivables represent amounts due from customers in the ordinary course of business. Our trade and bills receivables increased from RMB1,127.1 million as of December 31, 2018 to RMB1,308.0 million as of December 31, 2019, and then to RMB1,847.4 million as of December 31, 2020, and further to RMB2,307.5 million as of September 30, 2021.

Our trading terms with some of our customers are on credit. The credit terms given to our customers are determined on an individual basis with normal credit period being mainly around not more than 90 days. Trade receivables are generally settled in accordance with the terms of the respective contracts. The turnover days of our trade and bills receivables were 12 days, 10 days, 12 days and 12 days in 2018, 2019, 2020 and for the nine months ended September 30, 2021. Credit risk for trade receivables arises when our customers default on their contractual obligations resulting in our financial losses. To minimize the credit risk, we would select high quality customers to grant them a credit term. When a customer applies for a credit term, we will review the customer's qualifications and relevant applications, including the customer's business and commercial risks in terms of business quality and historical credit status and capital occupation. We typically only accept customer bills that are due within six months and issued by reputable financial institutions. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. However, we cannot assure you that we will be able to accurately assess the creditworthiness of each of our customers before entering into agreements or extending credit terms, neither can we guarantee that each of these customers will be able to strictly follow and enforce the payment schedules provided in the agreements. Any inability of our customers to pay us in a timely manner may adversely affect our liquidity and cash flows, which in turn may have a material adverse effect on our business operations and financial condition.

RISK FACTORS

Our results of operations, financial conditions and prospects may be adversely affected by the recoverability of our prepayments.

Our prepayments mainly represent prepayments to suppliers for our different merchandise categories, especially consumer electronics and agricultural means of production products. Our prepayments as of December 31, 2018, 2019 and 2020 and September 30, 2021 were RMB4,589.6 million, RMB6,144.4 million, RMB5,795.9 million and RMB11,124.4 million, respectively. For further information, see note 20 to the Historical Financial Information included in the Accountants' Report in Appendix I to this prospectus and see "Financial Information – Certain Components of our Consolidated Statements of Financial Position – Prepayments, Deposits and Other Receivables."

We make prepayments to ensure supply as requested by customers and lock in price as a precaution against any potential adverse impact of an estimated increase in the market price of products such as agricultural means of production. We are generally entitled to a refund of our prepayments, however, the timeframe and method for the refund may not be specified, and there may not be a mechanism in place to ensure that the refund will be made on a timely basis. In addition, the amount of prepayments we need to pay to the suppliers partially depends on our relationship with suppliers and our bargaining power. We cannot assure you that we can maintain such relationship and bargaining power in the everchanging market environment. If there is any delay in refunding our prepayment or if our relationship with the suppliers or bargaining power recedes, our business, financial condition and results of operations may be materially and adversely affected.

Our business operations may be subject to seasonality.

Our results of operations for particular merchandise categories are affected by seasonal fluctuations in demand for the merchandise offered by us. During the Track Record Period, our revenue for the first half of the year was lower than that for the second half of the year. We generally experience higher customer traffic and orders from our customers for the prior months leading to Chinese New Year holiday, and less customer traffic and orders from our customers during the Chinese New Year holiday season in the first quarter of the year. In addition, we usually experience higher sales volume during the marketing activities and promotional activities held by us, most of which are in the third quarter and fourth quarter of the year, for example, the "11.11 National County Shopping Festival (雙十一全國鄉鎮購物節)" and the "12.12 Member Intake Festival (雙十二會員店採購節)". For further information, see "Business – Marketing and Sales". Moreover, brand manufacturers of household appliances and consumer electronics generally hold new product launches in the third quarter and fourth quarter of the year, resulting in an increase in our sales during the same period. Accordingly, various aspects of our operations, including sales, working capital and operating cashflow, may be exposed to the risks associated with seasonal fluctuations in demand for the merchandise offered by us, and our quarterly or half year results may not reflect our full year results.

RISK FACTORS

If we are unable to fulfil our performance obligations in respect of contract liabilities, our results of operations and financial condition may be adversely affected.

As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, our contract liabilities were RMB1,802.8 million, RMB3,191.1 million, RMB2,133.2 million and RMB3,412.9 million, respectively. Our contract liabilities mainly arise from advances from our customers. We collected payments in advance from customers in our direct sales. For further information, see “Financial Information – Certain Components of our Consolidated Statements of Financial Position – Contract liabilities.” If we fail to fulfil our performance obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the advance payments they have made, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements and in turn, our results of operations and financial conditions. In addition, if we fail to fulfil our performance obligations under our contracts with customers, our relationship with such customers may also be affected, which may in turn affect our reputation and results of operations in the future.

The technologies we use for the operation of our business are new and require more time to prove their reliability and effectiveness, however, we may not be able to adapt successfully to technological changes.

We use new technologies to support our business operation and expect these technologies to support our level of performance. As part of our endeavor to adapt to the increasingly demanding customer requirements and emerging industry standards, we may need to continually develop new technologies or upgrade our platform. If our efforts in the development of new technologies are unsuccessful, our business, financial condition and results of operations may be materially and adversely affected. In addition, the maintenance and processing of various operating and financial data is essential to our day-to-day operation. Therefore, our business operation and growth prospects depend, in part, on our ability to maintain timely and cost-effective upgrades. In fact, our current level of expenditure may not be sufficient to fully support our business operation and expansion, which could cause financial losses and put us at a disadvantaged position compared to our competitors. Nevertheless, we cannot ensure you that we will be able to keep up with technological improvements, or that the technologies developed by others will not render our services less competitive.

The proper functioning of our various platforms, including websites, mobile applications and systems, is essential to our business operation, which may be subject to system disruptions or other hacking or phishing attacks. In particular, we store business-related information on our systems, and if the security features of our system are compromised, or such information is otherwise accessed without authorization, our reputation may thus be harmed, and we may be exposed to potential liability and significant loss of business.

The markets in which we compete are characterized by constant changes and innovation, and we expect this constant state of change to continue. Our ability to attract new customers, retain existing customers and increase sales will depend in large part on our ability to continually improve the functionality, performance, reliability, design, security and scalability of our platform and our SaaS products.

RISK FACTORS

The technologies we use for the operation may also fail to remain reliable, and we cannot guarantee you that we will be able to adequately defend against or timely remedy interruptions caused by telecommunications failures, computer viruses, cyber-attacks that damage our systems or other attempts to harm our systems or events beyond our control. The resulting unavailability or slowdown of our systems could have an immediate impact on our ability to provide services, and our business, reputation and results of operations could be materially and adversely affected.

We store business information relating to our transactions, our suppliers, our customers and certain personal information of our customers' key contacts relating to their purchase and delivery of the relevant merchandise. Such information is subject to PRC laws and regulations regarding privacy and the protection of data. We cannot assure you that third parties will not intrude our systems to obtain information related to our business. Such information may also be otherwise exposed through human error or other malfeasance. If any unauthorized access or compromise of relevant information happens, it could have an adverse effect on our business, financial condition and results of operation.

We collect information such as our customers' addresses, tax numbers and bank information, as well as details of supplier contracts, from our customers when they register their memberships with *HTD Mall*, enter into agreements with us and/or place order with us. All such information is stored in our private cloud supported by professional storage devices and encrypted to de-identify sensitive information. Our internal data team is responsible for processing sensitive data, without external third parties involved. We do not sell or illegally provide the personal information we collect from our customers to any third-party organizations. Our *HTD Mall* has adopted a series of relevant data security measures and passed CMMi3 certification for two consecutive years in accordance with the requirements of the Ministry of Public Security on Network Security Protection Level 3 Equivalent Security. We use advanced encryption algorithms and proprietary keys, which are not able to be displayed or exported at will. Unauthorized private download and preview of confidential data are not permitted. There are well-defined data operation and maintenance service standards for our system to monitor direct interaction, and data interactions among all systems are monitored by a unified operation and maintenance platform for performance. There are interface desensitization requirements for sensitive data transmission. For further information, see "Business – Data Privacy and Protection".

Significant capital and other resources may be required to protect against information security breaches or to alleviate problems caused by such breaches or to comply with our privacy policies or privacy-related legal obligations. The resources required may increase over time as the methods used by hackers and others engaged in online criminal activities are increasingly sophisticated and constantly evolving. Any failure or perceived failure by us to prevent information security breaches or to comply with privacy policies or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, could cause our customers to lose trust in us and could expose us to legal claims. Any perception by the public that online transactions or the privacy of user information are becoming increasingly unsafe or vulnerable to attacks could inhibit the growth of online retail and other online services generally, which may reduce the number of orders we receive.

RISK FACTORS

Failure to protect confidential information of our customers and network against security breaches may damage our reputation and brand and substantially harm our business and results of operations.

A key focus to our business is the secure storage of confidential information and its secure transmission over public networks. The online orders for merchandise we offer are made through our website and mobile apps. In addition, some online payments are settled through third-party online payment services. We may also share certain personal information of our customers' key contacts with third-party vendors on our online marketplace, such as their names, addresses, phone numbers and transaction records. Maintaining complete security for the storage and transmission of confidential information on our technology platform is essential to maintaining our operating efficiency and customer confidence as well as complying with the applicable laws and standards.

We have adopted security policies and measures, including encryption technology, to protect our proprietary data and customer information. However, advances in technology, the expertise of hackers, improper use or sharing of data, new discoveries in the field of cryptography or other events or developments could result in a compromise or breach of the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining such confidential or private information we hold. Such individuals or entities obtaining such confidential or private information may further engage in various other illegal activities using such information. The third-party vendors on our online marketplace and contracted third-party couriers we use may also violate their confidentiality obligations and disclose or use information about our customers illegally. Any compromise of our information security or the information security measures of the third-party vendors or our contracted third-party online payment service providers or other business partners may have a material and adverse effect on our reputation of brand, business, prospects, financial condition and results of operations. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the internet and mobile platforms are under increased public scrutiny.

We store confidential information and are subject to PRC laws and regulations regarding privacy and the protection of data. For the details, see “– Regulatory, legislative or self-regulatory developments for online businesses, including privacy and data protection regimes, are expansive, not clearly defined and rapidly evolving. These laws and regulations could create unexpected costs, subject us to regulatory actions for compliance failures, or restrict portions of our business or cause us to change our technology platform or business model” and “Regulatory Overview – Regulations on Information Security and Data Privacy.”

RISK FACTORS

The growth of our SaaS+ business is subject to various uncertainties.

Although SaaS products have been developed and gradually matured in China in recent years, SaaS products remain relatively less commonly adopted in the lower-tier market on which our business is focused. As a result, the penetration rate of SaaS products in China's lower-tier market may be relatively low. Whether our customers accept our SaaS products depends, to a large extent, on the revenue and sales volume the customer expects to generate through the services provided by us. We cannot assure you that the trend of adopting and utilizing such products by our customers will continue to grow in the future. As a result, we cannot predict with certainty the future growth rate and size of the market of our SaaS+ business.

Market expansion for SaaS products in China depends on a number of factors, including the performance and perceived value associated with SaaS products. If SaaS products do not achieve widespread acceptance, or there is a reduction in demand for such products or services caused by weakening economic conditions, decreases in corporate spending, technical challenges, data security or privacy concerns, governmental regulation, competing technologies and solutions or services or otherwise, our business, growth prospects and results of operation may be materially and adversely affected. Customers may also lack the willingness to purchase SaaS products, making it difficult for us to increase the price of our products or services. As a result, we cannot predict with certainty the level of revenue and profitability our SaaS products will generate. Even if customers are willing to pay, they may not be willing to renew their SaaS+ subscriptions and we cannot ensure that we will be able to maintain a high renewal rate for our SaaS+ business to sustain its growth.

Failure to effectively monitor or deal with any fictitious transaction, fraudulent conduct, or competition from third-party vendors on our online marketplace may materially and adversely affect our business, financial condition and results of operations.

We may face risks with respect to fraudulent activities on our online marketplace by third-party vendors. Although we have implemented various measures to detect and reduce the occurrence of fraudulent activities on our marketplace, there can be no assurance that such measures will be effective in combating fraudulent transactions or improving overall satisfaction among third-party vendors and customers. In addition, some merchandise offered by third-party vendors on our online marketplace may compete with the merchandise that offered by us under the direct sales model of our commerce business, which may cannibalize our sales under the direct sales model. The operating requirements for our online marketplace may not be the same as those for our operations under direct sales model, which may complicate the management of our business. Negative publicity and user sentiment generated as a result of actual or alleged fraudulent or deceptive conduct by certain third-party vendors on our online marketplace could severely diminish customer confidence in us, reduce our ability to attract new or retain current customers and third-party vendors, damage our reputation and diminish the value of our brand names, and materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

Our strategy of making strategic alliances, acquisition and investment may fail and result in a material and adverse impact on our financial condition and results of operations.

As part of our business growth strategy, we may, in the future, acquire, cooperate with, and invest in businesses that we believe can expand and strengthen our merchandise, services and client coverage, as well as our technological capacities. To achieve these goals, we plan to carry out potential strategic alliances, investments and acquisitions with the following categories: (i) brand manufacturers; (ii) third-party SaaS technology and service providers; and (iii) third-party operators, such as logistic service providers and branding service providers. According to the Frost & Sullivan Report, currently there are thousands of brand manufacturers, distributors and technical service companies in different industries, and the large number of such potential targets offer sufficient alliance, acquisition and investment opportunities. As of the Latest Practicable Date, we had not identified any definite targets for strategic alliances, investments and acquisitions. We will take into account a few factors in selecting targets which include: (i) if the target can improve our supply chain capabilities; (ii) if the target can facilitate our technical service capabilities; and (iii) if the target can assist the expansion of our sales network in relevant market segments. Our ability to implement our acquisition and investment strategy will depend on our ability to identify suitable targets, to reach agreement with them on commercially reasonable terms, the availability of financing to complete acquisitions, and our ability to obtain any required shareholder or government approvals. Our strategic acquisition and investment could subject us to uncertainties and risks, including but not limited to high acquisition and financing costs, potential ongoing financial obligations, unforeseen or hidden liabilities, failure to achieve our intended objectives, benefits or revenue-enhancing opportunities, uncertainties as we enter a market in which we have limited or no experience where competitors have stronger market positions, difficulties of integrating acquired businesses, managing a larger business, and diversion of our resources and management attention. Our failure to address these uncertainties and risks may have a material and adverse effect on our liquidity, financial condition and results of operation. Even if we can successfully acquire or invest in suitable businesses, we cannot assure you that we will achieve our expected returns on such acquisitions or investments. If we fail to identify or acquire suitable businesses or achieve our expected returns on such acquisitions or investments, our business, financial condition, and results of operation may be materially and adversely affected.

We are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, financial condition and results of operations.

Our future performance depends heavily on the continued services and contribution of our senior management and other key employees, who are expected to oversee and execute our business plans, and to identify and pursue new opportunities as well as monitor business and merchandise innovations. In particular, we rely on the expertise and experience of Mr. Wang, our founder and chairman of the board, and Mr. Xu Xiuxian, our co-founder and chief executive officer. If one or more of our senior management were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all, and

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our business, financial condition and results of operation may be materially and adversely affected. If any of our senior management joins a competitor or forms a competing business, we may lose customers, suppliers, know-how and key professionals and staff members. The absence of our other key employees can also significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and results of operation. From time to time, there may be changes in our senior management team, resulting from the hiring or departure of top executives, which could also disrupt our business. Hiring suitable replacements and integrating them with our business also requires significant amount of time, training and resources, and may impact our existing corporate culture.

If we are unable to attract, retain and motivate qualified personnel, while at the same time controlling labor cost, our business may be adversely affected.

Our future success depends, in part, on our ability to attract and retain professional personnel that meet our needs. For example, if there is a significant turnover in our existing client management team, this could impact the efficiency of our business operation. Meanwhile, the inability to attract or retain qualified personnel may cause significant harm to our business, financial condition and results of operation. As a result, our ability to continually attract and retain professional employees who meet our needs in relevant positions, especially those employees with extensive experience in technology, operations, management, sales and service, could be critical to the success of our business development. Further, if we are unable to locate suitable or qualified employees in a timely manner, or incur additional expenses to recruit and train new staff, it could severely disrupt our business and growth, and thereby adversely affect our business, financial condition, and results of operation.

In addition, our ability to maintain and improve our current profitability depends on whether we can control our operating costs, including labor costs, while attracting and retaining qualified personnel in the course of our expansion. For example, we plan to use 10% of net proceeds of Global Offering to acquire IT talents for developing our SaaS+ business and merchant solutions, which may incur additional staff costs and employee benefit expenses in the future. For further information, see “Future Plans and Use of Proceeds.” We cannot assure you that we will be able to control our labor cost to maintain and improve our profitability. Nevertheless, even if we were to offer higher compensation and other benefits, we cannot assure you that these individuals would choose to join or continue working for us. If we fail to attract or retain personnel with suitable managerial or other expertise, to maintain an adequate labor force on a continuous and sustained basis, or to control our labor costs while doing so, our financial condition and results of operation could be materially and adversely affected.

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Our financial position and results of operations may be adversely impacted if our staff costs and other expenses arising from our expansion plans do not match our actual expansion result.

We have set up our IT infrastructure and our data platform which we believe is the core to our business and ensures 24/7 technical support for customers. We plan to increase investment in the IT infrastructure of our platform to further contribute to the digitalization of the industry value chain of the lower-tier market. We also intend to elevate the functionality and capability of our SaaS products. Accordingly, we intend to increase investment in R&D to optimize the capability and efficiency of digitalized supply chain and our SaaS products and to incorporate more value-added functionality. In order to carry out our strategies and expansion plans, we will incur significant expenses on IT infrastructure and SaaS products in connection with the growth of our business, including IT staffing, data infrastructure upgrading, data analytics capabilities enhancement, transaction and marketplace technology and infrastructure improvement. As such, we intend to use approximately 20% of the net proceeds from the Global Offering for increasing investment in the IT infrastructure of our platform and enhancing SaaS+ business monetization capability, among which 10% will be used for acquiring IT talents for developing our SaaS+ business and merchant solutions. In total, we plan to recruit approximately 500 IT talents. For further information, see “Future Plans and Use of Proceeds.”

To facilitate our future expansion, we may need to continue to make substantial capital expenditures. Our expanded operations require significant expenditure on the IT infrastructure of our platform and enhancing SaaS+ business monetization capability, the amount and timing of which depend on various factors, including staff costs. If our anticipated requirements for IT staff or other IT infrastructure differ materially from actual needs, our operations may have more or less capacity than is optimal. The actual costs of our expansion plan may exceed our original estimates, which could materially and adversely affect the realization of expected return on our expenditures. In addition, we are likely to incur relevant expenditures earlier than all of the anticipated benefits and the return on these expenditures may be lower, or may be realized more slowly, than we expected. Furthermore, our continued expenditure on our IT infrastructure and SaaS+ business monetization capability may put us at a competitive disadvantage against competitors who spend less on these aspects but focus more on improving other aspects of their business that are less capital intensive. As our profitability depends on our ability to generate cash flow from operations and control our operating costs, including staff costs, our profitability may be adversely affected.

We may require more working capital to operate our business and to sustain our growth, and we cannot assure you that we will be able to obtain sufficient capital on acceptable terms, or at all.

We require stable working capital to maintain and upgrade our offering of merchandise and services in response to evolving customers’ preferences and potential competition, technological developments, and the changing laws and regulations in the industry. Moreover, our potential expansion into new geographic regions, and the pursuit of strategic acquisitions

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and investments or other business opportunities may require significant amounts of capital. We also offer credit term for a selected number of wholesaler customers. As of November 30, 2021, we had a total of RMB14,973.1 million of banking facilities, of which RMB9,502.8 million were utilized. There is no assurance that we will have sufficient working capital or the financing channels will continue to be available to us on favorable or commercially reasonable terms, or at all. If our existing financing channels are insufficient to satisfy our cash requirements, we may seek to obtain banking facilities or sell additional equity or debt securities. The sale of additional equity securities could potentially result in dilution to our existing Shareholders, while the incurrence of indebtedness could potentially result in increased debt service obligations and could result in operating and financial covenants that would restrict our operations. If we are unable to generate sufficient cash flow or maintain access to adequate external financing, our current business operations and growth opportunities may be restricted, and our results of operation could thereby be materially and adversely affected.

The outbreak of COVID-19 may cause damage to the economy, which may adversely affect our business, results of operations and financial performance.

Since December 2019, the outbreak of COVID-19 in the PRC and worldwide has resulted in various degrees of disruptions to business activities. The PRC government has imposed various measures in response to the COVID-19 outbreak. Such measures have led to lower levels of consumption and business activities as well as disruptions to transportation and logistics in the PRC, and have adversely affected our business operations. During the COVID-19 outbreak, consumers' willingness to purchase and purchasing power decreased due to the general economic downturn. Our business was affected by the COVID-19 outbreak, primarily because local governments, especially in towns and villages, imposed strict travel restrictions, which created certain difficulties for the transportation of merchandise, and our member store customers became more prudent in sourcing merchandise from us during the COVID-19 outbreak. For example, in our commerce business, our direct sales to member stores, principally household appliances, were adversely affected by the COVID-19 outbreak, and our transaction value with member stores decreased by 32.4% in the first half of 2020 compared to the same period in 2019, and in our services business, we made two lower-priced SaaS+ packages free during the COVID-19 outbreak, which adversely affected the growth of our revenue from SaaS+ subscription in 2020.

If the outbreak of COVID-19 reoccurs massively, it may affect the sales volume, financial performance and expansion plan of our merchandise. This outbreak may disrupt our ability to adequately staff our business and may generally disrupt our operations. If any of our staff is suspected to have contracted the COVID-19 virus or contracts the COVID-19 virus, in some cases, we may be required to quarantine such staff and the affected areas within our premises. As a result, we may have to suspend some or all of our operations. The outbreak may also affect the business of our customers and suppliers and may cause severe disruption to the public in the affected areas, which will adversely affect our business, results of operations and financial performance.

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We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent unauthorized employment of our technologies.

Our trade secrets, trademarks, copyrights and other intellectual property rights are critical to our success. We rely on, and expect to continue to rely on, a combination of confidentiality and non-compete, invention assignment and license agreements with our employees and third parties with whom we have relationships to protect our trademarks, domain names, copyrights, trade secrets, patent rights, and other intellectual property. However, events beyond our control may pose a threat to our intellectual property rights, as well as to our business and services. We are committed to taking any action possible to protect our trademarks, copyright, domain name, patent right, and other intellectual property right; nevertheless, while we have taken measures to protect our intellectual property rights, we cannot assure you that such efforts are either sufficient or effective. As a result, our intellectual property rights may be infringed, misappropriated, or challenged, which could result in them being narrowed in scope or declared invalid or unenforceable.

Similarly, our reliance on unpatented proprietary information and technology, such as trade secrets and confidential information, depends in part on our agreements with employees and third parties which contain restrictions on the use and disclosure of such intellectual property. These agreements may be insufficient or may be breached, either of which could potentially result in the unauthorized use or unauthorized disclosure of our trade secrets and other intellectual property. As a result, we could lose our crucial competitive advantage derived from such intellectual property. Significant impairments to our intellectual property rights, and limitations on our ability to assert our intellectual property rights against others, may result in a material and adverse effect on our business.

If our platforms or the operating systems of our customers' own devices contain serious vulnerabilities or defects, we may lose our sources of revenue as well as customer's trust in us.

Business and services within the Internet industry, such as websites and mobile apps, can contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, especially when new versions or enhancements are released. Despite internal testings, our platform may contain serious errors or defects, security vulnerabilities or software issues which we are unable to successfully correct in a timely manner or at all, which could result in revenue loss, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business, reputation, financial condition, and results of operation.

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User growth and activity on our mobile apps depend upon effective use of mobile operating systems, networks and standards that we do not control.

Use of mobile apps by our customers has increased significantly, and we expect this trend to continue. To optimize customer experience, we may need to devote significant resources to the development, support and maintenance of such applications. In addition, our future growth and our results of operation could suffer if we encounter technical problems in operating and maintaining such applications in the future, or if we are treated unfavorably in related applications due to competition, it would thereby increase the cost of using such applications for our customers. Also, we may encounter unpredictable and uncontrollable factors in different mobile device operating systems (such as iOS and Android) due to the updates of these operating system, some of which may change or reduce the functionality of our applications, which may adversely affect the proper operation of these apps and our business. In the event that it is more difficult or impossible for our customers to access and use our applications on their mobile devices, our customer growth may be harmed and our business, financial condition and results of operation may be adversely affected.

We are subject to various risks relating to third-party payment.

Certain of our customers have settled payments with us or our suppliers through third-party payment arrangements (the “**Third-party Payment Arrangements**”). Since December 1, 2021, we have started to implement various measures and have adopted internal control policies to cease all third-party payments. For further information, see “Business – Third-Party Payment.”

While we have started to implement various measures and have adopted internal control policies to cease all third-party payments, there is no assurance that the Third-party Payment Arrangements that had already occurred will not be subject to claims, including possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors if the third-party payors become insolvent or were presented a winding up or a bankruptcy petition. Our PRC legal advisor has advised us that, in the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of the Third-party Payment Arrangements, we may have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may as a result be adversely affected.

We may also be subject to risks of money laundering under the Criminal Law of the PRC (《中華人民共和國刑法》) in relation to the Third-party Payment Arrangements that had occurred if we (i) clearly know that the Third-party Payment Arrangements represent proceeds and/or gains obtained from drug-related crimes, crimes committed by criminal organizations, crimes of terrorism, smuggling, bribery and corruption, crimes undermining the financial order of society and financial fraud; and (ii) commit certain acts for the purpose of covering up or concealing the source and nature of the above proceeds or gains. We may have limited knowledge about the source and purpose of the funds utilized by the third-party payors in relation to the Third-party Payment Arrangements that had occurred. Our PRC legal advisor has advised us that, if we are faced with claims for return of funds or suspected of having committed money laundering, our reputation, business, results of operations and financial condition may be materially and adversely affected.

For further information, see “Business – Third-Party Payment.”

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Our risk management and internal control systems may not be able to exhaustively assess or mitigate all risks

We have established our internal control system, such as an organizational framework and, policies and procedures that are designed to monitor and control potential risk areas relevant to our business operations. For further information, see “Business – Risk Management and Internal Control”. Although our internal control procedures are designed to monitor our operations and ensure their overall compliance, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks or all non-compliance incidents exhaustively in a timely manner, or may not be always possible to timely detect and prevent every fraud and other misconduct.

Our risk management and internal control also depend on their effective implementation by our employees. Due to the significant size of our operation, we cannot assure you that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business and results of operations. As we are likely to offer a broader and more diverse range of services and solutions in the future, the diversification of our service offerings will require us to continue to enhance our risk management capabilities. If we fail to timely adapt our risk management policies and procedures to our changing business, our business, financial condition and results of operation could be materially and adversely affected.

We are subject to risks of increased operational costs since our insurance may not sufficiently cover, or may not cover at all, losses and liabilities that we may encounter.

We do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain keyman life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. We cannot assure you that our insurance coverage will be sufficient or available to cover damages, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, floods, war or civil disorder. If we are held responsible for any such damages, liabilities or losses and our insurance coverage is insufficient or unavailable, there could be a material adverse effect on our business, financial condition and results of operations. For further information, see “Business – Insurance.”

Failure to obtain, renew, or retain licenses, permits or approvals may affect our ability to conduct or expand our business.

We and our business partners are required to hold several licenses, permits and approvals in connection with our business operation. Our business is subject to governmental supervision and regulation by relevant PRC governmental authorities, which promulgate and enforce regulations that cover the operation of our commerce and service platforms, including entry into these industries, the scope of permissible business activities, licenses and permits for various business activities, and foreign investment. We are required to hold a number of licenses and permits in connection with our business operation.

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As of the Latest Practicable Date, we have not received any notice of severe warning or been subject to severe penalties or other severe disciplinary action from the relevant governmental authorities regarding our conducting our business without the above mentioned licenses. However, we cannot assure you that we will not be subject to any penalties in the future. As the industry we operate in is still evolving in the PRC, laws and regulations may be revised or new laws and regulations may be adopted from time to time that require additional licenses and permits other than those we currently have, or that address new issues that may arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to our business.

Defects in title and documentation related to certain of our leased properties may adversely affect our ability to use such properties.

Certain of our leased properties are defective for various reasons. As of September 30, 2021, we had a total of 252 leased properties in China. For 34 of our leased properties (with a total leased area of approximately 14,479.3 square meters), the lessors had not provided legal proof of ownership or sublease authorization documents. Among these leased properties, nine were used for storage (with a total leased area of approximately 10,579.0 square meters) and 25 were used for offices (with a total leased area of approximately 3,684.3 square meters). According to the opinion of our PRC legal advisor, there is a risk of revocation or invalidation of the relevant lease contracts. If the relevant leasing contracts are revoked or deemed invalid, we may be required to vacate the relevant properties and find comparable alternatives. In addition, the types of land use rights for nine of our leased properties (with a total leased area of approximately 17,636.5 square meters) for office use were allocations. For three of these leased properties, there lacked valid government approval documents. According to the opinion of our PRC legal advisor, if such leases were indeed terminated due to the fact that they have not been approved by the relevant competent authority, we may be required to vacate the relevant properties and find a comparable alternative. For further information, see “Business – Properties.” If our right to use these properties were challenged by any third parties, including the relevant government authorities, or forced to move out and vacate from the leased properties as described above, we may not be able to find alternative properties suitable for our use in a timely manner and at a reasonable cost, or at all.

As of September 30, 2021, among our 252 leased properties, a total of 249 leased premises were subject to lease registration and have not yet been so registered. In case of failure to register or file a lease, the parties to the unregistered lease may be ordered to make rectifications (which would involve registering such leases with the relevant authority) before being subject to penalties. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. There is no assurance that we will not be subject to any future administrative penalties for such non-compliance in respect of premises for which we do not have a completed record, and if we are penalized, our business, results of operations and financial condition may be adversely affected.

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We could be involved in claims, disputes and legal proceedings in our ordinary course of business.

We may from time to time become subject to various claims, disputes and legal proceedings arising in the ordinary course of our business, including but not limited to various disputes with or claims from our suppliers, customers, business partners and other third parties that we engage for our business operations. On-going or threatened litigation, legal or contractual disputes, investigations or administrative proceedings against us or our directors, management and employees may divert our management's attention and consume their time and our other resources. Any such claims which are initially not of material importance may escalate and become more important, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If any verdict or award is rendered against us or if we enter into a settlement, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business projects. In addition, negative publicity arising from claims, disputes and legal proceedings may damage our reputation and adversely affect the image of our brands. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

Our business, financial condition and results of operations may be materially and adversely affected by a number of force majeure events, including but not limited to natural disasters, acts of terrorism, acts of war, occurrence of pandemics, political transformations, financial tsunamis, global macroeconomic changes or epidemics, and other catastrophes in the PRC and globally.

Any occurrence in the PRC of force majeure events, acts of war, terrorist attacks, political unrest, social and economic chaos, natural disasters such as earthquakes, typhoons, floods, tsunamis, snowstorms, sandstorms, droughts and extreme and adverse bad weather conditions, or widespread public health problems such as outbreaks of pandemics or epidemics, including avian influenza, swine influenza, severe acute respiratory syndrome, COVID-19 or other health problems with similar magnitude or effects which are out of control, may adversely affect the PRC economy, slow down business activities and disrupt our ordinary business operations. As a result, our business, financial condition and financial performance may be adversely affected. In addition, the industry and market can be very sensitive to macroeconomic changes both domestically and internationally, and therefore may be subject to many factors outside of our control, including but not limited to, inflation and deflation, currency exchange rate fluctuation, volatility of stock and property markets, interest rates, tax rates and other government policies and unemployment rates can adversely affect our growth and profitability. Meanwhile, unfavorable development in international politics, including military conflicts, political turmoil and social instability, may also adversely affect customer confidence and reduce spending, which could in turn materially and adversely affect our development of business and ability to generate revenue.

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RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Our business and results of operations may be affected by any material and adverse changes in the economic, political and social conditions and government policies in the PRC.

During the Track Record Period, all of our principal business activities are conducted in the PRC. Accordingly, our business, financial condition and results of operations are affected to a significant degree by the economic, political and social conditions in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, control of foreign exchange and investment, level of economic development, growth rate, allocation of resources, among other factors.

Although the PRC economy has transitioned from a planned economy to a more market-oriented economy and has grown significantly in recent decades, the PRC government exercises significant control over the economic growth in the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policies 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. We may not in all cases be able to capitalize on such measures, and our business and results of operations may be adversely affected in some cases. In addition, demand for our services and our business and results of operations may also be adversely affected by:

- political instability or changes in the social conditions in the PRC;
- changes in laws, regulations or policies or the interpretation of laws, regulations or policies;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

The interpretation and enforcement of PRC laws and regulations involve significant uncertainties and PRC laws differ from the laws of common law jurisdictions.

Our operations are governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

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In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in Mainland China. However, Mainland China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in Mainland China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, since these laws and regulations are relatively new and give the relevant regulator significant discretion in how to enforce them, and considering the limited number of published judgements and decisions and the non-binding nature of such decisions, the interpretation and enforcement of these laws and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

In addition, any administrative and court proceedings in Mainland China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

We face uncertainties with respect to the interpretation and implementation of the Anti-Monopoly Guidelines on the Platform Economy Sector.

In February 2021, the Anti-Monopoly Commission of the State Council published the Anti-Monopoly Guidelines on the Platform Economy Sector (《關於平台經濟領域的反壟斷指南》) (the “**Anti-Monopoly Guidelines**”) that aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as setting out merger controlling filing procedures involving variable interest entities. Given the promulgation of the Anti-Monopoly Guidelines, the PRC authorities may strengthen their supervision over the competition compliance issues, and we may receive greater scrutiny and attention from regulators and more frequent and rigid investigations or reviews by regulators, which will increase our compliance costs and subject us to heightened risks and challenges. We may have to spend much more personnel cost and time evaluating and managing these risks and challenges in connection with our products and services as well as our investments in our ordinary course of business to avoid any failure to comply with these regulations. Any failure or perceived failure by us to comply with the anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigations or claims against us and could have an adverse effect on our business, financial condition and results of operations.

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Any deficiencies in China’s internet infrastructure could impair our ability to operate our mobile apps and website, which may cause us to lose customers and third-party vendors on our online marketplace, and harm our operating results.

Our online sales and sales by third-party vendors on our online marketplace are made through our mobile apps and websites. Our business depends on the performance and reliability of the internet infrastructure in China. The availability of our mobile apps and website depends on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we are unable to enter into and renew agreements with these providers on agreeable terms, or if any of our existing agreements with such providers are terminated as a result of our breach or otherwise, our ability to provide our services to our customers could be adversely affected. Almost all access to the internet in China is maintained through state-owned telecommunication carriers under administrative control, and we obtain access to end-user networks operated by such telecommunications carriers and internet service providers to give customers access to our mobile apps and website. Service interruptions may prevent customers and third-party vendors from accessing our mobile apps and website, placing orders and selling products, and frequent interruptions could frustrate customers and third-party vendors and discourage them from attempting to place orders or selling products, which could harm our operating results.

Regulatory, legislative or self-regulatory developments for online businesses, including privacy and data protection regimes, are expansive, not clearly defined and rapidly evolving. These laws and regulations could create unexpected costs, subject us to enforcement actions for compliance failures, or restrict portions of our business or cause us to change our technology platform or business model.

The PRC government extensively regulates the Internet industry. There may be an increase in legislation and regulation related to online marketing, the use of geo-location data for the purpose of marketing, the collection and use of anonymous Internet user data and unique device identifiers, such as IP address or mobile unique device identifiers, and other data protection and privacy regulation. These laws and regulations could adversely affect the demand for or effectiveness and value of our brand, force us to incur substantial costs, or require us to change our business practices in a manner that could adversely affect our business and results of operations, or compromise our ability to effectively pursue our growth strategies. In recent years, the PRC government has enacted legislation relating to Internet use to protect personal information from any unauthorized disclosure. For example, regulations promulgated by the MIIT, stipulate that Internet information service providers must not, without a user’s consent, collect the user’s personal information that can reveal the identity of the user whether by itself or when used in combination with other information, and must not provide any such information to third parties without prior consent from the user. In addition, Internet information service providers shall inform their users of their service scope and shall not use users’ information beyond such scope or collect any other information that is irrelevant to the services they provide. Also, on December 28, 2021, the CAC publicly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), the “**Measures II**”, which further clarifies and expands the scope of application of cybersecurity review. According to the

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Measures II, (1) on the basis of the currently effective Measures for Cybersecurity Review, in addition to network products and services acquired by critical information infrastructure operators, internet platform operators are also subject to cybersecurity review if they carry out data processing activities that affect or may affect national security; and (2) internet platform operators with personal information of more than one million users will be required to apply to the Cybersecurity Review Office for a cybersecurity review in the event of a “foreign listing.” Our PRC legal advisor is of the view that Hong Kong listing does not fall within the scope of “foreign listing” under the Measures II and thereby would not trigger the cybersecurity review. However, there are still uncertainties regarding the interpretation and implementation of the Measures II. Our PRC legal advisor has advised us that, up to the Latest Practicable Date, the Measures II had no material and adverse impact on our results of business operations.

On November 14, 2021, the CAC promulgated the “Network Data Security Management Regulations” (Draft for Comments) (the “**Draft for Comments**”). Our PRC legal advisor has advised us that currently the Draft for Comments will not have a significant adverse impact on our results of business operation and financial performance. For further information, see “Regulatory Overview”. However, if the Draft for Comments becomes effective, we may be subject to the potential risk of being punished by the regulatory authorities for failing to meet the latest regulatory requirements in time, or further increasing the compliance cost to meet the latest regulatory requirements.

These laws and regulations are continually evolving, are not always clear and the measures we take to comply with these laws, regulations and industry standards may not always be effective. We may be subject to litigation or enforcement action or reduced demand for our solutions or services if we or our clients fail to abide by applicable privacy laws, or to provide adequate notice and/or obtain consent from end users. In addition, some of our content distribution channels require us to indemnify and hold them harmless from the costs or consequences of litigation resulting from using their networks. Any proceeding or perception of concerns relating to our collection, use, disclosure, and retention of data, including our security measures applicable to the data we collect, whether or not valid, could adversely affect our reputation, force us to spend significant amounts on defense of these proceedings, distract our management, increase our costs of doing business, which could materially and adversely affect our business, results of operations and prospects.

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Our business currently benefits from certain PRC government incentives. Failure to obtain government grants or preferential tax treatments that may be available to us, or the discontinuation, reduction or delay of any of the government grants or preferential tax treatments currently enjoyed by us in the future could materially and adversely affect our business, financial condition, results of operations and prospects.

During the Track Record Period, we received various government grants and recorded RMB11.2 million, RMB13.7 million, RMB22.6 million, RMB13.2 million and RMB32.7 million in our consolidated statements of profit or loss in 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021. During the Track Record Period, we also received certain preferential tax treatment. Nevertheless, such government grants are non-recurring in nature, and the governmental authorities may decide to reduce or cancel such government grants at any time. The relevant PRC tax authorities may also adjust the preferential tax treatment at their discretion. For further information, see “Regulatory Overview.” The discontinuation, reduction or delay of these government grants or preferential tax treatment could adversely affect our business, financial condition, results of operations and prospects. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, financial condition, results of operations and prospects.

We are subject to consumer protection laws and regulations that could require us to modify our current business practices and incur increased costs.

Our business is subject to numerous PRC laws and regulations that regulate retailers generally or govern online retailers specifically, such as the Law on Protection of Consumers’ Rights and Interests of the PRC (《中華人民共和國消費者權益保護法》) (the “**PRC Consumer Protection Law**”). If these regulations were to change or if we or our suppliers were to violate them, the costs of certain products or services could increase, or we could be subject to fines or penalties or suffer reputational harm, which could reduce demand for the products or services offered on our platform and hurt our business and results of operations. For example, the amended PRC Consumer Protection Law, which became effective in March 2014, strengthens the protection of consumers and imposes more stringent requirements and obligations on business operators, with a particular focus on businesses that operate via the internet. Pursuant to the PRC Consumer Protection Law, consumers are generally entitled to return goods purchased within seven days upon receipt without giving any reasons if the purchases are made through the internet. Consumers whose interests have been harmed due to their purchase of goods or acceptance of services on platforms may claim damages from sellers or service providers. Laws and regulations regarding consumer protection, particularly those involving transactions conducted over the internet, frequently change and are subject to interpretation. We are therefore unable to predict the ultimate cost of compliance with the relevant laws or regulations or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

RISK FACTORS

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

The change in the value of the RMB against the USD, HKD and other currencies may fluctuate and is affected by, among other things, changes in PRC's political and economic conditions. For instance, from 1995 until July 2005, the conversion of the RMB into foreign currencies, including the Hong Kong dollar and U.S. dollar, has been based on fixed rates set by the PBOC in the PRC. The PRC government, however, has, with effect from July 21, 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On July 21, 2005, this revaluation resulted in the RMB appreciating against the U.S. dollar and the Hong Kong dollar by approximately 2% on that date. On September 23, 2005, the PRC government widened the daily trading band for the RMB against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. As a consequence, RMB has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 19, 2010, the PBOC announced that it intended to further reform the RMB exchange rate regime by enhancing the flexibility of the RMB exchange rate. On March 17, 2014, the PBOC enlarged the previous floating band of the trading prices of the RMB against the U.S. dollar in the inter-bank spot foreign exchange market from 1% to 2% in order to further improve the managed floating RMB exchange rate regime based on market supply and demand with reference to a basket of currencies. However, it remains unclear how this flexibility might be implemented. The RMB was added to its group of global reserve currencies by The International Monetary Fund on November 30, 2015, which makes RMB to some extent more susceptible to market forces as the PRC government loosens some of its currency controls. As a PRC-based company, any significant change in the exchange rates of the Hong Kong dollar against RMB may materially and adversely affect any dividends payable on our Shares in Hong Kong dollars.

The PRC government's control over foreign currency conversion may limit our foreign exchange transactions.

The PRC government imposes control on the convertibility of RMB into foreign currencies. We receive some of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency, or otherwise satisfy our foreign currency denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of Mainland China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange

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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, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of Mainland China.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors, Supervisors and management.

We are a company incorporated under the laws of the PRC and our assets and subsidiaries are located in the PRC. Most of our Directors, Supervisors and senior management reside within the PRC. The assets of these Directors, Supervisors and senior management also may be located within the PRC. As a result, it may not be possible to effect service of process upon most of our Directors, Supervisors and senior management outside the PRC.

Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, in the PRC or Hong Kong, recognition and enforcement of court judgments from the jurisdictions mentioned above may be difficult or impossible. On July 14, 2006, the Supreme People’s Court of Mainland and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《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**”). Under the 2006 Arrangement, where any designated People’s Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People’s Court of PRC or Hong Kong court for recognition and enforcement of the judgment. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into such a choice of court agreement in writing. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the 2006 Arrangement remain uncertain.

On January 18, 2019, the Supreme People’s Court of the PRC and the government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgements 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 regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in Mainland China and those in the Hong Kong Special Administrative Region.

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Although the 2019 Arrangement has been signed, it remains unclear when it will come into effect. When the 2019 Arrangement becomes effective, it will supersede the 2006 Arrangement and any party concerned may apply to the relevant PRC court or Hong Kong High Court for recognition and enforcement of the effective judgements in civil and commercial cases under the 2019 Arrangement. Therefore, the outcome and effectiveness of any action brought under the 2019 Arrangement is still uncertain. We cannot assure you that an effective judgement that complies with the 2019 Arrangement can be recognized and enforced in a PRC court.

Holders of our Shares may be subject to PRC income tax obligations.

As a PRC-incorporated company, under applicable PRC tax laws, we are subject to a tax of up to 25% on our global income. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our Shares.

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20%. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) issued by the MOF and SAT on May 13, 1994, the income gained by foreign individuals from dividends and bonuses of foreign-invested enterprise are exempted from individual income tax for the time being. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cease foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the MOF and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the SAT. Considering these uncertainties, non-resident individual holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realized from the H Shares.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides.

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Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our Shares (including HKSCC Nominees and payments through CCASS). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, payment of any such refund will be subject to the PRC tax authorities' verification. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

There remains significant uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or EIT Law on gains derived by holders of our Shares from their disposition of our Shares may be collected. If any such tax is collected, the value of our H Shares may be materially and adversely affected.

Under the EIT Law, an enterprise established outside the PRC with “de facto management bodies” within China is considered a “resident enterprise,” meaning that it is treated in a manner similar to a Chinese enterprise for PRC EIT purposes. The implementing rules of the EIT Law define “de facto management bodies” as “management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. In addition, the Notice Regarding the Determination of Chinese- Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《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》), or Circular 82, specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated under the laws of foreign countries or territories and that have PRC enterprises or enterprise groups as their primary controlling shareholders, will be classified as resident enterprises if all of the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and (iv) half or more of senior management or directors having voting rights. State Administration of Taxation of the PRC, or SAT, has subsequently provided further guidance on the implementation of Circular 82.

Payment of dividends is subject to restrictions under PRC law and regulations.

According to PRC law and regulations, we may not pay dividends unless we have distributable profits in a given year as determined under PRC GAAP or IFRS. Distributable profits are our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. As of December 31, 2018, 2019,

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2020 and as of September 30, 2021, we had accumulated losses of RMB311.7 million, RMB727.0 million, RMB1,132.3 million and RMB1,412.1 million, respectively, primarily due to the net losses incurred as a result of the significant amounts of interest expenses arising from redeemable capital contributions during the Track Record Period. As a result, during the Track Record Period, no dividend was declared or paid by our Company. Upon completion of the Global Offering, the redeemable capital contributions would be reclassified from liabilities to equity and subsequently no interest expenses arising from redeemable capital contributions would occur. However, we may not have sufficient profits in the near future to cover the accumulated losses aforementioned to enable us to pay dividends after the Listing.

Moreover, our operating subsidiaries in the PRC may not have distributable profit as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Failure by our operating subsidiaries to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares. The liquidity, trading volume and market prices of our H Shares may be volatile.

Prior to the Global Offering, there was no public market for our Shares. We cannot assure you that a public market for our Shares with adequate liquidity and trading volume will develop and be sustained following the completion of Global Offering. The Offer Price for our Shares was the result of negotiations between our Company and the Joint Representatives (for itself and on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Hong Kong Stock Exchange. There can be no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares.

In addition, the Hong Kong Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Hong Kong Stock Exchange. As a result, investors in our H Shares may experience volatility in the market price of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

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Purchasers of our Shares in the Global Offering will experience immediate and significant dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of our Shares is higher than the combined net tangible assets per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution. Moreover, in order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible assets value per Share of their investments in the Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional Shares.

The actual perceived sales of substantial amounts of our Shares in the public market could have a material adverse effect on the price of our Shares and our ability to raise additional capital in the future.

The market price of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

We are currently applying for part of the Company's Domestic Shares to circulate on the Hong Kong Stock Exchange after the completion of the Global Offering. According to the Company Law, the Shares issued by the Company prior to the Global Offering (including a total of 126,354,539 H Shares to be converted from Domestic Shares held by 26 existing Shareholders of the Company) are restricted from trading within one year from the Listing Date. Such restriction from trading will limit the number of H Shares to be circulated on the market, which may in turn adversely affect the liquidity of the H Shares during such restriction period. If our application for the circulation of our relevant Domestic Shares on the Hong Kong Stock Exchange after the completion of the Global Offering is successful, any future sales (after the expiration of the restrictions set out above) of Domestic Shares by relevant Shareholders in the public market may affect the market price of the Shares. Moreover, if we convert a substantial amount of Domestic Shares into H Shares to be listed and traded in the future at the Hong Kong Stock Exchange, it may further increase the supply of the H Shares in the market, which may affect the market price of the H Shares. We cannot predict the effect, if any, that any future sales of Shares by our single largest Shareholder or other existing Shareholders, or the Shares available for sale by our single largest Shareholder or other existing Shareholders, or the issuance of Shares by the Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our single largest Shareholder or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

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There will be a gap of several days between pricing and trading of our H Shares and the application period for the Hong Kong Public Offering is longer than the normal market practice, holders of our H Shares are subject to the risk that the price of our Shares could fall when the trading of our H Shares begins.

The initial price to the public of our H Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five business days after the Price Determination Date. Further, the application for the Hong Kong Public Offer Shares will commence from Monday, January 31, 2022 through to Thursday, February 10, 2022, which is longer than the normal market practice of 3.5 business days. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of the H Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any amount of dividends in the future.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from us and our other PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. In addition, as stipulated by our Articles, distributable profits are recognized as our net profit determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, our Company and our PRC operating subsidiaries may not be able to pay a dividend in a given year if our Company or our PRC operating subsidiaries do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. During the Track Record Period, no dividend has been paid or declared by us. For further information, see “Financial Information – Dividend Policy.”

There can be no assurance that future dividends will be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account our results of operations, financial condition, cash requirements and availability and other factors as they may deem relevant, and subject to the approval at Shareholders’ meeting. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

RISK FACTORS

We cannot guarantee the accuracy of facts and other statistics with respect to certain information contained in this prospectus.

The information and statistics set out in the “Industry Overview” section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan.

We engaged Frost & Sullivan to prepare an independent industry report in connection with the Global Offering. The information from official government sources has not been independently verified by the Group, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Underwriters or any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

Forward-looking statements contained in this prospectus may be subject to risks and uncertainties.

This prospectus contains certain forward-looking statements and uses forward-looking words such as “aim,” “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would” “vision,” “aspire,” “target,” “schedules.” Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change.

Subscribers of our Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties, and that any or all of those assumptions could prove to be inaccurate, and thus the forward-looking statements which are based on those assumptions could be incorrect. The uncertainties in this regard include those that are specified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and targets will be achieved. The forward-looking statements should be considered in light of various factors that are worth noting, including the factors mentioned above. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Hong Kong Stock Exchange. Investors should not place undue reliance on such forward-looking statements. For further information, see “Forward-looking Statements.”

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Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.

Prior to the publication of this prospectus, there has been coverage in the media regarding us and the Global Offering, which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

MANAGEMENT PRESENCE

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Our core business and operations are substantially based and conducted in the PRC and most of the Company's assets are located in the PRC. Further, all of the Company's executive Directors are based in the PRC as the Board believes it would be more effective and efficient for its executive Directors to be based in a location where the Company's operations are conducted. It would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we have put in place the following measures in order to achieve regular communication with the Stock Exchange:

- (a) The Company has appointed Mr. Wang, our Chairman of the Board and non-executive Director, and Ms. Au Wai Ching (區慧晶) (“**Ms. Au**”), one of the joint company secretaries of the Company, as the authorized representatives (“**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. They will act as the Company's principal channel of communication with the Stock Exchange. Each of them has confirmed that he or she can be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. The Company has provided contact details of the two Authorized Representatives to the Stock Exchange and will inform the Stock Exchange as soon as practicable in respect of any change in the Company's authorized representatives. Mr. Wang has confirmed that he possesses valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;
- (b) Our Authorized Representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matters;

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- (c) All the Directors who are not ordinarily resident in Hong Kong are able to apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice; and

- (d) Our Company has appointed Altus Capital Limited as its compliance advisor (the “**Compliance Advisor**”) in compliance with Rules 3A.19 and 19A.05 of the Listing Rules. The Compliance Advisor will, among other things and in addition to the Authorized Representatives, provide our Company with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of our 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.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, a new applicant for listing on the Stock Exchange must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the 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 (Chapter 159 of the Laws of Hong Kong)); and

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

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 he/she played;

- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, 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

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- (d) professional qualifications in other jurisdictions.

We have appointed Ms. Tang Min (唐敏) (“**Ms. Tang**”), and Ms. Au, as the joint company secretaries of our Company. Ms. Tang is currently the deputy office director of the secretary of the Board (董事會辦公室副主任). She has extensive experience in financial and business management and corporate governance matters, as well as a thorough understanding of the daily operations, internal administration and financial management of our Group. By virtue of Ms. Tang’s experience and familiarity with our Group, our Company believes Ms. Tang is capable of discharging the duties as a joint company secretary of our Company and is a suitable person to act as a joint company secretary of our Company.

Further, given that our main operation is in the PRC, we believe that it would be in the best interest of our Company and our corporate governance to have Ms. Tang with the relevant background and experience in the PRC to act as our joint company secretary. Ms. Tang presently does not possess the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to fulfill the requirements of the Listing Rules on her own. Therefore, our Company has appointed Ms. Au, a fellow member of Hong Kong Institute of Chartered Secretaries, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and provide assistance to Ms. Tang for an initial period of three years from the Listing Date. For further details about Ms. Tang’s and Ms. Au’s qualifications and experience, see “Directors, Supervisors and Senior Management” in this prospectus.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the basis of the proposed arrangements below:

- (a) Ms. Tang 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 Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;
- (b) Both Ms. Tang and Ms. Au have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;
- (c) Ms. Au will assist Ms. Tang to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as our company secretary;

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- (d) Ms. Au will communicate regularly with Ms. Tang 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. Au will work closely with, and provide assistance for, Ms. Tang in the discharge of her duties as a company secretary, including organizing our Board meetings and Shareholders' general meetings;
- (e) Upon expiry of Ms. Tang's initial term of appointment as the company secretary of our Company, our Company will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Ms. Tang's appointment as the company secretary of the Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules; and
- (f) The Company has appointed Altus Capital Limited as its Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules which will act as the additional communication channel with the Stock Exchange (for a period commencing on the Listing Date and ending on 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 after the Listing Date, or until the engagement is terminated, whichever is earlier) and provide professional guidance and advice to the Company and Ms. Tang as to the compliance with the Listing Rules and all other applicable laws and regulations.

Such waiver will be revoked immediately if and when Ms. Au ceases to provide such assistance or ceases to meet the requirements under Rule 3.28 of the Listing Rules, or if there are material breaches of the Listing Rules by our Company. Before the end of the three-year period, we shall liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that Ms. Tang, having had the benefit of Ms. Au's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for the Company under the Listing Rules after Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the reporting, annual review, and announcement requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions – Non-Exempt Continuing Connected Transactions." For more information, see "Connected Transactions."

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**WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND
EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) IN RELATION
TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD
SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS
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According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in this prospectus must include the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

According to Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus shall include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a report by our auditor with respect to profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

Guidance Letter HKEx-GL25-11 issued by the Stock Exchange has provided the conditions for granting a waiver from strict compliance with Rule 4.04(1) of the Listing Rules as follows:

1. the applicant must list on the Stock Exchange within three months after the latest year end;

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2. the applicant must obtain a certificate of exemption from the SFC on compliance with the requirements of Section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
3. a profit estimate for the latest financial year (which must comply with Rules 11.17 to 11.19 of the Listing Rules) must be included in the prospectus or the applicant must provide justification why a profit estimate cannot be included in the prospectus; and
4. there must be a directors' statement in the prospectus that there is no material adverse change to our Company's financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end.

The Accountants' Report for each of the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 has been prepared and set out in Appendix I to this prospectus.

Pursuant to the relevant requirements set out above, our Company is required to produce three full years of audited accounts for the years ended December 31, 2019, 2020 and 2021. As such, an application was made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange on the conditions that:

- (a) this prospectus will be issued on or before January 31, 2022 and H Shares of our Company must be listed on the Stock Exchange on or before March 31, 2022 (i.e. within three months after the latest financial year end of our Company);
- (b) our Company obtains a certificate of exemption from the SFC on strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements;
- (c) this prospectus contains a loss estimate for the year ended December 31, 2021 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) and the statement from our Directors that there is no material adverse change to our financial and trading positions or prospects, with specific reference to our trading results from October 1, 2021 to December 31, 2021; and
- (d) we will publish the preliminary results announcement for the financial year ended December 31, 2021 by not later than March 31, 2022 and the annual report for the financial year ended December 31, 2021 by not later than April 30, 2022, respectively, in compliance with Rules 13.49 and 13.46 of the Listing Rules.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
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An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption are set out in this prospectus; (ii) this prospectus will be issued on or before January 31, 2022; and (iii) H Shares of our Company will be listed on the Stock Exchange on or before March 31, 2022 (i.e. three months after the latest financial year end of our Company).

The applications to Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interest of the investing public as:

- (a) there would not be sufficient time for our Company and the reporting accountants of our Company (the “**Reporting Accountants**”) to finalize the audited financial statements for the year ended December 31, 2021 for inclusion in this prospectus. If the financial information for the year ended December 31, 2021 is required to be audited, our Company and the Reporting Accountants would have to carry out substantial work to prepare, update and finalize the Accountants’ Report and this prospectus and the relevant sections of this prospectus will need to be updated to cover such additional period within a short period of time and will lead to the delay of the current listing timetable;
- (b) our Directors and the Joint Sponsors confirm herein that, after performing all reasonable due diligence work which they consider appropriate, up to the date of this prospectus, except to the extent disclosed in “Summary – Recent Development” in this prospectus, there has been no material adverse change to the financial and trading positions or prospects of the Company since October 1, 2021 (immediately following the date of the latest audited statement of financial position in the Accountants’ Report set out in Appendix I to this prospectus) to the date of this prospectus and there has been no event since October 1, 2021 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus, the loss estimate for the year ended December 31, 2021 as set out in Appendix III to this prospectus and “Financial Information” or other parts of this prospectus;
- (c) our Company is of the view that the Accountants’ Report covering the three financial years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) included in this prospectus, together with the loss estimate for the year ended December 31, 2021, have already provided the potential investors with adequate and reasonably up-to-date information of the circumstances to form a view on the track

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record and earnings trend of our Company; and our Directors and the Joint Sponsors confirm that all information which is necessary for the investing public to make an informed assessment of our activities, assets and liabilities, financial position, trading position, management and prospects has been included in this prospectus; and

- (d) we will comply with the requirements under Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of our annual results and annual report. Our Company currently expects to issue our annual results and annual report for the financial year ended December 31, 2021 on or before March 31, 2022 and April 30, 2022, respectively. In this regard, our Directors consider that the Shareholders of our Company, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended December 31, 2021.

PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that there shall be an open market in the securities for which listing is sought, and that a sufficient public float of an issuer's listed securities shall be maintained. Generally, at least 25% of the issuer's total issued share capital must at all times be held by the public.

Based on the minimum Offer Price HK\$43.00 and assuming no exercise of the Over-allotment Option, we expected that our market capitalization will be not less than HK\$10 billion. We have applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Hong Kong Listing Rules. Therefore, the minimum public float of the Company shall be the highest of (1) approximately 15% of the total issued share capital of the Company; (2) such percentage of H Shares to be held by the public immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised) and the Conversion of Domestic Shares into H Shares; and (3) such percentage of H Shares to be held by the public immediately after the completion of the Global Offering (as increased by the H Shares to be issued upon exercise of the Over-allotment Option) and the Conversion of Domestic Shares into H Shares.

In order to support the application of this waiver, the Company has confirmed to the Hong Kong Stock Exchange that: (a) the Company will have an expected market capitalization at the time of Listing of over HK\$10 billion; (b) the quantity and scale of the issued securities and H Shares converted from part of the Domestic Shares would enable the market to operate properly with a lower percentage of public float; (c) the Company will make appropriate disclosure of the lower percentage of public float required by the Hong Kong Stock Exchange in this prospectus; and (d) the Company will confirm sufficiency of public float in the successive annual reports of the Company after the Listing.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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 Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information to the public with regard to the 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 material 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.

CSRC APPROVAL

We have obtained an approval letter from the CSRC for the Global Offering, the Conversion of Domestic Shares into H Shares and the making of the application to list the H Shares on the Hong Kong Stock Exchange dated September 30, 2021. In granting such approval, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the **GREEN** Application Form.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 5,160,700 Offer Shares and the International Offering of initially 46,445,500 Offer Shares (subject, in each, to reallocation on the basis as set out in “Structure of the Global Offering.”)

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering 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 the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisors, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

For details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilization, see “Structure of the Global Offering”.

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INFORMATION ON THE CONVERSION OF DOMESTIC SHARES INTO H SHARES

The Company has applied for Conversion of Domestic Shares into H Shares, which involves 126,354,539 Shares held by 26 existing Shareholders. See “History, Development and Corporate Structure” and “Share Capital” for details of our existing Shareholders and their respective interests in the Company and relevant procedures for the Conversion of Domestic Shares into H Shares. Such H Shares to be converted from Domestic Shares are restricted from trading for a period of one year after the Listing.

The Conversion of Domestic Shares into H Shares has been approved by the CSRC on September 30, 2021 and is still subject to the approval by the Hong Kong Stock Exchange.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in “How to Apply for the Hong Kong Offer Shares” in this prospectus and in the **GREEN** Application Form.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed “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 Hong Kong Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus and the **GREEN** Application Form.

No action has been taken to permit a public offering of the Offer Shares outside Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose 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 for subscription. The distribution of this prospectus and/or the **GREEN** Application Form 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 pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

UNDERWRITING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Representatives. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters, subject to the agreement on the Offer Price between the Joint Representatives (for themselves and on behalf of the Underwriters) and us. For further details on the Underwriters and the underwriting arrangements, see “Underwriting”.

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from Domestic Shares. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Friday, February 18, 2022. Except as otherwise disclosed in this prospectus, no part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or 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 H Shares on the Hong Kong 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 the Company by or on behalf of the Hong Kong Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H 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 H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement 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 advisors for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted in to CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering and converted from Domestic Shares will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of the Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

According to the Guide to the Program for "Full Circulation" of H shares promulgated by CSDC on February 7, 2020, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;
- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences, disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by our Articles of Association, the PRC Company Law or other relevant laws, rules and regulations to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors, senior officers whereby such Directors, Supervisors, senior officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as defined in the Hong Kong Listing Rules) of any of the Directors, Supervisors or an existing Shareholder of the Company or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares. None of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisors, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages. In the event of any inconsistency, the Chinese version shall prevail.

ROUNDING

Certain amounts and percentage figures, such as financial data, share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK\$1.00 to RMB0.81518, Renminbi into U.S. dollars at the rate of US\$1.00 to RMB6.3492 and Hong Kong dollars into U.S. dollars at the rate of US\$1.00 to HK\$7.78871. The RMB to HK\$ and US\$ to RMB exchange rates are quoted by the PBOC for foreign exchange transactions prevailing on January 21, 2022.

No representation is made that any amounts in RMB or Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Position</u>	<u>Address</u>	<u>Nationality</u>
<i>Chairman and non-executive Director</i>			
Mr. WANG Jianguo (汪建國)	Chairman of the Board and Non-Executive Director	Room 510 Building 38 Shangdong Garden No. 118 Xianlin Avenue Qixia District Nanjing, Jiangsu Province PRC	Chinese
<i>Executive Directors</i>			
Mr. XU Xiuxian (徐秀賢)	Chief Executive Officer and Executive Director	Room 3417 Huali Guoji No. 67 Zhujiang Road Xuanwu District Nanjing, Jiangsu Province PRC	Chinese
Mr. ZHAO Liangsheng (趙亮生)	Executive Director, Chief Financial Officer, Secretary to the Board and Vice President	Room 402 Building 406 Xuri Yuan Xuanwu District Nanjing, Jiangsu Province PRC	Chinese
<i>Non-executive Directors</i>			
Mr. WANG Jian (王健)	Non-executive Director	Room 601 Building 05 No. 69-1, Beijing West Road Gulou District Nanjing, Jiangsu Province PRC	Chinese
Mr. CAI Zhongqiu (蔡仲秋)	Non-executive Director	Room 1407 Building 1 No. 32 Beiyuan Road Chaoyang District Beijing PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Position</u>	<u>Address</u>	<u>Nationality</u>
Mr. WANG Yi (王軼)	Non-executive Director	Jinhu Feicuishan No. 26 Feicui Second Street Baiyun District Guangzhou, Guangdong Province PRC	Chinese
<i>Independent non-executive Directors</i>			
Mr. LIU Xiangdong (劉向東)	Independent Non- executive Director	2501, Block 14 Vanke Xingyuan Yangshan Road Chaoyang District Beijing PRC	Chinese
Mr. CHENG Zichuan (程子傳)	Independent Non- executive Director	Unit B 29th Floor Block 6 The Pavilia Hill 18A, Tin Hau Temple Road Hong Kong	Chinese
Mr. HUANG Shun (黃順)	Independent Non- executive Director	No. 31, Laifeng Street Qinhuai District Nanjing, Jiangsu Province PRC	Chinese

SUPERVISORS

<u>Name</u>	<u>Position</u>	<u>Address</u>	<u>Nationality</u>
Mr. WANG Xinghua (王興華)	Chairman of the Board of Supervisors	1321, Block 4 Longfor Beichenxingzuo No. 13, Xinghuo Road Pukou District Nanjing, Jiangsu Province PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Position	Address	Nationality
Mr. LI Wei (李煒)	Supervisor	Room 101 No. 32, Shiziqiao Nanjing, Jiangsu Province PRC	Chinese
Mr. Mao Yijun (毛宜軍)	Supervisor	Room 605 Building 8 Shengtai New Apartment Nanjing, Jiangsu Province PRC	Chinese

For the biographies and other relevant information of the Directors and Supervisors, see “Directors, Supervisors and Senior Management”.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors and Joint Representatives	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Citigroup Global Markets Asia Limited 50th Floor, Champion Tower 3 Garden Road Central Hong Kong
	China Renaissance Securities (Hong Kong) Limited Units 8107-08, Level 81 International Commerce Centre 1 Austin Road West Kowloon Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators

**China International Capital Corporation
Hong Kong Securities Limited**
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Citigroup Global Markets Asia Limited
50th Floor, Champion Tower
3 Garden Road
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Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre 248 Queen's Road East Wanchai, Hong Kong
Company's Website	<u>www.htd.cn</u> <i>(This website and the information contained on this website do not form part of this prospectus)</i>
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Authorized Representatives	Mr. Wang Jianguo Room 510, Building 38 Shangdong Garden No.118 Xianlin Avenue Qixia District Nanjing, Jiangsu Province PRC Ms. Au Wai Ching ACIS, ACS 40/F, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
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Mr. WANG Yi
Mr. LIU Xiangdong

Nomination Committee

Mr. CHENG Zichuan (*Chairman*)
Mr. WANG Yi
Mr. LIU Xiangdong

Remuneration and Assessment Committee

Mr. LIU Xiangdong (*Chairman*)
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Principal Bankers

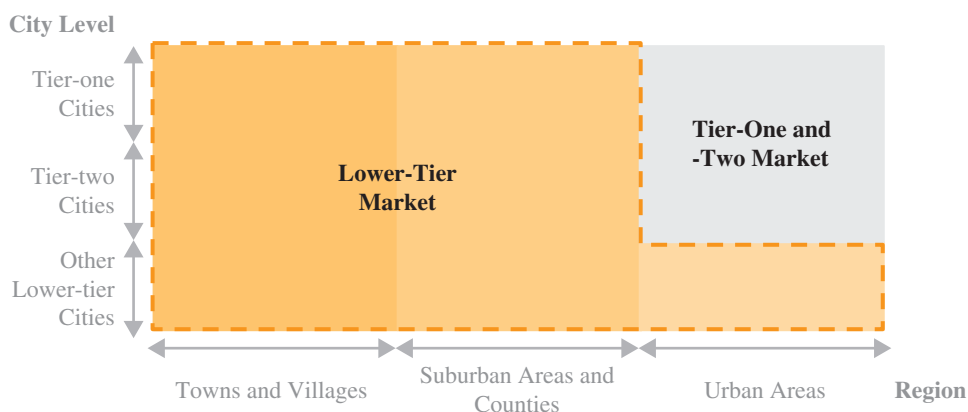
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INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan. We engaged Frost & Sullivan to prepare an independent industry report in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Underwriters or any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

CHINA'S MASSIVE LOWER-TIER MARKET WITH STRONG GROWTH MOMENTUM

Over the past years, China's retail market has experienced a steady growth with the market size of the overall retail market increasing by a CAGR of 8.6% from RMB12.6 trillion in 2015 to RMB19.0 trillion in 2020, the growth of which is especially contributed by the lower-tier retail market, whose market size has grown from RMB9.9 trillion in 2015 to RMB15.1 trillion in 2020, representing a CAGR of 8.8%. According to the Frost & Sullivan Report, it is expected that China's retail market will further grow to RMB25.8 trillion in 2025, out of which the lower-tier retail market would contribute RMB20.6 trillion. China's lower-tier market represents the vast regions outside the urban areas of the tier-one and -two cities in China, according to the Frost & Sullivan Report. Compared to the lower-tier market, the tier-one and -two market, namely the urban areas of the tier-one and -two cities, is generally more developed in economic status, has better infrastructure, more pivot transportation and concentrated commerce resources. Meanwhile, benefiting from a large population, rising income level, as well as favorable policy trends, China's lower-tier retail market has increasingly contributed to the overall retail market with huge growth potential. According to the Frost & Sullivan Report, the permanent resident population in China's lower-tier market reached 1.23 billion by the end of 2020, accounting for over 87% of China's total population. With the continued improvement in living standards and support from local governments, the GDP of China's lower-tier market has grown from RMB53.0 trillion in 2015 to RMB78.8 trillion in 2020, which accounted for 77.6% of China's total GDP in 2020, and is expected to further increase to RMB109.9 trillion by 2025.



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Driven by rising disposable income and stronger consumer spending appetite, increasing demand for quality merchandise and services, and favorable government policies, China's lower-tier retail market is expected to experience a robust growth with significant potential.

- **Rising per capita disposable income and stronger consumer spending appetite**

According to the Frost & Sullivan Report, the annual per capita disposable income in China's lower-tier market is expected to grow at a CAGR of 7.2% from approximately RMB29,000 in 2020 to approximately RMB40,000 in 2025, higher than the growth of 6.3% in the tier-one and -two market. According to the Frost & Sullivan Report, the increasing household income level is expected to lead to stronger consumer spending power in the lower-tier market. The market size of China's lower-tier retail market is also expected to increase from RMB15.1 trillion in 2020 to RMB20.6 trillion in 2025.

- **Increasing demand for quality merchandise and services**

With the continuous increase in per capita disposable income, consumers in China's lower-tier market are gradually shifting from simply purchasing goods to seeking quality merchandise and services. In addition, with the industry's shifting focus to consumption upgrade and emergence of new retail models, consumers in the lower-tier market are increasingly valuing quality merchandise and shopping experience. The demand for upgraded merchandise and service quality is expected to further propel the growth of China's lower-tier retail market.

As consumers in China's lower-tier market are increasingly focused on merchandise and service quality, their spending on merchandise with higher value and expectation for customer service and consumption experience has also increased. For example, according to the Frost & Sullivan Report, the total retail sales of durable goods and agricultural means of production in China's lower-tier market is expected to grow from RMB4.7 trillion in 2020 to RMB7.3 trillion in 2025 with a CAGR of 9.4%, which is higher than the growth rate of the overall lower-tier retail market in China.

- **Favorable government policies**

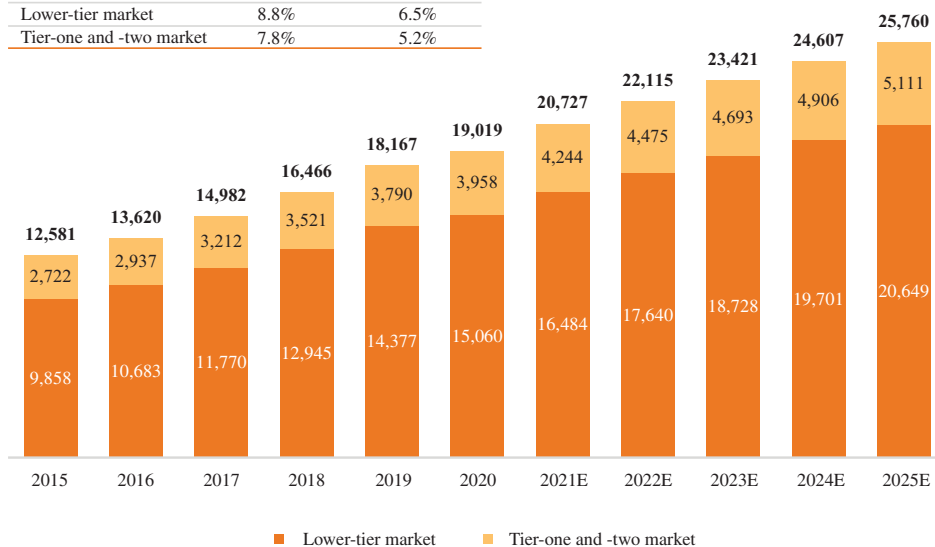
The rapid development of China's lower-tier retail market is also driven by the government's continued efforts to enhance the infrastructure in the lower-tier market. "Rural revitalization" became a national development strategy in 2017, and was further emphasized in China's 14th Five-Year Plan (2021-2025), in which a series of initiatives were introduced to further drive the digitalization and modernization of China's lower-tier retail market.

INDUSTRY OVERVIEW

Market Size of China's Retail Market

(RMB in billions)

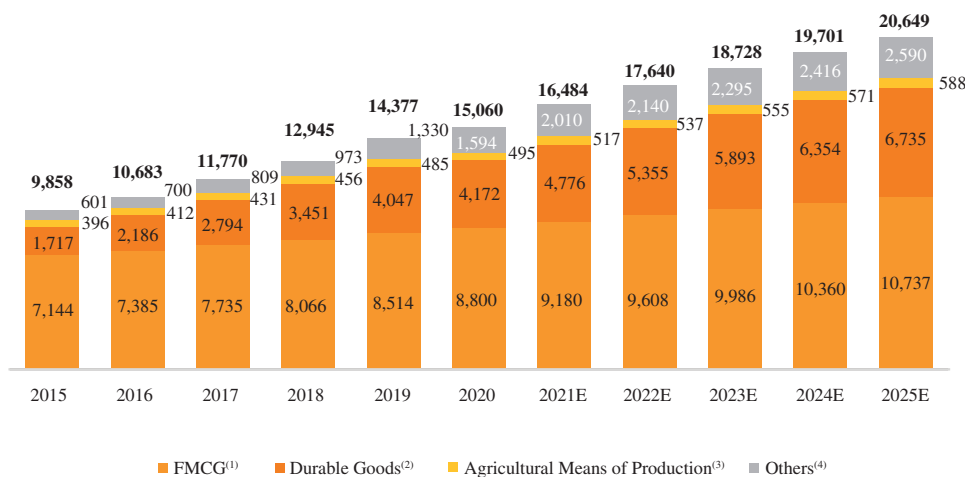
CAGR	2015-2020	2020-2025E
Total	8.6%	6.3%
Lower-tier market	8.8%	6.5%
Tier-one and -two market	7.8%	5.2%



Market Size of China's Lower-Tier Retail Market

(RMB in billions)

CAGR	2015-2020	2020-2025E
FMCG	4.3%	4.1%
Durable goods	19.4%	10.1%
Agricultural means of production	4.6%	3.5%
Others	21.5%	10.2%



Notes:

- (1) FMCG includes food, liquor and beverage, beauty and personal care, household products, tobacco, maternal and infant products.
- (2) Durable goods include household appliances, consumer electronics, and homebuilding and renovation materials.
- (3) Agricultural means of production include chemical fertilizers, pesticides and agricultural machinery.
- (4) Others include vehicles and auto parts, clothing, pet supplies, over-the-counter drugs and other products.

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CHINA'S DISTINCTIVE LOWER-TIER RETAIL MARKET

According to the Frost & Sullivan Report, by the end of 2020, the permanent resident population in China's lower-tier market reached 1.23 billion. In addition, there were approximately 38,000 administrative divisions subject to town-level governance as of December 31, 2020. Underpinned by the massive population and vast geographical coverage, China's lower-tier retail market has followed a different development trajectory from the tier-one and -two market with distinct market attributes and consumption characteristics, which are especially prominent in the town-and-village market.

- **Geographical attributes:** The regional customs and languages differ greatly among various regions in China's lower-tier market, and hence a tailored business model is required to effectively respond to the varied demands of local consumers.
- **Merchandise categories:** In contrast to the tier-one and -two market, durable goods and agricultural means of production account for a larger proportion of the total retail value in China's lower-tier retail market, especially in the town-and-village market. According to the Frost & Sullivan Report, durable goods and agricultural means of production contributed 28.2% and 3.6% of the total retail value in China's town-and-village market in 2020, respectively, compared to 23.5% and 0.3% in the tier-one and -two market, respectively. For the merchandise of higher value and associated with more offline services and interactions, pure online platforms cannot fully address consumers' demands. Additionally, these merchandise categories typically cover a broad range of merchandise which are less standardized. As a result, there is a greater demand for offline interactions and services in China's lower-tier retail market.
- **Social attributes:** Relationship has a significant influence on local economy in China's lower-tier market. Consumers in the lower-tier market typically make purchasing decisions based on the trust and connections that they have built with local retail stores, particularly when there are a wide range of options with rather limited information available to them. Hence, retail stores play a critical role in China's lower-tier retail market.
- **Spending habits:** Consumers in the lower-tier market are more price-sensitive and demand greater flexibility in terms of pricing and payment arrangements. They also place greater emphasis on the timeliness and convenience of their purchases, and generally prefer instant pick-up of the purchased goods. For merchandise categories such as household appliances, homebuilding and renovation materials and agricultural means of production, consumers' purchasing decisions are highly dependent on in-store experience and availability of customer services.

As a result of the aforementioned characteristics, the retail industry in China's lower-tier market remains highly reliant on offline retail stores, which play an indispensable role during the transaction process. According to the Frost & Sullivan Report, as of December 31, 2020, there were over 4.7 million offline retail stores in China's lower-tier market, while the transaction value completed via offline channels reached RMB10.7 trillion in 2020, which accounted for over 70% of the total transaction value of China's lower-tier retail market.

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CHALLENGES IN CHINA’S LOWER-TIER RETAIL INDUSTRY VALUE CHAIN

The retail industry in China’s lower-tier market is hindered by the excessively layered and lengthy transaction process along the value chain, as well as a relatively low level of digitalization within the industry, especially in the town-and-village market. In terms of merchandise distribution, as the traditional multi-layered distribution system is overly fragmented and ineffective, along with the less-developed transportation and logistics infrastructure, last-mile delivery remains the major challenge with high delivery cost and frequent delays. Additionally, the lack of industry-wide infrastructures and effective cooperation for information sharing among the various participants along the value chain leads to low efficiency in the industry and presents numerous challenges.

- **Inefficient sales and distribution network.** The complicated distribution network leads to information asymmetry in China’s lower-tier retail market. Retail stores have inadequate access to stable supply of merchandise and have difficulties in meeting consumers’ increasingly diversified needs. Moreover, the actual demands and preferences of consumers cannot be efficiently delivered to suppliers.
- **Lack of digital solutions for retail stores.** Retail stores in China’s lower-tier market generally lack effective digital solutions for their customer, inventory and working capital management. In addition, their ability to conduct sales and marketing activities via emerging digital channels remains underdeveloped and presents an obstacle for further scale expansion.
- **Unsatisfying consumption experience.** Consumers in China’s lower-tier market normally face a wide range of merchandise with low quality assurance and limited information. In addition, due to the lengthy transaction process and layers of parties involved, along with the less-developed logistics infrastructure, consumers in the lower-tier market may bear higher purchase costs. There is significant room for improvement in the consumption experience compared to that in the tier-one and -two market.

Participants in China’s Lower-tier Retail Industry Value Chain

	Suppliers	Distributors	Retail Stores	Consumers
Current status and pain points	<ul style="list-style-type: none"> • Standard merchandise that might not meet diversified and local demands • Inefficient, excessively layered distribution channel network 	<ul style="list-style-type: none"> • Lack of diversified sourcing channels, and high reliance on limited suppliers • Unable to provide a comprehensive suite of customer services 	<ul style="list-style-type: none"> • Primarily local retail stores with main customer source from nearby areas • Limited merchandise offerings with low quality assurance and less competitive prices 	<ul style="list-style-type: none"> • Price sensitive and greater reliance on personal relationships with local retail stores and word-of-mouth recommendations • Varied and long-tail demands unsatisfied by existing merchandise and services

INDUSTRY OVERVIEW

	Suppliers	Distributors	Retail Stores	Consumers
Pressing needs	<ul style="list-style-type: none"> • To develop merchandise meeting consumers' diversified, local and evolving demands • More efficient sales network in the lower-tier market 	<ul style="list-style-type: none"> • More and stable sourcing options for better merchandise at attractive prices • Capabilities to provide value-added services to customers 	<ul style="list-style-type: none"> • Effective online and offline marketing strategy and digital solutions • Stable supply channels with pricing advantages 	<ul style="list-style-type: none"> • Broader selection of better quality and value for money products • Access to superior consumption experience with more diversified channels

China's lower-tier retail industry features a massive and fast-growing market with distinctive characteristics, while the industry participants are still faced with numerous challenges to be addressed. This provides further opportunities for digital transformation of the entire value chain.

DIGITALIZATION AND ONLINE MIGRATION OF CHINA'S LOWER-TIER RETAIL MARKET

Due to the complex and lengthy industry value chain and disperse consumption demands, online penetration rate has remained low in China's lower-tier retail market. However, with increasing internet penetration and technology development, online migration and digitalization of the entire value chain are also gradually taking place in China's lower-tier retail market and present significant potential.

The digitalization of China's lower-tier retail industry value chain began with consumers increasingly migrating to e-commerce platforms for online shopping. Meanwhile, due to the unique market dynamics, online platforms cannot fully address consumers' demands. In particular, for merchandise with higher value and demanding greater customer service, offline retail stores can leverage their service capabilities to provide an informative and convenient shopping experience, from merchandise recommendations to delivery. According to the Frost & Sullivan Report, the online penetration rate for the durable goods and agricultural means of production categories in China's town-and-village market was only 30.9% and 0.9% in 2020, respectively.

In the meantime, traditional offline retail stores in the lower-tier market also have a strong desire to transform their business model with holistic digital solutions to help them stay up-to-date with consumers' evolving demands and enhance operating efficiency, thereby lowering costs while increasing sales. The digital empowerment for offline retail stores is expected to further drive the digitalization of other industry participants, further improving the efficiency of the entire value chain and consumer experience in China's lower-tier retail market.

INDUSTRY OVERVIEW

COMMERCE AND SERVICE PLATFORMS IN CHINA'S LOWER-TIER RETAIL MARKET

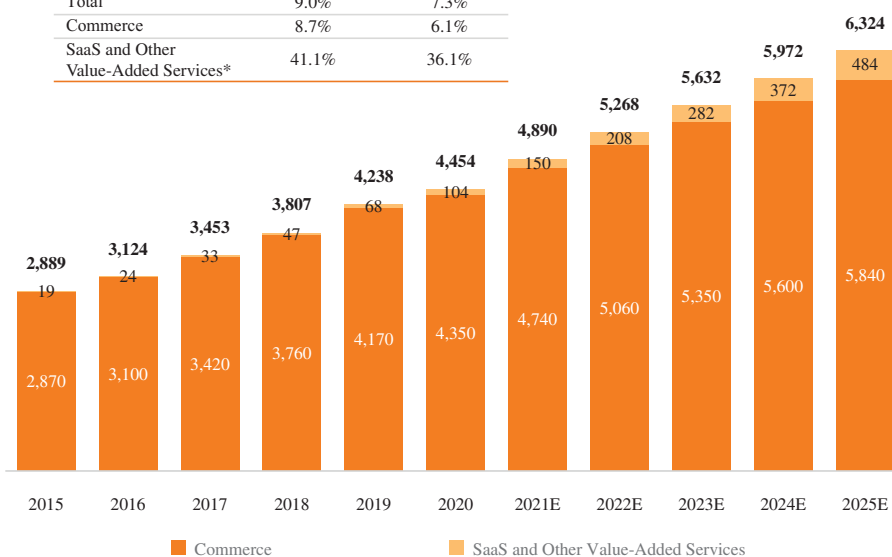
Various service providers have emerged with different business models to address the requirements of retail stores, distributors and suppliers in China's lower-tier retail market. Commerce platforms primarily engage in commerce business with a focus on supply chain solutions, transaction facilitation, logistics and delivery, and after-sales support, among others. SaaS and other value-added service providers offer a variety of operational management, inventory management and other system support and upgrading services. The commerce and service industry in China's lower-tier retail market comprises the commerce business and the SaaS and other value-added services provided by the aforementioned service providers.

The overall expansion of China's lower-tier retail market, consumers' increasing emphasis on consumption quality and the shift in industry focus towards operational optimization have all contributed to the growing demand for digital transformation and upgrade in the industry. Additionally, the advancements in China's information technology infrastructure and emergence of new technologies such as big data, cloud computing and 5G have laid a solid foundation for the development and rapid iteration of the commerce and service industry in China's lower-tier retail market. This is further complemented by the government's continued efforts to promote the digitization of the lower-tier retail market industry value chain and improve the internet and logistics infrastructure in the lower-tier market.

Market Size of the Commerce and Service Industry in China's Lower-tier Retail Market

(RMB in billions, by transaction value)

CAGR	2015-2020	2020-2025E
Total	9.0%	7.3%
Commerce	8.7%	6.1%
SaaS and Other Value-Added Services*	41.1%	36.1%



* Other Value-Added Services include advertising and marketing solutions for the retail stores

INDUSTRY OVERVIEW

Apart from the service providers who only focus on either commerce business or SaaS and other value-added services, some platforms, the commerce and service platforms, provide both commerce and SaaS and other value-added services to businesses in China's lower-tier retail market. Given the distinct nature of the lower-tier retail market in China, such platforms start with providing transaction services to offline retail stores and gradually expand to wholesalers along the value chain, while further supplement with SaaS and other value-added services to enhance customer stickiness, increase transaction value and enhance monetization capability.

By providing empowerment solutions and services in China's lower-tier retail market and with a focus on the transaction process, commerce and service platforms can effectively integrate the fragmented data of merchandise, transactions, and logistics among various industry participants, thereby improving transaction efficiency and elevating customer experience. In addition, such platforms also provide value-added services including SaaS, advertising and marketing solutions, warehousing and logistics services for suppliers, wholesalers and retail stores, which help to reduce their costs and improve operating efficiency. For instance, these value-added services could help the retail stores enhance their sales and supply chain management. According to the Frost & Sullivan Report, the retail stores utilizing relevant services provided by such platforms have generally experienced improvement in operating income and inventory turnover, as well as reduction in the cost of operations. Higher efficiency and increasing income of the various participants are expected to lead to greater willingness to engage with and purchase the services offered by such commerce and service platforms. At the same time, as the platforms assume more roles and responsibilities in the industry value chain, its share of revenue and profit margin are also expected to increase accordingly.

Competitive Landscape

According to the Frost & Sullivan Report, the key consideration for determining the competitive landscape should generally be based on the target market and customer base that the platforms are serving. The retail industry in both the lower-tier market and the overall PRC market remains highly fragmented and less penetrated by digitalization, and among the commerce platforms serving businesses in the retail industry in China, Huitongda ranked first and third in terms of transaction value of commerce business in the lower-tier market and in the overall PRC market in 2020, respectively, with a market share of less than 1% in each market, according to the Frost & Sullivan Report.

The following tables set out major commerce platforms serving businesses in China's retail industry, in terms of the transaction value of commerce business in the lower-tier market and in the overall PRC market in 2020, respectively, according to the Frost & Sullivan Report. These major commerce platforms operate under different business models, namely direct sales and marketplace models. According to the Frost & Sullivan Report, it is not uncommon within the industry that the market players operate under a mixture of both direct sales and marketplace models, while the proportion of each model differs among players due to their own business strategies. Meanwhile, from the perspective of the businesses in the retail industry in China, when making their procurement decisions, they generally do not show a particular

INDUSTRY OVERVIEW

preference over which model these platforms adopt, as both direct sales and marketplace models can address the same customer demands. Therefore, according to the Frost & Sullivan Report, players with different business models are eventually serving the same target market and would be considered within the same competitive landscape.

Ranking	Platform	Transaction Value of Commerce Business in the Lower-tier Market (RMB in billions)	Market Share of the Commerce Platform Industry in the Lower-tier Market	Merchandise Categories	SaaS Subscription Model	Business Descriptions	Main Business Model
1	Huitongda (匯通達)	~32	0.7%	★ Durable Goods • Agricultural Means of Production • Transportation • FMCG • Others	Payable + Free	With its distinct business model and digitalization capabilities, Huitongda is committed to providing commerce and value-added services to businesses in China's retail market (especially town-and-village market)	Direct sales
2	Alibaba Lingshoutong (阿里零售通) ⁽¹⁾	~27	0.6%	★ FMCG	Free	A platform operated by a US and HK listed company, focusing on new retail in communities and mainly providing sourcing, logistics, marketing, and other value-added services for community retail stores.	Marketplace
3	Jingxitong (京喜通)	~23	0.5%	• Durable Goods • Agricultural Means of Production ★ FMCG	Free	A platform operated by a US and HK listed company, focusing on providing sourcing, logistics, marketing, and other value-added services for retail stores in the lower-tier market.	Marketplace
4	Suning Retail Cloud (蘇寧零售雲)	~23	0.5%	★ Durable Goods • FMCG • Others	Free	A platform operated by a China listed company, serving retail stores in the town-and-village market, helping them achieve digitalization by providing sourcing, inventory, customer management and marketing services.	Direct sales
5	Tmall Youpin (天貓優品) ⁽¹⁾	~15	0.3%	★ Durable Goods • FMCG	Free	A platform operated by a US and HK listed company and mainly dedicated to digitalizing the supply chain channels and providing value-added services to retail stores in the town areas.	Direct sales

★ Represents the main product type in the commerce business

Note:

- (1) According to the Frost & Sullivan Report, these two platforms are ultimately controlled by the same group but have independent operations and differentiated business models.

Ranking	Platform	Transaction Value of Commerce Business in the Overall PRC Market (RMB in billions)	Market Share of the Commerce Platform Industry in the Overall PRC Market	Merchandise Categories	SaaS Subscription Model	Business Descriptions	Main Business Model
1	Tianyin (天音)	~61	1.0%	★ Durable Goods	N/A	A platform operated by a China listed company, mainly focusing on mainstream affordable premium and premium smartphone brands and mobile virtual network operator ("MVNO") business.	Direct Sales
2	Aisidi (愛西迪)	~59	0.9%	★ Durable Goods	N/A	A platform operated by a China listed company, focusing on distribution services for consumer electronics products and MVNO business.	Direct Sales
3	Huitongda (匯通達)	~54	0.9%	★ Durable Goods • Agricultural Means of Production • Transportation • FMCG • Others	Payable + Free	With its distinct business model and digitalization capabilities, Huitongda is committed to providing commerce and value-added services to businesses in China's retail market (especially town-and-village market).	Direct Sales
4	Alibaba Lingshoutong (阿里零售通)	~38	0.6%	★ FMCG	Free	A platform operated by a US and HK listed company, focusing on new retail in communities and mainly providing sourcing, logistics, marketing, and other value-added services for community retail stores.	Marketplace
5	Jingxitong (京喜通)	~23	0.4%	• Durable Goods • Agricultural Means of Production ★ FMCG	Free	A platform operated by a US and HK listed company, focusing on providing sourcing, logistics, marketing, and other value-added services for retail stores in the lower-tier market.	Marketplace

★ Represents the main product type in the commerce business

According to the Frost & Sullivan Report, these commerce platforms have all served retail stores in their businesses. For example, Huitongda has adopted a membership model where the local retail stores register as member stores with the platform. For the other platforms, a store would be authorized to transact on the platform after a security deposit is paid and the authorization application is approved. In terms of offline service capabilities, according to the Frost & Sullivan Report, Huitongda has established a local service network with client managers who provide training, planning and execution of marketing campaigns and activities, and manage member stores' merchandise sourcing, among others. According to the Frost & Sullivan Report, the other platforms have also established their own offline service teams who are mainly responsible for the development and management of stores and promotion of the platforms' businesses.

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According to the Frost & Sullivan Report, certain corporations operate several platforms within the same industry, while among these individual platforms, they generally have strong operational and organizational independence and business segregation, and also differ in terms of business model and strategy, target customers, and product and service offerings, etc. Among the corporations that engage in the commerce and service industry for businesses in the retail industry in China, Huitongda ranked second and third in terms of transaction value of commerce business in the lower-tier market and in the overall PRC market in 2020, respectively, according to the Frost & Sullivan Report.

Key Success Factors and Entry Barriers

- **Scale and quality of the offline retail store network**

Offline retail stores are fundamental to China's lower-tier retail market. Serving as a gateway to local consumers, offline retail stores play a key role in helping brand manufacturers reach, understand and serve more consumers in the lower-tier market. Commerce and service platforms with extensive offline retail store network have significant advantages in China's lower-tier retail market. Additionally, a platform needs to be strategic in covering the key offline retail stores based on population density and location importance, such as the ones located in local economic hubs. Broad and in-depth coverage of offline retail stores by a commerce and service platform enables effective reach of, and engagement with, consumers in the lower-tier retail market thereby attracting more industry participants along the value chain and creating a virtuous cycle in the ecosystem.

- **Depth and breadth of services offered**

Retail stores in the lower-tier market are looking beyond the basic services. In order to better serve their customers, commerce and service platforms need to provide effective services and solutions to help industry participants improve operational efficiency, such as SaaS, marketing, logistics and other value-added services. By creating value to participants along the industry value chain, platforms not only help them meet consumers' evolving demands and earn their trust, but also enhance the participants' stickiness to the platforms. With a comprehensive suite of value-added services, a platform can attract more stakeholders to the platform, creating a flywheel effect which promotes further value and growth potential through stronger connection among the suppliers, distributors, retail stores, consumers and other participants.

- **Access to quality supply chain resources**

Access to quality supply chain resources is a key factor for retail stores in the lower-tier market when selecting the commerce and service platforms. The rich supply chain resources and merchandise portfolio meeting the market demands are of great importance in helping the retail stores expand merchandise categories, improve merchandise quality, grow customer base, reduce cost and further enhance consumer engagement and store reputation. In addition, an increasing number of retail stores and consumers covered would also further enhance the value of the platforms to suppliers and other industry participants.

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- **Robust technology capabilities**

Commerce and service platforms that provide effective digital solutions for the value chain can help suppliers, distributors, retail stores and other industry participants to further expand their business. This also helps the platforms in accumulating data and in-depth market insights, which addresses the fundamental challenges faced by participants in China's lower-tier retail market.

- **Effective service team**

In order to offer a satisfactory service to the businesses in the lower-tier retail market, it is important to establish an effective and localized team with a deep understanding of local customs and strong ability to foster cultural affinity. Moreover, the ability to provide a wholehearted in-person client interaction is crucial for a platform to accumulate a massive and loyal customer base over the long run.

FURTHER OPPORTUNITIES

The market opportunities in China's lower-tier retail industry is gradually shifting from the demand side to the supply side. By leveraging the established network coverage, extensive infrastructure, data and technology capabilities and service capabilities, leaders of the commerce and service platforms in China's lower-tier retail market can better capture the opportunities and explore monetization across the entire value chain. These industry leaders could also empower different participants along the value chain by providing customized services, and promote industry upgrade.

- By empowering both the supply and demand sides, effectively collecting information on consumers' demands and promptly providing feedback to the supply side, the leading platforms are able to enhance information transparency, optimize resource allocation, and improve efficiency across the entire value chain.
- The accumulated experience enables the leading platforms to gain a better understanding of the needs of various participants along the industry value chain, as well as optimizing the merchandise and services which could in turn attract more participants with additional transaction and service opportunities, eventually creating a flywheel effect for the leading platforms.

In view of China's massive lower-tier retail market, leading platforms could further expand their business boundaries and extend their service categories to adjacent markets. Leveraging their established resources and competitive advantages, some platforms have already begun to enter into other businesses such as logistics and data analytics, which could further drive the efficiency improvement and cost reduction in the industry. According to the Frost & Sullivan Report, the market size of the logistics services sector in China's lower-tier market was RMB3.6 trillion in 2020 and is expected to reach RMB5.6 trillion in 2025; meanwhile, the market size of the data analytics services sector in China's lower-tier market was RMB25 billion in 2020 and is projected to reach RMB62 billion in 2025.

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SOURCE

We engaged Frost & Sullivan, an independent market research consulting firm, to conduct a detailed analysis of the Chinese market for the Global Offering and to prepare industry reports on the commerce and service industry in China's lower-tier retail market. Frost & Sullivan is an independent global consulting firm founded in 1961 in the United States. Its main business includes providing market research and consulting services for various industries, conducting industry research and providing market and corporate strategy and consulting services. We have incurred costs and expenses amounting to RMB600,000 in connection with the preparation of the Frost & Sullivan Report. The payment is not contingent on the success of our Global Offering or on the outcome of Frost & Sullivan Report. Other than the Frost & Sullivan Report, we have not commissioned the preparation of any other industry reports in connection with the Global Offering.

In preparation for the Frost & Sullivan Report, Frost & Sullivan studied the data from primary and secondary sources and obtained knowledge, statistics, information and industry insights about industry trends in the target markets studied. The study of data from primary sources involved interviews with leading market participants, suppliers, customers and well-known third-party industry associations. The study of data from secondary sources involved reviewing company reports, independent research reports, and data from Frost & Sullivan's own research database. Frost & Sullivan has independently verified the data, but the accuracy of its conclusions is heavily dependent on the accuracy of the data collected. The research of Frost & Sullivan is subject to the accuracy of the assumptions used and the choice of primary and secondary sources.

When developing and preparing the research report, Frost & Sullivan assumed that the social, economic and political environment in the relevant markets remain stable during the forecast period to ensure the stable and healthy development of the retail market and the related industries. Further, Frost & Sullivan's forecast is based on the following bases and assumptions: China's economy maintains steady growth over the next decade, and the regional social, economic and political environment remains stable during the forecast period. In addition, the retail sector in the lower-tier market and other relevant markets in China is expected to develop on the basis of the relevant macroeconomic assumptions.

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OVERVIEW

Our business in the PRC is subject to extensive supervision and regulatory control by the PRC government. This section sets out a summary of relevant laws and regulations that may have material impact on our business.

REGULATIONS ON CORPORATION AND FOREIGN INVESTMENT

The establishment, operation, management of the corporate entity in China is governed by the Company Law of PRC (《中華人民共和國公司法》) which was promulgated in on December 29, 1993 by the standing committee of the National Congress of the PRC, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The Company Law of the PRC generally governs limited liability companies and joint stock limited companies, both of which have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed.

On March 15, 2019, the National People’s Congress promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**FIL**”) which replaces the prior foreign investment related laws, namely the Sino-foreign Equity Joint Venture Enterprise Law of the PRC, the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC and the Wholly Foreign-invested Enterprise Law of the PRC, together with the relevant ancillary regulations. The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List**”), which was promulgated by the National Development and Reform Commission of the PRC (the “**NDRC**”) and the Ministry of Commerce (the “**MOFCOM**”) on December 27, 2021 and the Catalogue of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》) (the “**Encouraging Catalog**”), which was promulgated by the NDRC and the MOFCOM on December 27, 2020, replace the previous negative list and encouraging catalogue and list the categories of encouraged, restricted, and prohibited industries.

The FIL, along with the Encouraging Catalog and the Negative List form the framework for foreign investment in China, which classify the business into three categories: “encouraged”, “restricted”, “prohibited”. Industries not listed into the Encouraging Catalog and Negative List deems as falling into the “Permitted” category unless restricted by other PRC law.

According to the Negative List, to issue shares abroad and be listed for trading shares overseas, any domestic enterprise engaging in the fields prohibited by the Negative List shall obtain the consent of the relevant competent authorities of the State, and the overseas investors shall not participate in the operation and management of the enterprise, and overseas investors’ shareholding percentage shall be subject to the relevant provisions by the administration of domestic securities investment for the overseas investors.

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As a commerce and service platform dedicated to serving businesses operating in China's retail market, we provide both commerce business and service business to our customers. To be more specific, we procure products, including household appliances, consumer electronics, agricultural means of production, and other products, from our suppliers and distribute mainly to wholesaler customers and member stores under the commerce business. In addition, we mainly offer SaaS+ and merchant solutions to retail stores and wholesalers along the industry value chain under the service business. We also offer certain other services that are ancillary to the aforementioned two main businesses, including maintenance and installation services along with the sales of merchandise, sales planning services and others. Based on the above, our PRC legal advisor is of the view that our business does not fall within the "prohibited" category listed in the Negative List, and thus we would not be required to obtain the above mentioned consent from the relevant competent authorities of the State regarding the proposed Listing.

LICENSES AND PERMITS

Value-added telecommunication business

The Regulations for Administration of Foreign-invested Telecommunications Enterprises (《外商投資電信企業管理規定》) promulgated by the State Council in December 2001 and subsequently amended in September 2008 and February 2016 set forth detailed requirements with respect to capitalization, investor qualifications and application procedures in connection with the establishment of a foreign-invested telecommunications enterprise. These regulations prohibit a foreign entity from owning more than 50% of the total equity interest in any value-added telecommunications service business in China and require the major foreign investor in any value-added telecommunications service business in China have a good and profitable record and operating experience in this industry. However, the Negative List allows foreign investors to hold more than 50% equity interests in a value-added telecommunications service provider engaging in e-commerce, domestic multiparty communication, storage-and-forward and call center businesses.

In July 2006, the Ministry of Information Industry (the "MIIT"), the predecessor of the Ministry of Industry and Information Technology, issued the Circular on Strengthening the Administration of Foreign Investment in the Operation of Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》), pursuant to which, a PRC domestic company that holds an operating license for value-added telecommunications business, which we refer to as a Value-added Telecommunication License (the "VAT License"), is prohibited from leasing, transferring or selling the VAT License to foreign investors in any form and providing any assistance, including resources, sites or facilities, to foreign investors that conduct a value-added telecommunications business illegally in the PRC. Further, the domain names and registered trademarks used by an operating company providing value-added telecommunications services must be legally owned by that company or its shareholders. In addition, the company's operational premises and equipment must comply with the approved coverage region on its VAT License, and the company must establish and improve its internal Internet and information security policies and standards and emergency management

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procedures. If a VAT License holder fails to comply with the requirements and fails to remedy such non-compliance within a specified period of time, the MIIT or its local counterparts have the discretion to take administrative measures against the License holder, including revoking its VAT License.

The Telecommunications Regulations (《電信條例》) promulgated by the State Council and its related implementation rules, including the Catalog of Classification of Telecommunications Business (《電信業務分類目錄》) issued by the MIIT, categorize various types of telecommunications and telecommunications-related activities into basic or value-added telecommunications services, and online data processing and transaction processing services, along with information service are classified as value-added telecommunications businesses. Under the Telecommunications Regulations, commercial operators of value-added telecommunications services must first obtain a VAT License from the MIIT or its provincial level counterparts. In 2017, the MIIT replaced the Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》) promulgated in 2009 by promulgating the Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), which set forth more specific provisions regarding the types of Licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such Licenses and the administration and supervision of such Licenses.

Food operation license

The Administrative Measures on Food Operation Licensing (《食品經營許可管理辦法》) issued by the State Food and Drug Administration in August 2015 and amended in November 2017 regulates the food operation licensing activities, strengthens supervision and management of food operation, and ensures food safety, entities or individuals that intend to engage in food production, food distribution or food service businesses must obtain licenses or permits for such businesses. The food operation license is valid for five years.

Pesticide operation license

According to Measures for the Administration of Pesticide Business Licensing (《農藥經營許可管理辦法》), issued by the Ministry of Agriculture in June 2017 and amended in December 2018, A pesticide operation permit is required for the sale of pesticides within the territory of the PRC, provided the pesticides are operated beyond the business scope, the pesticide operation license shall be deemed as if its pesticide operation permit has not been obtained. The pesticide operation license is valid for five years.

REGULATION ON E-COMMERCE

In March 2021, the State Administration for Market Regulation promulgated the Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》) to regulate all business activities of selling goods or providing services through information networks. It sets out stringent requirement for the collection and usage of

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consumer information, reveals the outcome for conducting false or misleading commercial promotions. The MOFCOM promulgated the Provisions on the Procedures for Formulating Transaction Rules of Third-Party Online Retail Platforms (Trial) (《網絡零售第三方平台交易規則制定程序規定(試行)》) in December 2014 to guide and regulate the formulation, revision and enforcement of transaction rules by third-party online retail platforms operators. In August 2018, the Standing Committee of the National People's Congress (the "SCNPC") promulgated the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), which aims to regulate the e-commerce activities conducted within the territory of the PRC. Pursuant to the E-Commerce Law, an e-commerce platform operator shall (i) collect, verify and register the truthful information submitted by the third-party merchants that apply for selling products or providing services on its platform, including the identities, addresses, contacts and Licenses, establish registration archives and update such information on a regular basis; (ii) submit the identification information of the third-party merchants on its platform to market regulatory administrative department in accordance with regulations and remind the third-party merchants to complete the registration with market regulatory administrative department; (iii) submit identification information and tax-related information of the third-party merchants on its platform to tax authorities in accordance with the laws and regulations regarding the administration of tax collection and remind the individual third-party merchants to complete the tax registration; (iv) record and retain the information of the products and services and the transaction information on its platform for no less than 3 years; (v) display the platform service agreement and the transaction rules or links to such information on the homepage of the platform; (vi) display the noticeable labels regarding the products or services provided by the platform operator itself on its platform, and take liabilities for such products and services; (vii) establish a credit evaluation system, display the credit evaluation rules, provide consumers with accesses to make comments on the products and services provided on its platform, and restrain from deleting such comments; and (viii) establish intellectual property protection rules, and take necessary measures when any intellectual property rights holder notify the platform operator that his intellectual property rights have been infringed. An e-commerce platform operator may be subject to warnings and fines up to RMB2,000,000 where it fails to take necessary measures when it knows or should have known that the products or services provided by the third-party merchants on its platform do not meet the personal or property safety requirements or such third-party merchants' other acts may infringe on the lawful rights and interests of the consumers. In addition, an e-commerce platform operator shall take joint liabilities with the relevant third-party merchants on its platform and may be subject to warnings and fines up to RMB2,000,000 where it fails to take necessary measures, such as deleting and blocking information, disconnecting, terminating transactions and services, when it knows or should have known that the third-party merchants on its platform do not meet the personal or property safety requirements or such third-party merchants' other acts may infringe on the lawful rights and interests of the consumers; or it fails to take necessary measures, such as deleting and blocking information, disconnecting, terminating transactions and services, when it knows or should have known that the third-party merchants on its platform infringe any intellectual property rights of any other third party. With respect to products or services affecting the consumers' life and health, if an e-commerce platform

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operator fails to verify the third-party merchants' qualification or fails to fulfill its obligations to safeguard the safety of consumers, which results in damages to the consumers, it shall take corresponding liabilities and may be subject to warnings and fines up to RMB2,000,000.

REGULATIONS ON CONSUMER PROTECTION AND PRODUCT QUALITY

Consumers Protection

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

Product Quality

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

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manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer. Similarly, if the manufacturer pays compensation and it is the seller that should bear the liability, the manufacturer has a right of recourse against the seller.

REGULATIONS ON INFORMATION SECURITY AND DATA PRIVACY

On 28 May 2020, the National People's Congress of the PRC approved the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”), which has come into effect on 1 January 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that need to obtain personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase, sell, provide or make public personal information of others.

In addition to the Civil Code, the PRC government authorities have enacted other laws and regulations with respect to Internet information security and protection of personal information from any abuse or unauthorized disclosure, which includes the Decision of the SCNPC on Preserving Computer Network Security (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) promulgated by the SCNPC on 28 December 2000 and amended on 27 August 2009, the Provisions on the Technical Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) promulgated by the Ministry of Public Security on 13 December 2005 and becoming effective on 1 March 2006, and the Decision of the SCNPC on Strengthening Information Protection on Networks (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) promulgated by the SCNPC on 28 December 2012.

On 7 November 2016, the SCNPC promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the “**Cyber Security Law**”), which became effective on 1 June 2017. The Cyber Security Law requires network operators to perform certain functions related to cyber security protection and strengthen the network information management. For instance, under the Cyber Security Law, network operator of key information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC. When collecting and using personal information, in accordance with the Cyber Security Law, network operator shall abide by the “lawful, justifiable and necessary” principles. Network operator shall collect and use personal information by announcing rules for collection and use, expressly notify the purpose, methods and scope of such collection and use, and obtain the consent of the person whose personal information is to be collected. Network operator shall not disclose, tamper with or destroy personal information that it has collected, or disclose such information to others without prior consent of the person whose personal information has been collected, unless such information has been processed to prevent specific person from being identified and such information from being restored. Each individual is entitled to require a network operator to delete his or her personal information if he or she finds that collection and use of such information by such operator violate the laws, administrative regulations or the agreement by and between such

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operator and such individual; and is entitled to require any network operator to make corrections if he or she finds errors in such information collected and stored by such operator. Such operator shall take measures to delete the information or correct the error.

At the end of 2019, the Cyberspace Administration of China (the “CAC”), issued the Provisions on Ecological Governance of Network Information Content (《網絡信息內容生態治理規定》), (the “CAC Order No. 5”), which became effective on 1 March 2020, to further strengthen the regulation and management of network information content. Pursuant to the CAC Order No.5, each network information content service platform is required, among others, (i) not to disseminate any information prohibited by laws and regulations, such as information jeopardizing national security; (ii) to strengthen the examination of advertisements published on such network information content service platform; (iii) to promulgate management rules and platform convention, improve user agreement, clarify users’ rights and obligations and perform management responsibilities required by laws, regulations, rules and convention; (iv) to establish convenient channels for complaints and reports; and (v) to prepare annual work report regarding its management of network information content ecology. In addition, a network information content service platform must not, among others, (i) utilise new technologies and applications such as deep-learning and virtual reality to engage in activities prohibited by laws and regulations; (ii) engage in online traffic fraud, malicious traffic rerouting and other activities related to fraudulent account, illegal transaction account or manoeuvre of users’ account; and (iii) infringe a third party’s legitimate rights or seek illegal interests by way of interfering with information display. Moreover, on 13 April 2020, CAC, NDRC and several other administrations jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), which became effective on 1 June 2020. The measures establish the basic framework for national security reviews of purchasing network products and services by critical information infrastructure operators, and provide the principle provisions for undertaking cyber security reviews.

- **Measures for Cybersecurity Review (《網絡安全審查辦法》)**

On December 28, 2021, the CAC promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “Measures II”), which provides that (i) internet platform operators holding over one million users’ personal information shall apply with the Cybersecurity Review Office for a cybersecurity review when listing abroad, and (ii) operators of “critical information infrastructure” that intend to purchase internet products and services that will or may affect national security shall apply for a cybersecurity review, and (iii) internet platform operators carrying out data processing that will affect or may affect national security shall apply for a cybersecurity review. The Measures II will be effective on February 15, 2022 and replace the Measures for Cybersecurity Review promulgated on 13 April 2020. The PRC government authorities have wide discretion in the interpretation and enforcement of these laws and regulations, including identifying any entity to meet any of the above cybersecurity review criteria.

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- **“Network Data Security Management Regulations” (Draft for comments)** (《網絡數據安全管理條例(徵求意見稿)》)

On November 14, 2021, the CAC promulgated the “Network Data Security Management Regulations” (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the **“Draft for Comments”**) which further expands the scope of the application for security review, establishes the data classification and protection system, and defines the relevant rules for cross-border data management. It provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests that affects or may affect national security; (ii) listing abroad (國外上市) of data processors processing over one million users’ personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. Draft for Comments also provides that operators of large Internet platforms that set up headquarters, operation centers or R&D centers overseas (境外) shall report to the national cyberspace administration and competent authorities. In addition, the Draft for Comments requires data processors processing over one million users’ personal information to comply with the regulations on important data processors, including, among others, appointing a person in charge of data security and establishing a data security management organization, filing with the competent authority within fifteen working days after identifying its important data, formulating data security training plans and organizing data security education and training for all staff every year, and that the education and training time of data security related technical and management personnel shall not be less than 20 hours per year. As of the Latest Practicable Date, we do not hold personal information of more than one million users.

The Draft for Comments also requires Internet platform operators to establish platform rules, privacy policies and algorithm strategies related to data, and solicit public comments on their official websites and personal information protection related sections for no less than 30 working days when they formulate platform rules or privacy policies or makes any amendments that may have a significant impact on users’ rights and interests. Further, platform rules and privacy policies formulated by operators of large Internet platforms with more than 100 million daily active users, or amendments to such rules or policies by operators of large Internet platforms with more than 100 million daily active users that may have significant impacts on users’ rights and interests shall be evaluated by a third-party organization designated by the CAC and reported to local branch of the CAC for approval.

The CAC solicited comments on this draft, but there is no timetable as to when it will be enacted.

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》) issued by the SCNPC on 29 August 2015 and becoming effective on 1 November 2015, any network service provider that fails to fulfil the obligations related to Internet information security administration as required by applicable laws and refuses

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to rectify upon orders, will be subject to criminal liability for causing (i) any dissemination of illegal information in large scale; (ii) any leakage of the users' information with serious consequences; (iii) any loss of evidence of criminal activities with serious circumstances; or (iv) any other serious circumstances. In addition, any individual or entity that (i) sells or provides personal information to others unlawfully, or (ii) steals or illegally obtains any personal information, will be subject to criminal liability in serious circumstances.

On 8 May 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which became effective from 1 June 2017. The interpretations clarify several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》), including "citizens' personal information", "violation of relevant national provisions", "provision of citizens' personal information" and "illegally obtaining any citizen's personal information by other methods". In addition, the interpretations specify the standards for determining "serious circumstances" and "particularly serious circumstances" of this crime. On 21 October 2019, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes (《最高人民法院、最高人民檢察院關於辦理非法利用信息網絡、幫助信息網絡犯罪活動等刑事案件適用法律若干問題的解釋》), which came into effect on 1 November 2019, and further clarifies the meaning of Internet service operators and the serious circumstance of the relevant crimes.

On March 6, 2020, the State Standardization Administration and the State Administration for Market Regulation (the "SAMR") jointly issued the Information Security Technology – Personal Information Security Specification (GB/T 35273-2020) (《信息技術 – 個人信息安全規範》) (the "**Personal Information Security Guidelines**"), which replaced and superseded the previous standard GB/T 35273-2017 and became effective on October 1, 2020. The Personal Information Security Guidelines are not laws but voluntary national standards widely cited by regulatory authorities as reference in their enforcement activities. Pursuant to the Personal Information Security Guidelines, after collecting the personal information, the controller of the personal information shall immediately conduct the data de-identification, implement the technical and administrative measures to store separately the de-identified data and the data which may be used to recover the identity of the persons and make sure not to identify the persons in the subsequent process of processing the personal information data.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law (《中華人民共和國個人信息保護法》), which integrates the scattered rules with respect to personal information rights and privacy protection and became effective on November 1, 2021. The Personal Information Protection Law aims at protecting the personal

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information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law and promoting the reasonable use of personal information. Personal information, as defined in the Personal Information Protection Law, refers to information related to identified or identifiable natural persons and is recorded by electronic or other means but excluding the anonymized information. The Personal Information Protection Law applies to personal information processing activities within China, as well as certain personal information processing activities outside China, including those for provision of products and services to natural persons within China or for analyzing and assessing acts of natural persons within China.

On June 10, 2021, the SCNPC promulgated the Data Security Law of People's Republic of China (《中華人民共和國數據安全法》), which became effective on September 1, 2021. It stipulates that each organization or individual collecting data shall adopt legal and proper methods, and shall not steal or obtain data by other illegal methods, and the data processing activities shall comply with laws and regulations, respect social mores and ethics, comply with commercial ethics and professional ethics, be honest and trustworthy, perform obligations to protect data security, and undertake social responsibility; it shall not endanger national security, the public interest, or individuals' and organizations' lawful rights and interests. Besides, it is necessary to establish and improve a whole-process data security management system in accordance with the provisions of laws and regulations, organize and carry out data security education and training, and adopt corresponding technical measures and other necessary measures to ensure data security. The use of the Internet and other information networks to carry out data processing activities shall perform the above-mentioned data security protection obligations on the basis of the network security level protection system.

On July 16, 2013, the MIIT issued the Provisions on Protecting the Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》). Most requirements under the order that are relevant to internet content provision operators are consistent with pre-existing requirements but the requirements under the order are often more stringent and have a wider scope. If an internet content provision operator wishes to collect or use personal information, it may do so only if such collection is necessary for the services it provides. Further, it must disclose to its users the purpose, method and scope of any such collection or use, and must obtain consent from its users whose information is being collected or used. Internet content provision operators are also required to establish and publish their rules relating to personal information collection or use, keep any collected information strictly confidential, and take technological and other measures to maintain the security of such information. Internet content provision operators are required to cease any collection or use of the user personal information, and de-register the relevant user account, when a given user stops using the relevant internet service. Internet content provision operators are further prohibited from divulging, distorting or destroying any such personal information, or selling or providing such information unlawfully to other parties.

REGULATORY OVERVIEW

REGULATION ON INTELLECTUAL PROPERTY

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) which was adopted on 23 August 1982 and subsequently amended in 1993, 2001, 2013, and 2019, respectively, as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council on 3 August 2002 and amended on 29 April 2014. The Trademark Office of National Intellectual Property Administration (the “**Trademark Office**”) handles trademark registrations and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. Trademark registrant may license its registered trademark to another party by entering into a trademark license agreement. Trademark license agreements must be filed with the Trademark Office to be recorded, while the non-filing of the licensing of a trademark shall not be contested against a good faith third-party. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “certain degree of reputation” through such party’s use.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》) promulgated by the MIIT on 5 November 2004 and took into effect on 20 December 2004, which was superseded by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on 24 August 2017 and took into effect on 1 November 2017, and the Implementing Rules on Registration of National Top-level Domain Names (《國家頂級域名註冊實施細則》) promulgated by China Internet Network Information Centre and took into effect on 18 June 2019. Domain name owners are required to register their domain names and the MIIT 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 and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

REGULATORY OVERVIEW

Copyright

Copyright in the PRC is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) and its implementation rules. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law of the PRC and related rules and regulations, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc. In addition, the Regulations on the Protection of Rights to Information Network Communication (《信息網絡傳播權保護條例》) promulgated by the State Council on May 18, 2006 (as amended in 2013), provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and internet service providers.

REGULATIONS ON TAXATION

Enterprise 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》) (the “**EIT Law**”), which was promulgated by the SCNPC on 16 March 2007 and became effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, and the Enterprise Income Tax Implementation Regulations of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “**EITIR**”), which was promulgated by the State Council on 6 December 2007, became effective on 1 January 2008 and was amended on 23 April 2019, the enterprise income tax of both domestic and foreign-invested enterprises is unified at 25%. According to the EIT Law, enterprises are classified as “resident enterprises” and “non-resident enterprises”, resident enterprises refer to the enterprises established according to laws of the PRC in the PRC or established under the laws of foreign countries (regions) with the actual management located in the PRC. Non-resident enterprises refer to the enterprises established under the laws of foreign countries (regions) with the actual management located outside the PRC, which have establishment or place of business in the PRC, or have no establishment or place of business in the PRC but have incomes originating from the PRC. PRC resident enterprises typically pay an enterprise income tax at the rate of 25%. In addition, pursuant to the EIT Law, Enterprises qualified as “High and New Technology Enterprises” are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. The preferential tax treatment continues as long as an enterprise can retain its “High and New Technology Enterprise” status. According to the Announcement of the State Administration of Taxation on Issuing the Revised Measures for Handling Enterprise Income Tax Preferences (Revision 2018) (《企業所得稅優惠政策事項辦理辦法(2018修訂)》), which was promulgated by the State Administration of Taxation (the “**SAT**”) and came into effect on 25 April 2018, enterprises enjoying enterprise income tax preferences shall adopt the handling methods of “making independent judgement, declaring for enjoyment and retaining the relevant materials for future reference”. An enterprise shall, according to its operating condition and related tax provisions, independently determine

REGULATORY OVERVIEW

whether it satisfies the conditions required for enterprise income tax preferences. Those who meet the conditions may independently calculate the tax deductions or exemptions according to the time listed in the Catalogue for the Administration of Enterprise Income Tax Preferences (Revision 2017) (《企業所得稅優惠事項管理目錄(2017年版)》), and enjoy tax incentives by filing enterprise income tax returns. Meanwhile, they shall, in accordance with the relevant provisions, collect and retain the relevant materials for future reference.

Dividends Withholding Tax

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) promulgated on 21 August 2006, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such tax arrangement, the withholding tax rate on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% from 10% applicable under the EIT Law and the EITIR. However, based on the Notice of the State Administration of Taxation on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated by the SAT and effective on 20 February 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Furthermore, in October 2019, the SAT promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treaty Treatments (《非居民納稅人享受協定待遇管理辦法》) (the “**Circular 35**”), which became effective on 1 January 2020 and superseded the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) promulgated in 2015. The Circular 35 abolished the record-filing procedure for justifying the tax treaty eligibility of taxpayers, and stipulates that non-resident taxpayers can enjoy tax treaty benefits via the “self-assessment of eligibility, claiming treaty benefits, retaining documents for inspection” mechanism. Non-resident taxpayers can claim tax treaty benefits after self-assessment provided that relevant supporting documents shall be collected and retained for post-filing inspection by the tax authorities.

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

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Value-added Tax and Business Tax

According to Provisional 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 13 December 1993, came into effect on 1 January 1994, and was amended on 5 November 2008, 6 February 2016, 19 November 2017, and the Implementing 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》) promulgated by Ministry of Finance (the “MOF”) on 25 December 1993 and amended on 18 December 2008 and 28 October 2011, organizations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovable and importation of goods in the PRC shall be taxpayers of Value-added Tax (the “VAT”), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay value-added tax.

Since 1 January 2012, the MOF and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》), which imposes VAT in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded to nationwide application in 2013. In accordance with the Notice on Fully Launch of the Pilot Scheme for the Conversion of Business Tax to Value-Added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) which was issued by the MOF and the SAT on 23 March 2016 and came into effect on 1 May 2016, the state started to fully implement the pilot change from business tax to value-added tax on 1 May 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax. On 19 November 2017, the Interim Regulations on Business Tax of the PRC (《中華人民共和國營業稅暫行條例》) was abolished.

On 20 March 2019, the MOF, the SAT and the General Administration of Customs jointly issued the Announcement of Strengthening Reform of VAT Policies (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) (the “**Announcement No. 39**”), which provides certain VAT reduction arrangements. According to the Announcement No. 39, (i) for general VAT payers’ sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9%, respectively; (ii) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (iii) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (iv) for the exportation of goods or labour services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (v) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%. The Announcement No. 39 came into effect on 1 April 2019 and shall prevail in case of any conflict with existing provisions. The Announcement

REGULATORY OVERVIEW

No. 39 further provides that a qualified VAT taxpayer that provides telecommunication services, modern services or living services is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the services provided from 1 April 2019 to 31 December 2021.

REGULATIONS RELATING TO FOREIGN EXCHANGE CONTROL

According to Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (Order No. 193 of the State Council) (the “**Foreign Exchange Administration Regulations**”), which was promulgated by the State Council on January 29, 1996 and came into effect since April 1, 1996 and was amended on January 14, 1997 and August 5, 2008, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside the PRC, unless the prior approval by the State Administration of Foreign Exchange (the “SAFE”) or its local counterparts is obtained.

REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

The Labor Contract Law

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on 5 July 1994, becoming effective on 1 January 1995 and amended on 27 August 2009 and on 29 December 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on 29 June 2007, and amended on 28 December 2012 and effective from 1 July 2013, and the Regulations on the Implementation of the Labor Contract Law (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and came into effect on 18 September 2008, labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage standard. Employers must establish a system for labor safety and sanitation, strictly abide by state standards and provide relevant training to its employees. Employees are also required to follow rules on labor safety and sanitation.

Social Insurance and Housing Fund

Enterprises in the PRC are required by the PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a basic pension plan, a basic medical insurance plan, an unemployment insurance plan, an employment injury insurance plan and a maternity insurance plan, and a housing provident fund.

According to the Social Security Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010, and was amended on 29 December 2018, and other relevant PRC laws and regulations such as the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) effective on 22 January 1999 and amended on 24 March 2019, Regulations on Work Injury

REGULATORY OVERVIEW

Insurance (《工傷保險條例》) implemented on 1 January 2004 and amended on 20 December 2010, Regulations on Unemployment Insurance (《失業保險條例》) promulgated on 22 January 1999 and Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) implemented on 1 January 1995, the employer shall contribute to social insurance plans covering basic pensions insurance, basic medical insurance, maternity insurance, employment injury insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees, while employment injury insurance and maternity insurance contributions shall be paid only by employers, and employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; and where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

REGULATIONS RELATED TO THE “FULL CIRCULATION” OF H-SHARE

“Full circulation” means listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company, including unlisted Domestic Shares held by domestic shareholders prior to overseas listing, unlisted Domestic Shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, China Securities Regulatory Commission (the “CSRC”) announced the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請“全流通”業務指引》) (Announcement of the CSRC [2019] No. 22) (“**Guidelines for the ‘Full Circulation’**”).

According to the Guidelines for the “Full Circulation”, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for “full circulation”. To file an application for “full circulation”, an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the “examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company”. An H-share listed company may apply for “full circulation” separately or when applying for refinancing abroad. An unlisted domestic joint stock company may apply for “full circulation” when applying for an overseas initial public offering. After the application for “full circulation” has been approved by the CSRC, an H-share listed company shall submit a report on the relevant situation to the CSRC within 15 days after the conversion registration with the China Securities Depository and Clearing Corporation Limited (the “CSDC”) of the shares related to the application has been completed. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

REGULATORY OVERVIEW

On December 31, 2019, CSDC and Shenzhen Stock Exchange (the “SZSE”) jointly announced the Measures for Implementation of H-share “Full Circulation” Business (《H股“全流通”業務實施細則》) (“**Measures for Implementation**”). The businesses of cross-border conversion registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share “full circulation” business, are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited (the “**CSDC (Hong Kong)**”) and SZSE.

According to the Measures for Implementation, after having completed relevant information disclosure, the H-share listed companies with the approval of the CSRC to engage in the H-share “full circulation” business shall apply to the CSDC for the deregistration of part or all of the domestic unlisted shares, and shall transfer the fully circulated H-shares which are not pledged, frozen, restricted to transfer to the share register institutions in Hong Kong. Such shares shall become eligible for listing and circulation on the Stock Exchange. Relevant securities are centrally deposited in CSDC for settlement. As the nominal holder of the above-mentioned securities, CSDC handles the depository and holding details maintenance, cross-border clearing and settlement and other businesses involved in the “full circulation” of H-shares, and provides nominal holder services for investors. The H-share listed company shall be authorized by “fully-tradable” shareholders to choose domestic securities companies that participate in the “full circulation” business of H-shares. Investors submit trading instructions of H-shares “fully tradable” shares through domestic securities companies. Domestic securities companies shall select a Hong Kong securities company to submit trading instructions of the investors to the Stock Exchange for trading. After the transaction is concluded, CSDC and CSDC (Hong Kong) shall handle the cross-border clearing and settlement of relevant shares and funds. The settlement currency of H-share “full circulation” transaction business is Hong Kong dollars. Where an H-share listed company entrusts CSDC to distribute cash dividends, it shall file an application with CSDC. An H-share listed company distributing cash dividends may apply to the CSDC for the holding details of relevant “fully-tradable” shareholders on the securities registration date. The non-H-share “fully circulated” securities listed on the Stock Exchange obtained due to the distribution or conversion of H-shares “fully circulated” securities may be sold but shall not be purchased. Where the right to subscribe for the shares listed on the Stock Exchange is obtained and the subscription right is listed on the Stock Exchange, it may be sold, but shall not be exercised.

In order to fully promote the reform of H-shares “full circulation” and clarify the business arrangement and procedures for the relevant shares’ registration, custody, settlement and delivery, CSDC has promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (《關於發佈〈H股“全流通”業務指南〉的通知》) in February, 2020, which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. On February 7, 2020, CSDC (Hong Kong) also promulgated the Guide to the Program for Full Circulation of H-shares (《中國證券登記結算(香港)有限公司H股“全流通”業務指南》) to specify the relevant escrow, custody, agent service of CSDC (Hong Kong), arrangement for settlement and delivery and other relevant matters.

REGULATORY OVERVIEW

RECENT DEVELOPMENT ON RULES RELATING TO OVERSEAS LISTING

On December 24, 2021, the CSRC published the draft Administrative Provisions of the State Council on the Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草稿徵求意見稿)》) (the “**Draft Administrative Provisions**”) and the draft Measures for the Overseas Issuance and Listing of Securities Record-filings by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (together with the Draft Administrative Provisions, “**the Drafts**”), which are open for public comments until January 23, 2022. Pursuant to the Drafts, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Failure to complete the filing under the Draft Administrative Provisions may subject a PRC domestic company to a warning or a fine of RMB1 million to RMB10 million. If the circumstances are serious, the PRC domestic company may be ordered to suspend its business or suspend its business until rectification, or its permits or businesses license may be revoked.

As is confirmed by our PRC legal advisor, The Drafts have not yet been formally introduced into force, and we have completed all domestic approval procedure regarding the Global Offering and our proposed Listing as CSRC has already issued approval letter dated September 30th, 2021 for the Global Offering, the Conversion of Domestic Shares into H Shares and the making of the application to list the H Shares on the Hong Kong Stock Exchange in accordance with the Securities Law of the People’s Republic of China, Special Regulations of the State Council concerning Floating and Listing of Shares Overseas by Companies Limited by Shares and Guidelines for the Application by H-share Companies for “Full Circulation” of Unlisted Shares.

In addition, even if the Drafts take effect, according to the “Reply to the Reporter’s Question by the CSRC responsible officers” (《證監會有關負責人答記者問》) regarding the Drafts, the CSRC adheres to the principle of non-retroactivity of the law. Since we have already obtained the approval letter from CSRC and completed all domestic approval procedure, our PRC legal advisor is of the view that the Drafts are not applicable to, and will not have any material adverse impact on the Global Offering and our proposed Listing.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR HISTORY

Overview

The history of our Company dated back to December 2010 when Jiangsu Huitongda Supply Chain Management Limited (江蘇匯通達供應鏈管理有限公司), the predecessor of our Company, was established in Jiangsu Province under the laws of PRC with a registered capital of RMB30,000,000 by our founders, Mr. Wang, Mr. Xu Xiuxian and Mr. Wang Jian, holding an aggregate of 82% equity interest in the Company at its establishment. See “Directors, Supervisors and Senior Management” for details of the background of our founders.

Mr. Wang, Mr. Xu Xiuxian and Mr. Wang Jian, being our founders and core management team, worked in the Department of Commerce of Jiangsu Province, with a focus on rural economic issues for over ten years, and subsequently have also been devoting their time in the home appliance sales industry for more than one decade, during which they have developed profound knowledge in lower-tier market and also foreseen its growing prospects. Leveraging the experience gained from the success of managing home appliance sales, their deep understanding of the town-and-village retail market, as well as the familiarity with the overall industry value chain in China, our founders established our Company in 2010 with a target at the lower-tier market in the PRC. From our establishment in 2010 to 2012, our Company was dedicated to home appliance sales. With the development of our initial business, we further captured the business opportunity in China’s lower-tier market and started to build up our supply chain capabilities to further expand our customer network in the towns and villages across China.

In December 2015, the Company was converted from a limited liability company into Huitongda Network Co., Ltd. (匯通達網絡股份有限公司), a joint stock company with limited liabilities. As of the Latest Practicable Date, the Company has an issued share capital with 508,658,037 Shares in a nominal value of RMB1.00 each.

With our distinct business model and digitalization capabilities, we facilitate online and offline commerce transactions and offer SaaS+ and merchant solutions for participants along the industry value chain, including retail stores and wholesalers.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Business Milestones

The table below shows the key milestones of the Company:

Year	Milestones
2010	<p>Our predecessor, Jiangsu Huitongda Supply Chain Management Limited (江蘇匯通達供應鏈管理有限公司), was established in Nanjing, Jiangsu Province, the PRC.</p> <p>We started the business of home appliance sales in Jiangsu Province and expanded outside of Jiangsu Province.</p>
2012	<p>We started to build up our supply chain capabilities, aiming to expand the reach of quality merchandise to rural areas.</p>
2015	<p>The Company was converted from a limited liability company into Huitongda Network Co., Ltd. (匯通達網絡股份有限公司), a joint stock company with limited liabilities.</p> <p>We are a pioneer in the retail industry that established a membership-based business model and afterwards we started to serve local family-run retail stores in China's towns and villages as our member stores.</p> <p>We started to expand our merchandise offerings from household appliances to agricultural means of production, homebuilding and renovation materials and other categories.</p>
2016	<p>We expanded our member store network to over 10,000 towns and villages, and our revenue exceeded RMB10 billion.</p>
2017	<p>We launched our SaaS+ business.</p>
2021	<p>During the Track Record Period, we have accumulatively connected over 160,000 member stores, 10,000 suppliers and 20,000 wholesaler customers, and, as of September 30, 2021, we have developed a retail ecosystem covering 21 provinces and over 20,000 towns and villages across China.</p>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR PRINCIPAL SUBSIDIARIES

As of September 30, 2021, our Company had 565 directly and indirectly owned subsidiaries. During the Track Record Period, none of our subsidiaries contributed to more than 10% of the total consolidated assets, profit or revenue of our Group. The below subsidiaries are management companies for each of our Group's key businesses with strategic importance to the Group's overall operation:

Name of subsidiary	Place of Incorporation	Date of Incorporation	Share Capital	Shareholding held by our Company	Principal businesses
Yifantong Network Technology Co., Ltd. (億凡通網絡科技有限責任公司)	Nanjing, Jiangsu province	October 22, 2019	RMB50,000,000	100%	Sales of consumer electronics
Jiangsu Yunchang Network Technology Co., Ltd. (江蘇雲昌網絡科技有限公司)	Nanjing, Jiangsu province	October 23, 2019	RMB30,000,000	100%	Sales of homebuilding and renovation materials and vehicles and auto parts
Jiangsu Jushixinchuang Network Technology Co., Ltd. (江蘇聚勢心創網絡科技有限公司)	Nanjing, Jiangsu province	December 9, 2019	RMB30,000,000	100%	Sales of household appliances
Qianyun Information Technology Co., Ltd. (阡耘信息科技有限責任公司)	Nanjing, Jiangsu province	September 30, 2019	RMB50,000,000	100%	Sales of agricultural means of production
Huitong Datatech Smart Technology Co., Ltd. (匯通數科智能科技有限責任公司)	Nanjing, Jiangsu province	September 20, 2019	RMB52,120,000	100%	Service business

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES

1. Incorporation of our Company

On December 6, 2010, the predecessor of our Company, Jiangsu Huitongda Supply Chain Management Limited, was established under the laws of the PRC with a registered capital of RMB30,000,000. As of the date of its establishment, Jiangsu Huitongda Supply Chain Management Limited was held as to 52% by Mr. Wang, 20% by Mr. Xu Xiuxian (徐秀賢) (“**Mr. Xu**”), 10% by Mr. Wang Jian (王健), 5% by Ms. Bian Huimin (卞慧敏), 5% by Ms. Qian Zhengming (錢爭鳴), 1.33% by Mr. Xu Weihong (徐衛紅), 1.33% by Mr. Cai Jingzhong (蔡景鍾), 1.33% by Mr. Li Yonghua (李永華), 1.33% by Mr. Wang Yue (王躍), 1.33% by Mr. Wang Qilin (王其林) and 1.33% by Mr. Li Wei (李煒), respectively. Details of the background of Mr. Wang, Mr. Xu, Mr. Wang Jian and Mr. Li Wei are set out in the section headed “Directors, Supervisors and Senior Management” in this prospectus. Mr. Li Yonghua, Mr. Wang Yue, and Mr. Wang Qilin were then employees of the Company and Ms. Bian Huimin, Ms. Qian Zhengming, Mr. Xu Weihong and Mr. Cai Jingzhong were Independent Third Parties.

2. Subsequent Changes in Share Capital

On September 29, 2013, Mr. Wang Yue transferred 1.33% equity interest in the Company held by him to Mr. Wang, at the consideration of RMB400,000, which was determined after arm’s length negotiations between the parties with reference to the then paid-up registered capital of the Company.

On November 20, 2013, Mr. Wang, Mr. Xu, Mr. Wang Jian, Ms. Bian Huimin, Ms. Qian Zhengming, Mr. Xu Weihong, Mr. Li Yonghua, Mr. Wang Qilin and Mr. Li Wei, respectively, invested RMB17,340,000, RMB10,140,000, RMB3,300,000, RMB750,000, RMB750,000, RMB180,000, RMB180,000, RMB180,000 and RMB180,000, being a total amount of RMB33,000,000 in the Company, among which a total of RMB22,000,000 (being RMB11,560,000, RMB6,760,000, RMB2,200,000, RMB500,000, RMB500,000, RMB120,000, RMB120,000, RMB120,000 and RMB120,000 contributed by Mr. Wang, Mr. Xu, Mr. Wang Jian, Ms. Bian Huimin, Ms. Qian Zhengming, Mr. Xu Weihong, Mr. Li Yonghua, Mr. Wang Qilin and Mr. Li Wei, respectively) was injected into the registered capital of the Company while the remaining RMB11,000,000 was recorded as the Company’s capital reserve.

On October 13, 2014, Mr. Wang, through Five Star Holdings, further invested RMB150,000,000 in the Company, among which RMB6,000,000 was injected into the registered capital of the Company while the remaining RMB144,000,000 was recorded as the Company’s capital reserve. Following the investment from Five Star Holdings, the registered capital of the Company was further increased from RMB52,000,000 to RMB58,000,000. Five Star Holdings is a diversified investment group mainly involved in industry chain services, e-commerce, smart home, finance, investment and other professional fields. At the time of the investment, Five Star Holdings was controlled by Mr. Wang.

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On June 26, 2015, Shenzhen Huasheng, Tianjin New Vision, Jiangsu Venture Capital, Huatai Zijin, Suzhou Shunwei, Beijing Yuhui and Nanjing Daoning, respectively, invested RMB200,000,000, RMB120,000,000, RMB70,000,000, RMB49,504,950, RMB30,000,000, RMB30,000,000 and RMB495,050, being a total amount of RMB500,000,000 in the Company, among which a total of RMB6,444,444.44 (being RMB2,577,777.78, RMB1,546,666.67, RMB902,222.22, RMB638,063.80, RMB386,666.67, RMB386,666.67 and RMB6,380.64 contributed by Shenzhen Huasheng, Tianjin New Vision, Jiangsu Venture Capital, Huatai Zijin, Suzhou Shunwei, Beijing Yuhui and Nanjing Daoning, respectively) was injected into the registered capital of the Company while the remaining amount was recorded as the Company's capital reserve (the "**June 2015 Investment**").

Shenzhen Huasheng is a PRC-based limited partnership and was established in June 2015, which is mainly engaged in venture investment. As of the Latest Practicable Date, Shenzhen Huasheng was owned as to (i) 0.50% by Dazi Huashi Industrial Co., Ltd. (達孜鑛石實業有限公司) as the general partner, (ii) 49.75% by Shanghai Huashenglingshi Venture Capital Partnership (L.P.) (上海華晟領勢創業投資合夥企業(有限合夥)) (mainly engaged in venture capital business), and (iii) 49.75% by the remaining six limited partners, including five institutions and one individual and none of which contributed one-third or more of the capital of Shenzhen Huasheng. As of the Latest Practicable Date, both Shenzhen Huasheng's general partner and its largest limited partner's general partner are ultimately controlled and beneficially owned by China Renaissance Holdings Limited (華興資本控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 1911. HK) and a holding company of China Renaissance Securities (Hong Kong) Limited, one of our Joint Sponsors and Underwriters. According to public search, most of the limited partners of Shenzhen Huasheng are engaged in equity investment. To the best knowledge of Shenzhen Huasheng, each of its limited partners is independent from each other.

Tianjin New Vision is a PRC-based limited partnership and was established in June 2011, which is mainly engaged in private equity investment. As of the Latest Practicable Date, Tianjin New Vision was owned as to (i) 2.04% by Vision Articles (Tianjin) Stock Equity Investment Management Enterprise (L.P.) (遠景萬方(天津)股權投資管理企業(有限合夥)) as the general partner, (ii) 29.15% by the National Council of Social Security Fund (全國社會保障基金理事會) (mainly engaged in the management and operation of social security funds and is ultimately controlled by PRC government), and (iii) 68.81% by remaining 29 limited partners, including 18 institutions and 11 individuals and none of which contributed one-third or more of the capital of Tianjin New Vision. Vision Articles (Tianjin) Stock Equity Investment Management Enterprise (L.P.) was mainly engaged in investment management and was ultimately controlled and beneficially owned by Ms. Wang Xin (王欣), a professional private equity manager. According to public search, most of the limited partners of Tianjin New Vision are engaged in equity investment. To the best knowledge of Tianjin New Vision, each of its limited partners is independent from each other.

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Jiangsu Venture Capital is a PRC-based limited partnership established in May 2015, which is mainly engaged in equity investment. As of the Latest Practicable Date, Jiangsu Venture Capital was owned as to (i) 0.95% by Nanjing Addor Equity Investment Management Enterprise (Limited Partnership) (南京毅達股權投資管理企業(有限合夥)) as the general partner, (ii) 31.55% by Jiangsu Provincial Government Investment Fund (L.P.) (江蘇省政府投資基金(有限合夥)) (mainly engaged in equity investment and management and is ultimately controlled by PRC government), and (iii) 67.50% by the remaining 44 limited partners, including six institutions and 38 individuals and none of which contributed one-third or more of the capital of Jiangsu Venture Capital. As of the Latest Practicable Date, Nanjing Addor Equity Investment Management Enterprise (Limited Partnership) was mainly engaged in investment management and was jointly controlled by Mr. Ying Wenlu (應文祿), Mr. You Jinbai (尤勁柏), Mr. Shi Yunzhong (史雲中), Ms. Zhou Chunfang (周春芳), Mr. Fan Liping (樊利平) and Mr. Huang Tao (黃韜), each a professional private equity manager. According to public search and to the best knowledge of the Company, most of the limited partners of Jiangsu Venture Capital are engaged in equity investment. To the best knowledge of Jiangsu Venture Capital, each of its limited partners is independent from each other.

Huatai Zijin is a PRC-based limited partnership established in January 2013, which is mainly engaged in equity investment consulting. As of the Latest Practicable Date, Huatai Zijin was owned as to (i) 2.50% by Nanjing Huatai Ruitong Investment Management Co., Ltd. (南京華泰瑞通投資管理有限公司), as the general partner and ultimate beneficial owner, which in turn is held as to 54% by Huatai Zijin Investment Co., Ltd. (華泰紫金投資有限責任公司), a wholly-owned subsidiary of Huatai Securities Co., Ltd. (華泰證券股份有限公司), a company with its H shares listed on the Stock Exchange (stock code: 6886) and the ultimate controller of Huatai Zijin, (ii) 45.75% by Huatai Zijin Investment Co., Ltd., and (iii) 51.75% by the remaining eight limited partners which are institutions and none of which contributed one-third or more of the capital of Huatai Zijin. According to public search and to the best knowledge of the Company, most of the limited partners of Huatai Zijin are engaged in equity investment and each of the limited partners is independent with each other.

Suzhou Shunwei is a PRC-based limited partnership established in February 2015, which is mainly engaged in equity investment focusing on high-tech and internet companies. As of the Latest Practicable Date, Suzhou Shunwei was owned as to (i) 10.50% by Lhasa Economic and Technological Development Zone Shunwei Capital Venture Capital Partnership (L.P.) (拉薩經濟技術開發區順為資本創業投資合夥企業(有限合夥)) as the general partner, which in turn is ultimately controlled by Mr. Lei Jun (雷軍), the founder of Xiaomi Corporation, a company with its Class B ordinary shares listed on the Stock Exchange (stock code: 1810), (ii) 36.50% by Lhasa Economic and Technological Development Zone Shunwei Technology Venture Capital Partnership (L.P.) (拉薩經濟技術開發區順為科技創業投資合夥企業(有限合夥)), as a limited partner and (iii) 53.00% by the remaining eleven limited partners which are institutions and none of which contributed one-third or more of the capital of Suzhou Shunwei. According to public search and to the best knowledge of the Suzhou Shunwei, most of the limited partners of Suzhou Shunwei are engaged venture capital business. To the best knowledge of Suzhou Shunwei, each of its limited partners is independent from each other.

Beijing Yuhui is an investment company which is owned as to 50% by Mr. Li Jian (李健), 40% by Mr. Chen Huihe (陳輝和) and 10% by Mr. Ding Wei (丁煒), each a professional investor.

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Nanjing Daoning is a PRC-based general partnership established under the laws of the PRC in March 2014, which is mainly engaged in equity investment with Mr. Tao Jun (陶軍), a professional investor, as its executive general partner, ultimate controller and ultimate beneficial owner and with 24 individuals as its general partners, among which, three partners each holds 10%-20% equity interest, five partners each holds 5%-10% equity interests and each of the other 16 partners holds less than 5% equity interests. To the best knowledge of Nanjing Daoning, each of its general partners is a professional investor and is independent from each other.

3. Conversion into a Joint Stock Company in 2015

Along with the development and expansion of the business of the Group and following a few shareholding changes, in December 2015, the Company was converted into a joint stock company with limited liabilities with 360,000,000 Shares in a nominal value of RMB1.0 each, with its name changed from “Huitongda Network Company Limited (匯通達網絡有限公司)” to “Huitongda Network Co., Ltd. (匯通達網絡股份有限公司)”. Immediately after the conversion into a joint stock company, the shareholding structure of the Company was set as below:

Shareholders	Number of Shares	Shareholding Percentage* (%)
		<i>(approximate)</i>
Mr. Wang	153,955,860	42.77
Mr. Xu	71,280,000	19.80
Five Star Holdings	33,517,241	9.31
Mr. Wang Jian	29,048,276	8.07
Shenzhen Huasheng	14,400,000	4.00
Ms. Qian Zhengming	11,172,414	3.10
Ms. Bian Huimin	11,172,414	3.10
Tianjin New Vision	8,640,000	2.40
Jiangsu Venture Capital	5,040,000	1.40
Huatai Zijin	3,564,356	0.99
Mr. Li Yonghua	2,904,828	0.81
Mr. Xu Weihong	2,904,828	0.81
Mr. Wang Qilin	2,904,828	0.81
Mr. Li Wei	2,904,828	0.81
Mr. Cai Jingzhong	2,234,483	0.62
Suzhou Shunwei	2,160,000	0.60
Beijing Yuhui	2,160,000	0.60
Nanjing Daoning	35,644	0.01
Total	360,000,000	100.00

Note:

* the percentages may not add up to 100% due to rounding.

4. Share transfers after 2015 and up to the Latest Practicable Date

A. February 2016 Investment

On February 18, 2016, Huaxia Life and Jiangsu Coastal Fund both invested RMB250,000,000, being a total amount of RMB500,000,000, in the Company, among which a total of RMB32,760,000 (being RMB16,380,000 by each of Huaxia Life and Jiangsu Coastal Fund, respectively) was injected into the registered capital of the Company while the remaining amount was recorded as the Company's capital reserve.

Huaxia Life is a PRC-based company and was established in December 2006, mainly engaged in life insurance, health insurance, reinsurance and utilization of insurance funds business. According to the latest available annual report of Huaxia Life, Huaxia Life was owned as to (i) 20% by Beijing Century Leehom Computer Software Technology Co., Ltd. (北京世紀力宏計算機軟件科技有限公司) (mainly engaged in investment management), (ii) 20% by Beijing Millennium Shihao Electronic Technology Co., Ltd. (北京千禧世豪電子科技有限公司) (mainly engaged in investment management), (iii) 14.9% by Shandong Zero Degree Juzhen Trade Co., Ltd. (山東零度聚陣商貿有限公司) (mainly engaged in technology development and product sales), (iv) 13.4% by Beijing Zhongsheng Century Technology Co., Ltd. (北京中勝世紀科技有限公司) (mainly engaged in technology development and product sales), (v) 13.37% by Beijing Baili Bowen Technology Co., Ltd. (北京百利博文技術有限公司) (mainly engaged in investment management), (vi) 11.24% by Tianjin Huayu Tiandi Trading Co., Ltd. (天津華宇天地商貿有限公司) (mainly engaged in technology development and product sales), (vii) 5.23% by Tianjin Port (Group) Co., Ltd. (天津港(集團)有限公司) (mainly engaged in logistics service and investment), and (viii) 1.86% by the remaining shareholders and none of which contributed 5% or more of the share capital of Huaxia Life. To the best of the knowledge of the Company and based on publicly available information, the controlling shareholder of Beijing Centur Leehom Computer Software Technology Co., Ltd. is Dalian Qiming Xingchen Technology Co., Ltd. (大連啟明星辰科技有限公司), which is ultimately controlled by Mr. Wei Kai (魏凱) and Mr. Xu Dachun (徐大春). To the best of the knowledge of the Company and based on publicly available information, the controlling shareholder of Beijing Millennium Shihao Electronic Technology Co., Ltd. is ultimately controlled by Mr. Cui Wanchang (崔萬昌) and Mr. Wang Rong (王蓉).

Jiangsu Coastal Fund is a limited partnership established in April 2015, whose general partner is Jiangsu Coastal Innovation Capital Management Limited (江蘇沿海創新資本管理有限公司) which is ultimately controlled by Mr. Gao Chong (郜翀) and Mr. Ling Mingsheng (凌明聖), both professional investment managers. Jiangsu Coastal Fund has four institutional limited partners, among which, Jiangsu Coastal Development Group Co., Ltd. (江蘇省沿海開發集團有限公司) holds 47.62% equity interests and the other three partners each holds 10%-20% equity interest. The ultimate beneficial owner of Jiangsu Coastal Fund is Jiangsu Coastal Innovation Capital Management Limited. Jiangsu Coastal Fund was established in April 2015 with a subscribed capital contribution of RMB2.52 billion, and currently it is one of the largest equity investment funds in Jiangsu

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Province. It aims to speed up the industrial development of Jiangsu coastal area and to boost the transformation and upgrade of Jiangsu Province with its major focus on strategic emerging industries, state-owned enterprise reform projects, merger and acquisition projects and coastal industries. According to publicly available information and to the Company's information, most of the limited partners of Jiangsu Coastal Fund are engaged in project investment. To the best knowledge of Jiangsu Coastal Fund, each of its limited partners is independent from each other.

B. June 2016 Investment

On June 28, 2016, Shanghai Zhaoyin invested RMB300,000,000 in the Company, among which RMB18,127,385 was injected into the registered capital of the Company while the remaining amount was recorded as the Company's capital reserve.

Shanghai Zhaoyin is an investment company established under the laws of the PRC in March 2014, which is indirectly owned as to 55% by China Merchants Bank Co., Ltd. (招商銀行股份有限公司), a company with its H shares listed on the Hong Kong Stock Exchange (stock code: 3968), and 45% by China Merchants Securities Co., Ltd., a company with its H shares listed on the Hong Kong Stock Exchange (stock code: 6099).

C. December 2017 Investment

On December 26, 2017, Zhongmei Green invested RMB500,000,000 in the Company for subscription of 20,544,369 Shares, among which RMB20,544,369 was injected into the registered capital of the Company while the remaining amount was recorded as the Company's capital reserve.

Zhongmei Green is a PRC-based limited partnership and was established in October 2017, mainly engaged in project investment. As of the Latest Practicable Date, Zhongmei Green was owned as to (i) 0.20% by Huaqing Green Enterprise Management (Zhangjiakou) Co., Ltd. (華清綠色企業管理(張家口)有限公司) as its general partner, which in turn was held as to 50% by Mr. Zhang Cheng (張誠) and 50% by Mr. Zhang Xi (張曦), both professional investment managers, (ii) 41.83% by Beijing China-US Green Huaqing Investment Partnership (L.P.) (北京中美綠色華清投資合夥企業(有限合夥)) which is ultimately controlled and beneficially owned by Asia Green Investment Management Co., Ltd. (綠動投資管理有限公司) and none of the shareholders of Asia Green Investment Management Co., Ltd. contributed 30% or more of the capital of Asia Green Investment Management Co., Ltd., (iii) 23.40% by Nanjing Yuanbai, a wholly-owned subsidiary of Five Star Holdings, which in turn is controlled by Mr. Wang, and (iv) 34.57% by the remaining six limited partners, including three institutions and three individuals and none of which contributed 20% or more of the capital of Zhongmei Green. According to publicly available information and to the Company's information, most of the limited partners of Zhongmei Green are engaged in project investment. To the best knowledge of Zhongmei Green, save as three of its limited partners are controlled by Asia Green Investment Management Co., Ltd, each of its remaining limited partners is independent from each other.

D. April 2018 Investment

On April 11, 2018, Five Star Holdings transferred 8,217,737 Shares (approximately 1.9% equity interest) and 4,314,318 Shares (approximately 1.0% equity interest) in the Company to Zhihan (Shanghai) and Changxing Xiangrong, respectively, at the consideration of RMB199,999,996 and RMB105,000,000, respectively, which was determined after arm's length negotiations between the parties with reference to the then market value of the Company.

Zhihan (Shanghai) is a PRC-based limited partnership established in April 2016, mainly engaged in investment management. As of the Latest Practicable Date, Zhihan (Shanghai) was owned as to (i) 0.10% by CICC Qizhi (Shanghai) Equity Investment Management Co., Ltd. (中金祺智(上海)股權投資管理有限公司) (“CICC Qizhi”) as its general partner, and (ii) 99.90% by CICC Qizhi (Shanghai) Equity Investment Center (Limited Partnership) (中金祺智(上海)股權投資中心(有限合伙)) as its only limited partner. CICC Qizhi is managed by CICC Private Equity Investment Management Co., Ltd. (中金私募股權投資管理有限公司), a subsidiary of China International Capital Corporation Limited (中國國際金融股份有限公司), an investment bank whose shares are listed on the Stock Exchange (stock code: 3908) and a holding company of China International Capital Corporation Hong Kong Securities Limited, one of our Joint Sponsors and Underwriters. As confirmed by Zhihan (Shanghai), there is no ultimate controller in Zhihan (Shanghai). The ultimate beneficial owners of Zhihan (Shanghai) are the limited partners of CICC Qizhi (Shanghai) Equity Investment Center (Limited Partnership), including Shanghai Greenland Equity Investment Management Co., Ltd. (上海綠地股權投資管理有限公司), China Baowu Steel Group Co., Ltd. (中國寶武鋼鐵集團有限公司), Zhongjin Qirong (Xiamen) Equity Investment Fund Partnership (Limited Partnership) (中金啟融(廈門)股權投資基金合伙企業(有限合伙)), Zhuhai Kunhe Equity Investment Center (Limited Partnership) (珠海坤和股權投資中心(有限合伙)), Hangzhou Jinsheng Shuoqi Equity Investment Fund Partnership (Limited Partnership) (杭州金晟碩祺股權投資基金合伙企業(有限合伙)), ICBC (Hangzhou) Equity Investment Fund Partnership (Limited Partnership) (工銀(杭州)股權投資基金合伙企業(有限合伙)), Huarong Yufu Equity Investment Fund Management Co., Ltd. (華融渝富股權投資基金管理有限公司), Agricultural Bank of China Life Insurance Co., Ltd. (農銀人壽保險股份有限公司), Zhengzhou Junlin Enterprise Management Consulting Co., Ltd. (鄭州君麟企業管理諮詢有限公司), Beihai Meiyu Investment Management Partnership (Limited Partnership) (北海美鈺投資管理合伙企業(有限合伙)), Xiamen C&D Group Co., Ltd. (廈門建發集團有限公司), Xiamen Wuhai Equity Investment Partnership (Limited Partnership) (廈門武海股權投資合伙企業(有限合伙)), Bank of Communications Guoxin Asset Management Co., Ltd. (交銀國信資產管理有限公司), Xiamen Dingxing Investment Partnership (Limited Partnership) (廈門鼎興投資合伙企業(有限合伙)), Xiamen Minghuisheng Equity Investment Partnership (Limited Partnership) (廈門明惠昇股權投資合伙企業(有限合伙)), Anhui Yingjia Investment Management Co., Ltd. (安徽迎駕投資管理有限公司), Shanghai Yunping Equity Investment Center (Limited Partnership) (上海雲平股權投資中心(有限合伙)), Yunnan State-owned Capital Operation Fund and Equity Investment Fund Management Co., Ltd. (雲南省國有資本運營金和股權投資基金管理有限公司) and Shanghai Xizi Investment Management Co., Ltd. (上海西紫投資管理有限公司).

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Changxing Xiangrong is a PRC-based limited partnership established in July 2016, mainly engaged in project investment. As of the Latest Practicable Date, Changxing Xiangrong was owned as to (i) 0.09% by Beijing Shengjingjiacheng Investment Management Co., Ltd. (北京盛景嘉成投資管理有限公司) as its general partner, which in turn is controlled Mr. Peng Zhiqiang (彭志強) and Ms. Liu Yan (劉燕), (ii) 45.83% by Chongqing Shengmei No. 4 Film & Television Industry Equity Investment Fund Partnership (L.P.) (重慶盛美四號影視產業股權投資基金合夥企業(有限合夥)), and (iii) 54.08% by the remaining 18 limited partners, including one institution and 17 individuals and none of which contributed one-third or more of the capital of Changxing Xiangrong. As of the Latest Practicable Date, Changxing Xiangrong was ultimately controlled by Mr. Peng Zhiqiang and Ms. Liu Yan and beneficially owned by Mr. Peng Zhiqiang and Ms. Liu Yan and Perfect World Co., Ltd. (完美世界股份有限公司), a company with its shares listed on the Shenzhen Stock Exchange (stock code: 002624). According to public available information and to the Company's information, most of the limited partners of Changxing Xiangrong are engaged in equity investment. To the best knowledge of Changxing Xiangrong, each of its limited partners is independent from each other.

E. May 2018 Investment

On May 14, 2018, Alibaba China invested RMB2,500,000,000 in the Company for subscription of 53,928,969 Shares in the Company, among which RMB53,928,969 was injected into the registered capital of the Company while the remaining amount was recorded as the Company's capital reserve. On the same date, Alibaba China further acquired an aggregate of 43,143,175 Shares from then existing Shareholders of the Company as set out below:

Relevant Shareholder	Number of Shares acquired by Alibaba China	Consideration
Five Star Holdings	20,985,186 Shares	RMB972,815,456.53
Shenzhen Huasheng	3,235,737 Shares	RMB150,000,030.83
Jiangsu Venture Capital	1,078,579 Shares	RMB50,000,010.28
Huatai Zijin	356,435 Shares	RMB16,523,364.23
Nanjing Daoning	3,564 Shares	RMB165,217.42
Jiangsu Coastal Fund	1,638,000 Shares	RMB75,933,257.40
Shanghai Zhaoyin	4,314,316 Shares	RMB200,000,041.11
Ms. Qian Zhengming	8,626,530 Shares	RMB399,902,639.17
Mr. Xu Weihong	2,904,828 Shares	RMB134,659,983.04
Total	43,143,175 Shares	RMB2,000,000,000

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Alibaba China is an indirect subsidiary of Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company incorporated in the Cayman Islands and the American depositary shares of which are listed on the New York Stock Exchange (stock code: BABA), and the shares of which are listed on the Hong Kong Stock Exchange (stock code:9988). Alibaba China is owned as to 57.59% by Taobao (China) Software Co., Ltd. (淘寶(中國)軟體有限公司), 35.75% by Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司) and 6.66% by Alibaba.com China Limited, each a subsidiary of Alibaba Group Holding Limited. Alibaba China is primarily engaged in the operations of the wholesale marketplaces of Alibaba Group Holding Limited.

F. December 2020 Investment

On December 25, 2020, SOE IIF and China Structural Reform Fund invested RMB499,999,974.70 and RMB699,999,985.19, respectively, being a total amount of RMB1,199,999,959.89, in the Company for subscription of a total 23,297,314 Shares, among which a total of RMB23,297,314 (being RMB9,707,214 and RMB13,590,100 by SOE IIF and China Structural Reform Fund, respectively) was injected into the registered capital of the Company while the remaining amount was recorded as the Company's capital reserve.

SOE IIF is a PRC-based joint stock company established in October 2016, mainly engaged in investment focusing on resource development, industrial park construction, urbanization, elderly care, medical and healthcare sectors in underdeveloped areas. As of the Latest Practicable Date, SOE IIF was managed by SDIC Chuangyi Industry Fund Management Co., Ltd. (國投創益產業基金管理有限公司) and was owned as to (i) 30.49% by six institutional shareholders (mainly engaged in equity investment, equity management consulting, telecom operations, energy investment and integrated infrastructure services) each holding 5% to 10% equity interest in SOE IIF, and (ii) 69.51% by the remaining 104 institutional shareholders each holding no more than 5% equity interest in SOE IIF. SOE IIF is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會).

China Structural Reform Fund a PRC-based company and was established in September 2016, mainly engaged in private fund-raising, equity investment, investment consulting, project investment, capital management and corporate management consulting. As of the Latest Practicable Date, China Structural Reform Fund was managed by Chengtong Fund Management Co., Ltd. (誠通基金管理有限公司) and was owned as to (i) 30.36% by China Chengtong Group Co., Ltd. (中國誠通控股集團有限公司), and (ii) 69.64% by the remaining nine institutional shareholders, none of which contributed over 30% or more of the share capital of China Structural Reform Fund. China Structural Reform Fund is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會). China Chengtong Group Co., Ltd. is mainly engaged in asset management and product sales.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

G. 2021 Investments

The following sets out transfer of Shares in the Company from January 2021 to April 2021 (“**2021 Investments**”):

- In January 2021, Shanghai Zhaoyin transferred 13,813,069 Shares (approximately 2.72% equity interest) in the Company to Nanjing Yuanbai, a limited partnership controlled by Mr. Wang, at a consideration of RMB270,364,335.28;
- In February 2021, Zhongmei Green transferred 10,785,788 Shares (approximately 2.12% equity interest) in the Company to SOE IIF for the consideration of RMB500,000,010;
- In February 2021, Jiangsu Coastal Fund transferred 6,471,472 Shares (approximately 1.27% equity interest) in the Company to SOE IIF for the consideration of RMB299,999,969;
- In April 2021, Nanjing Yuanbai transferred 2,157,158 Shares (approximately 0.42% equity interest) in the Company to Minsheng Investment for the consideration of RMB100,000,000; and
- In April 2021, Tianjin New Vision transferred 431,432 Shares (approximately 0.08% equity interest) in the Company to Miner Consulting for the consideration of RMB20,000,000.

Nanjing Yuanbai is a PRC-based limited partnership established in September 2012. It is an investment holding entity ultimately controlled and beneficially owned by Mr. Wang. As of the Latest Practicable Date, Nanjing Yuanbai was owned as to (i) 1.00 % by Nanjing Xunteng Investment Management Co., Ltd. (南京迅騰投資管理有限公司) as its general partner, and (ii) 99.00 % by Five Star Holdings as its only limited partner. Nanjing Xunteng Investment Management Co., Ltd. was wholly owned by Five Star Holdings, which is controlled by Mr. Wang.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Minsheng Investment is a PRC-based limited partnership established in September 2020, mainly engaged in equity investment. As of the Latest Practicable Date, Minsheng Investment was owned as to (i) 5.00 % by Minsheng Equity Investment Fund Management Co., Ltd. (民生股權投資基金管理有限公司) as its general partner, and (ii) 95.00 % by Zhongshan OPPL Investment Co., Ltd. (中山市歐普投資有限公司) as its only limited partner. Minsheng Equity Investment Fund Management Co., Ltd. is wholly owned by Minsheng Securities Co., Ltd. (民生證券股份有限公司), a well-known security company with Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司) as its only controlling shareholder. According to the latest annual report of Oceanwide Holdings Co., Ltd., Oceanwide Holdings Co., Ltd. is a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000046.SZ) and is controlled by Mr. Lu Zhiqiang (盧志強) (the controller and vice director of Minsheng Securities Co., Ltd.) via trust or asset management. As of the Latest Practicable Date, Zhongshan OPPL Investment Co., Ltd. (中山市歐普投資有限公司) was owned as to 50.16% by Mr. Wang Yaohai (王耀海) and 48.56% by Ms. Ma Xiuhui (馬秀慧) (the wife of Mr. Wang Yaohai) and was mainly engaged in industrial investment and product sales. The ultimate controller of Minsheng Investment is Mr. Lu Zhiqiang and the ultimate beneficial owners of Minsheng Investment are Mr. Lu Zhiqiang, Mr. Wang Yaohai and Ms. Ma Xiuhui.

Miner Consulting is a PRC-based limited partnership established under the laws of the PRC in November 2020, mainly engaged in enterprise management consulting whose general partner is Ms. Chang Hongxia (常紅霞) and the only limited partner is Ms. Ran Zhengjuan (冉正娟), each a professional investor. Miner Consulting is owned as to 99% and 1% by Ms. Chang Hongxia and Ms. Ran Zhengjuan, respectively. The ultimate controller of Miner Consulting is Ms. Chang Hongxia and the ultimate beneficial owners of Miner Consulting are Ms. Chang Hongxia and Ms. Ran Zhengjuan.

To the best knowledge of our Company, save for Nanjing Yuanbai, which is controlled by Mr. Wang, and Alibaba China, which is one of our substantial shareholders, each of the Pre-IPO Investors, their ultimate controlling shareholders and their ultimate beneficial owners is an Independent Third Party.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Pre-IPO Investments

Overview

Set forth below is a summary of the Pre-IPO Investments in our Company.

Relevant Investment	Date of Investment	Total consideration paid by the investors <i>(RMB)</i>	Investment cost per Share <i>(RMB, approximately)</i>	Payment date of the consideration	Premium/ (Discount) to the H Share Offer Price ⁽³⁾
June 2015 Investment ⁽⁴⁾⁽⁶⁾	June 26, 2015 ⁽¹⁾	500,000,000	13.89	June 26, 2015	(62.55%)
February 2016 Investment ⁽⁵⁾⁽⁶⁾	February 18, 2016 ⁽¹⁾	500,000,000	15.26	December 28, 2015	(58.85%)
June 2016 Investment ⁽⁵⁾⁽⁶⁾	June 28, 2016 ⁽¹⁾	300,000,000	16.55	June 27, 2016	(55.38%)
December 2017 Investment ⁽⁵⁾⁽⁶⁾	December 26, 2017 ⁽¹⁾	500,000,000	24.34	December 21, 2017	(34.38%)
April 2018 Investment ⁽⁵⁾⁽⁶⁾	April 11, 2018 ⁽¹⁾	304,999,996	24.34	March 5, 2018	(34.38%) ⁽⁸⁾
May 2018 Investment ⁽⁵⁾⁽⁶⁾	May 14, 2018 ⁽¹⁾	4,500,000,000	46.36	April 26, 2018	24.98% ⁽⁸⁾
December 2020 Investment ⁽⁴⁾⁽⁷⁾	December 25, 2020 ⁽¹⁾	1,199,999,959.89	51.51	December 23, 2020	38.87% ⁽⁸⁾
2021 Investments ⁽⁵⁾⁽⁷⁾	January 2021 ⁽²⁾ , from Shanghai Zhaoyin to Nanjing Yuanbai	270,364,335.28	19.57	February 18, 2021	(47.23%) ⁽⁹⁾
	February 2021 ⁽²⁾ , from Zhongmei Green to SOE IIF	500,000,010	46.36	February 9, 2021	24.98%
	February 2021 ⁽²⁾ , from Jiangsu Coastal Fund to SOE IIF	299,999,969	46.36	February 9, 2021	24.98%
	April 2021 ⁽²⁾ , from Nanjing Yuanbai to Minsheng Investment	100,000,000	46.36	April 23, 2021	24.98%
	April 2021 ⁽²⁾ , from Tianjin New Vision to Miner Consulting	20,000,000	46.36	April 15, 2021	24.98%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

- (1) The date refers to the date when the registration of such investment with local administration of industry and commerce was completed.
- (2) The date refers to the date when the relevant share transfer agreement was entered into, as the registration of such share transfers is still in process.
- (3) The Discount to the H Share Offer Price equals to 1-investment cost per share/H Share Offer Price, which is calculated based on the assumption that the Offer Price is HK\$45.50 per Share, being the mid-point of the indicative Offer Price range of HK\$43.00 to HK\$48.00.
- (4) The Group became acquainted with the Pre-IPO Investors in June 2015 Investment and December 2020 Investment through 上海慧嘉投資顧問有限公司 (Shanghai Huijia Investment Consulting Limited) (“**Shanghai Huijia**”) and 華興泛亞投資顧問(北京)有限公司 (CRP-Fanya Investment Consultants (Beijing) Limited) (“**Huaxing Fanya**”), respectively, who were financial advisor to the Company at the relevant time. Each of Shanghai Huijia and Huaxing Fanya is an indirect wholly-owned subsidiary of China Renaissance Holdings Limited (華興資本控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 1911) and the holding company of China Renaissance Securities (Hong Kong) Limited, one of our Joint Sponsors and Underwriters.
- (5) The Group became acquainted with the Pre-IPO Investors in February 2016 Investment, June 2016 Investment, December 2017 Investment, April 2018 Investment, May 2018 Investment and Minsheng Investment in 2021 Investments through Mr. Wang. The Group became acquainted with Miner Consulting in 2021 Investments through an existing Pre-IPO investor, Tianjin New Vision.
- (6) Pre-IPO Investors of June 2015 Investment, February 2016 Investment, June 2016 Investment, December 2017 Investment, April 2018 Investment and May 2018 Investment invested in the Company as they were optimistic about the prospect of the Company and the management team.
- (7) Pre-IPO Investors of December 2020 Investment and 2021 Investments invested in the Company as they were optimistic about the prospect of the Company and the management team, as well as the fact that the Company was in line with the national strategy of rural revitalization.
- (8) In general, the valuation of the Company increased during the Pre-IPO investments from April 2018 Investment to December 2020 Investment, which is in line with the organic growth of the Company. Specifically, the consideration of April 2018 Investment, May 2018 Investment and December 2020 Investment was determined after arm’s length negotiation between our Group and relevant Pre-IPO Investors with reference to the market value of the Company estimated by the relevant Pre-IPO Investors in December 2017, April 2018 and November 2020, when the Company passed relevant shareholder resolutions, respectively, while April 2018, May 2018 and December 2020 was the time of signing relevant investment agreements as deal closing, instead of the time of pricing.
- (9) The consideration for the January 2021 Investment was determined based on mutual agreement between Shanghai Zhaoyin and Nanjing Yuanbai, an entity controlled by Mr. Wang. Shanghai Zhaoyin intended to sell part of its equity interest in the Company but did not find any suitable purchaser. To facilitate the intended disposal of part of its equity interest in the Group by Shanghai Zhaoyin, our single largest Shareholder, Mr. Wang, agreed to acquire relevant equity interest with a relatively high discount compared to the December 2020 investment.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Principal Terms of the Pre-IPO Investments

Use of Proceeds from the Pre-IPO Investments

We will utilize the entire proceeds received from the Pre-IPO Investors for the development and operations of our business, including but not limited to strategic investments, new business and product development, technology infrastructure, personnel recruitment and sales and marketing, as well as other general corporate purposes. As of the Latest Practicable Date, 5.82% of the proceeds from the Pre-IPO Investments have not been utilized.

Strategic or financial benefits of the Pre-IPO Investors brought to our Company

At the time of the Pre-IPO Investments, we were of the view that our Company would benefit from the strategic or financial value that the Pre-IPO Investors would bring to our business, the additional capital provided by the Pre-IPO Investors' investments in our Company and their knowledge relevant to our business. Our Pre-IPO Investors include renowned professional investors, which can provide us with professional advice on our Group's development and improve our corporate governance, financial reporting and internal control.

By introducing our Pre-IPO Investors, we would not only benefit from the capital that they have brought in, but also leverage on their network, expertise and corporate management experience, to further develop our business. We may also establish certain business relationship with our Pre-IPO Investors, such as the service agreements we have entered into with Alibaba Cloud, an affiliate of Alibaba China who is one of our Pre-IPO Investors.

Our Company is also of the view that the Pre-IPO Investments demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance, strengths and prospects, which can assist us in broadening our shareholder base.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Lock-up Period

Each of our existing Shareholders (including the Pre-IPO Investors) has executed a lock-up undertaking, and undertaken that, they will not, at any time during the period commencing from the date of the lock-up undertaking and ending on the date falling 12 months after the Listing Date, (a) transfer any Shares or any interest in such Shares directly or indirectly held by such Shareholder in the Company and (b) request the Company to repurchase any Shares directly or indirectly held by such Shareholder in the Company.

Special Rights of the Pre-IPO Investors

Pursuant to our shareholders agreement dated December 18, 2020 entered into by us and the existing Shareholders of our Company (the “**Shareholders Agreement**”), the Pre-IPO Investors were granted certain special rights in relation to the Company, including, among others, customary rights of first refusal, pre-emptive rights, redemption rights and information rights. All special rights under the Pre-IPO Investments have been terminated immediately prior to the first submission of the listing application form to the Stock Exchange for the purpose of the Global Offering.

The consideration for each of the Pre-IPO Investments was determined after arm’s length negotiations between the parties with reference to the financial performance and the overall business prospects of the Company and its subsidiaries. Other factors were taken into account in the determination of the consideration including but not limited to: (i) the investment risk assumed by the Pre-IPO Investors due to the absence of any exit or divestment rights granted to the Pre-IPO Investors under the terms of the pre-IPO investment agreements in the case the Global Offering fails to proceed, as well as other investment risks assumed by the Pre-IPO Investors in investing in an unlisted company, including, among others, the lack of liquidity and open market for trading in our Shares prior to the completion of the Global Offering and the Listing and the lack of any plan to declare further dividend during the period from the completion of the Pre-IPO Investments to the completion of the Global Offering; (ii) the strategic or financial benefits which would be brought by the Pre-IPO Investors to our Group as detailed in the “– Strategic or financial benefits of the Pre-IPO Investors brought to our Company” above; and (iii) the twelve-month lock-up restriction undertaken by the Pre-IPO Investors commencing on the Listing Date.

Our PRC legal advisor confirmed that the Pre-IPO Investments were conducted in compliance with all applicable laws and regulations.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors confirm that the Pre-IPO Investments are in compliance with Guidance Letter HKEx-GL29-12 issued by the Hong Kong Stock Exchange in January 2012 and updated in March 2017, Guidance Letter HKEx-GL43-12 issued by the Hong Kong Stock Exchange in October 2012 and updated in July 2013 and March 2017 and Guidance Letter HKEx-GL44-12 issued by the Hong Kong Stock Exchange in October 2012 and updated in March 2017.

Public Float

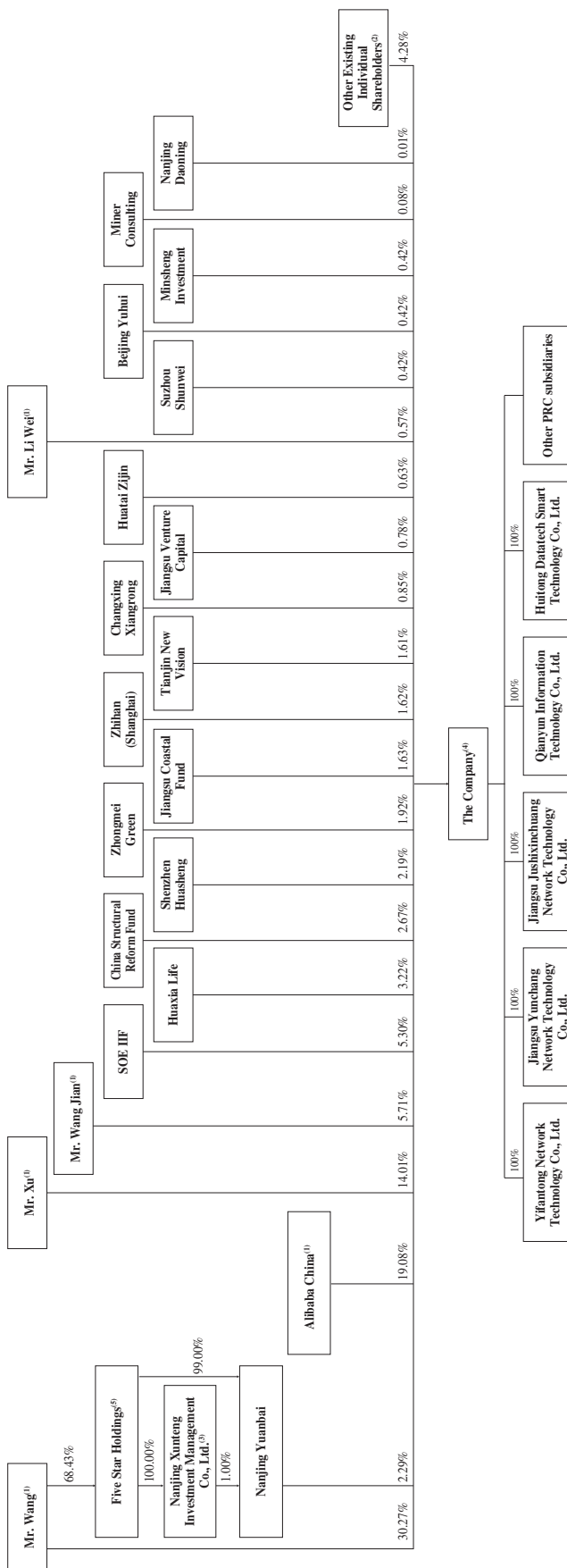
Upon the completion of the Global Offering (assuming that the Over-allotment Option is not exercised) and the Conversion of Domestic Shares into H Shares, the H Shares held by certain of our Shareholders who are, or are indirectly controlled by, our core connected persons, will not be counted towards the public float. Details of these Shareholders are set out below:

- Mr. Wang, Mr. Xu and Mr. Wang Jian, each being our Director, directly holding 27.48%, 12.72% and 5.18% of the total issued share capital of the Company, respectively;
- Nanjing Yuanbai, controlled by Mr. Wang, our non-executive Director, holding 2.08% of the total issued share capital of the Company;
- Mr. Li Wei, one of our Supervisors, directly holding 0.52% of the total issued share capital of the Company; and
- Alibaba China holding 17.33% of the issued share capital of the Company, as a substantial shareholder of the Company.

Save as provided above, all of our other H Shares held by our Shareholders upon Listing will be counted towards to the public float.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following charts set forth our simplified shareholding structure immediately prior to the completion of the Global Offering.



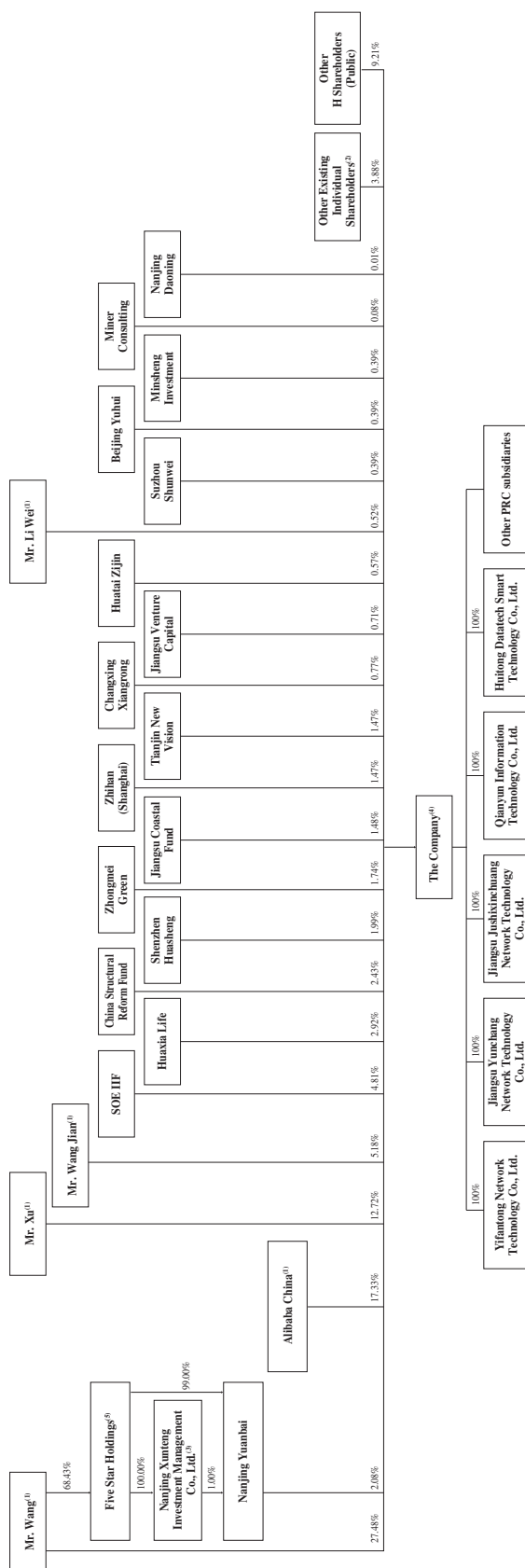
Notes:

- (1) As of the Latest Practicable Date, each of Mr. Wang, Mr. Xu and Mr. Wang Jian was a Director and therefore a core connected person of the Company. Mr. Li Wei was a Supervisor and therefore a core connected person of the Company. Nanjing Yuanhai is controlled by Mr. Wang and therefore a close associate of our core connected person. Further, Alibaba China, being a substantial shareholder of the Company, is also our core connected person. H Shares to be held by these Shareholders will not be counted towards our public float upon Listing.
- (2) As of the Latest Practicable Date, these Individual Shareholders and their respective shareholding percentages in the Company were approximately: Ms. Bian Huimin (2.20%), Mr. Li Yonghua (0.57%), Mr. Wang Qilin (0.57%), Ms. Qian Zhengming (0.50%) and Mr. Cai Jingzhong (0.44%), respectively.
- (3) Nanjing Xunteng Investment Management Co., Ltd. is wholly owned by Five Star Holdings and has been mainly involved in investment management and property management since its establishment.

- (4) The Group has been engaged in commerce and service businesses in China's retail market via 565 subsidiaries, with 475 channel partners as minority shareholders in 475 non-wholly owned subsidiaries as of September 30, 2021, which were established nationwide to cater to the specific business operations. For details of channel partners, please refer to "Business – Marketing and Sales". For scope of our principal subsidiaries as of September 30, 2021, see "– Our Principal Subsidiaries" in this section.
- (5) As of the Latest Practicable Date, Five Star Holdings is owned as to 36.67% by Mr. Wang; 20.29% by Zhuhai Chuangyuefeng Investment Co., Ltd. (珠海創越豐投資有限公司) (held by Mr. Wang Hao, the son of Mr. Wang, as to 60% and 40%, respectively), 11.47% by Nanjing Mitongwang Enterprise Management Center (南京米同旺企業管理中心) (wholly owned by Mr. Wang), both entities controlled by Mr. Wang; 5.83% by Mr. Xu Xiuxian, both our Directors; 4.43% by Ms. Bian Huimin, 3.53% by Ms. Qian Zhengming, 2.83% by Mr. Fang Hongquan (方洪銓), 2.70% by Mr. Wan Qiong (萬瓊), 1.76% by Mr. Jiang Daokun (蔣道坤), 1.33% by Mr. Huang Jian (黃健), 1.29% by Ms. Zhang Jufen (章菊芬), 0.93% by Ms. Ma Xiaobei (馬曉蓓), 0.62% by Mr. Yin Ling (殷蔭), 0.43% by Mr. Jiang Yiming (江逸明), each an independent third party.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE COMPLETION OF THE GLOBAL OFFERING

The following charts set forth our simplified shareholding structure immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Conversion of Domestic Shares into H Shares.



Notes:

- (1) See the corresponding notes below the chart as set out in “– Our Structure Immediately Prior to the Global Offering”.
- (2) Immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Conversion of Domestic Shares into H Shares, these Individual Shareholders and their respective shareholding percentages in the Company were approximately: Ms. Bian Huimin (1.99%), Mr. Li Yonghua (0.52%) Mr. Wang Qilin (0.52%), Ms. Qian Zhengming (0.45%) and Mr. Cai Jingzhong (0.40%), respectively.
- (3) See the corresponding notes below the chart as set out in “– Our Structure Immediately Prior to the Global Offering”.
- (4) Immediately upon the completion of the Global Offering, 126,354,539 Shares (representing approximately 25.67% of the share capital held by all our existing Shareholders (excluding Huaxia Life)) held by all existing Shareholders (excluding Huaxia Life) (representing approximately 22.55% of the share capital of the Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised)) and the Conversion of Domestic Shares into H Shares will be converted into H Shares. Such Conversion of Domestic Shares into H Shares has been approved by the CSRC on September 30, 2021 and is still subject to the approval by the Hong Kong Stock Exchange.
- (5) See the corresponding notes below the chart as set out in “– Our Structure Immediately Prior to the Global Offering”.

OVERVIEW

We are a fast growing commerce and service platform dedicated to serving business customers in China's retail market, and we endeavour to provide quality merchandise and services to China's lower-tier market*. According to the Frost & Sullivan Report, China's lower-tier retail market refers to the retail industry of China's lower-tier market, which covers all suburban and rural areas, as well as the urban areas of the cities in China that are not tier-one and -two cities.

According to the Frost & Sullivan Report, the retail industry in both the lower-tier market and the overall PRC market remains highly fragmented and less penetrated by digitalization, and among the commerce platforms serving businesses in the retail industry in China, we ranked first and third in terms of transaction value of commerce business in the lower-tier market and in the overall PRC market in 2020, respectively, with a market share of less than 1% in each market.

We provide both commerce business and service business for our customers.

- Under our commerce business, we procure products, including household appliances, consumer electronics, agricultural means of production, vehicles and auto parts, homebuilding and renovation materials, and liquor and beverages, from our suppliers and distribute mainly to wholesaler customers and member stores through our self-operated *HTD Mall* webpage. The revenue generated from our commerce business mainly includes sales revenue under direct sales model and commission income and service fees charged under online marketplace model.
- Under our service business, leveraging our digitalization capabilities, we mainly offer SaaS+ (through our *Super Boss* webpage and mobile app) and merchant solutions to retail stores and wholesalers along the industry value chain. The revenue generated from our service business mainly include subscription fees we charge under SaaS+ business and service fees we charge under merchant solutions business.

* The majority of our revenue is generated from wholesaler customers with a delivery address and member stores with a registration address in the lower-tier market. According to the Frost & Sullivan Report, wholesalers in the industry generally operate their business within certain areas, and their warehouses are usually located close to their targeted markets for cost and operating efficiency reasons, as such their delivery address is generally able to represent their targeted markets; retail stores in the industry generally operate their business around the business registration address, as such the business registration address is generally able to represent their targeted markets.

BUSINESS

We established a membership-based business model in 2015 for retail businesses, since when we started to serve local retail stores in China's towns and villages as the core of our member stores. We provide our member stores with stable one-stop supply chains, which include abundant merchandise offered on our platform with flexible delivery service options, addressing the diverse needs. To strengthen our interactions with member stores, we have built a team of highly localized client managers, who have a deep understanding of the lower-tier market and provide in-person training and marketing services to the owners of our member stores.

With our extensive and expanding member store network that deeply penetrates into the towns and villages in China, we have enhanced our relationship with suppliers that include brand manufacturers and distributors. Consequently, we were able to broaden our core market to counties and other areas of the lower-tier market, and enjoy a more diverse group of customers. In addition to member stores, we have also been developing our business with wholesaler customers, who we consider as our future strategic partners to further expand the reach of our retail ecosystem into the broader lower-tier market. During the Track Record Period, we have accumulatively connected over 160,000 member stores, 10,000 suppliers and 20,000 wholesaler customers.

For the nine months ended September 30, 2021, we had 57,074 active member stores, 13,653 active wholesaler customers and 4,268 suppliers forming a retail ecosystem with over 175,000 SKUs covering 21 provinces and over 20,000 towns and villages across China. From January 1, 2021 to the Latest Practicable Date, we had 62,599 active member stores, 17,244 active wholesaler customers and 5,286 suppliers. According to the Frost & Sullivan Report, the way we calculate our active member stores and active wholesaler customers is in line with the market practice.

Meanwhile, we have also expanded our merchandise offerings to six major categories, including household appliances, consumer electronics, agricultural means of production, vehicles and auto parts, and homebuilding and renovation materials, as well as liquor and beverages. According to the Frost & Sullivan Report, such merchandise have significant growth potential in household spending in the lower-tier market. For instance, the average household consumption spending on durable goods and agricultural means of production in the lower-tier market, which include household appliances, consumer electronics, homebuilding and renovation materials and agricultural means of production, increased from approximately RMB3,500 in 2015 to approximately RMB6,700 in 2020 with a CAGR of 13.9% and is expected to reach approximately RMB10,700 in 2025 with a CAGR of 9.8%, according to the Frost & Sullivan Report. In addition, they are generally associated with higher merchandise value and greater expectations for customer service and experience, according to the Frost & Sullivan Report. As a result, our rapidly growing commerce business contributes to our higher bargaining power with suppliers, allowing us to supply customers with competitively priced products. This in turn solidified our market leadership.

BUSINESS

Our Commerce Business

Our commerce business is our principal business, which serves the businesses that mainly operate in the lower-tier retail market, including retail stores and wholesalers, and operates mainly under direct sales model and marketplace model. Under our direct sales model, we procure merchandise and take inventory from our suppliers and then offer a wide and expanding range of merchandise to our member stores and our wholesaler customers. We bear relevant risks in our operations, though we do not own or operate any offline member stores. To a much lesser extent, we also offer merchandise directly to consumers through our self-operated online stores on third-party e-commerce platforms and through our own sales department under a traditional retail model. Revenue from merchandise sales is recognized at the point in time when the control of the merchandise has been transferred, which is when the goods are delivered and accepted. We bill our customers before or after delivery of merchandise, depending on industries. We also operate an online marketplace on *HTD Mall*, a website owned and operated by us, where third-party vendors can sell merchandise from their own online stores opened thereon to our customers, and we charge commissions on their sales generated on *HTD Mall*. Commission income is recognized on a net basis which is based on a fixed percentage of the sales amount, and we bill the third-party vendors for such commissions on real-time basis whenever a transaction happens from their online stores. We provide a range of operating and technical support to these third-party vendors and charge service fees accordingly. Revenue of such service fees is recognized at the point in time when the performance obligations for the services are completed. We bill the third-party vendors for the service fees before we provide relevant supporting service. Our commerce business accounted for more than 99% of our revenue during the Track Record Period and its gross margin was 3.2%, 2.7%, 2.4%, 2.0% and 2.2% in 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, respectively.

Our Service Business

We have also successfully launched our service business, including SaaS+ business and merchant solutions business based on our experience and resources accumulated. Our SaaS+ business, launched in 2017, focuses on helping retail stores improve in-store management efficiency and realize effective online business operation. Our SaaS products provide retail stores with digital solutions through our *Super Boss* webpage and mobile app, which has digital retail management, online storefront, data analytics and other functions. Our SaaS+ business also provides retail stores with customized on-site marketing services through our client management teams. We charge subscription fees for our SaaS+ business. Revenue generated from subscription fees is generally recognized over time on a ratable basis, which is generally on a straight-line basis, over the subscription period beginning on the date that the service is made available to the customer as the relevant services are rendered. We usually bill our member stores when entering into agreements with them. As our SaaS+ business continues to grow rapidly, we expect its revenue and profit contribution to increase in the future. Our merchant solutions business, still in its early stage of development, mainly focuses on establishing and upgrading of digital infrastructures of the participants along the value chain of China's retail market, including brand manufacturers, suppliers and wholesalers. Under

BUSINESS

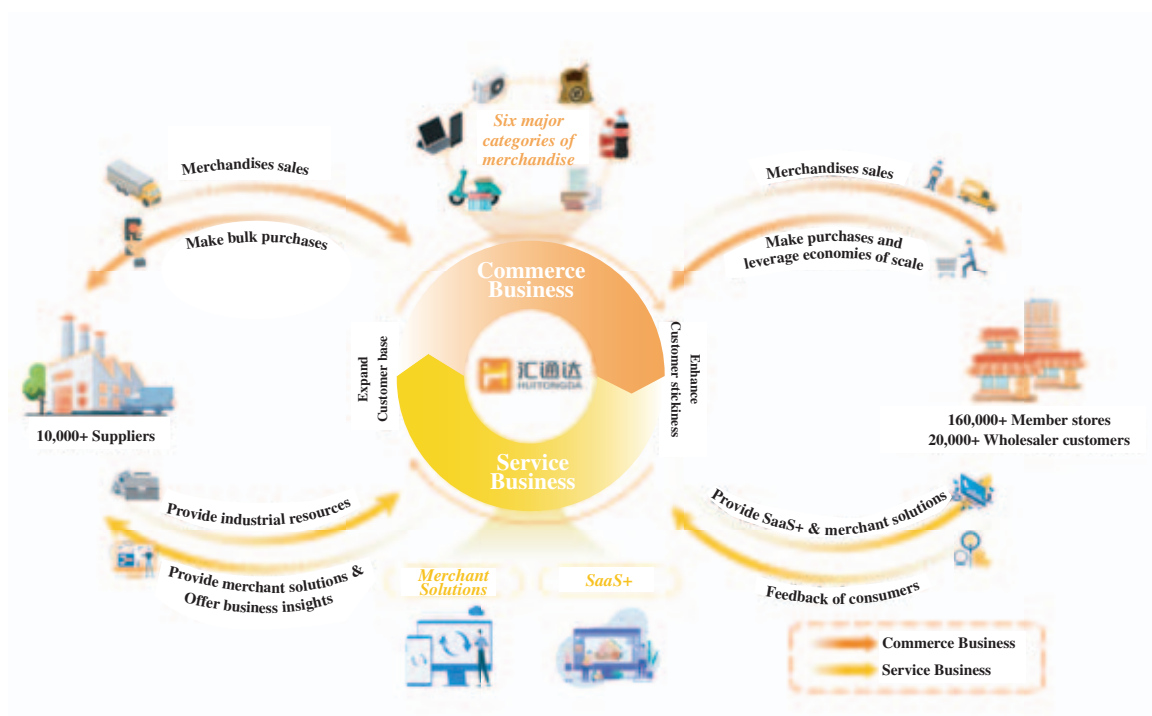
merchant solutions business, we provide targeted marketing solutions to improve customers' marketing capabilities and to promote their sales, and software customization solutions to equip our customers with digital means to optimize their operation and achieve their digitalization transformation. Revenue generated from merchant solutions and other related services is generally recognized at the point in time when the performance obligations for the services are completed. We bill our customers for merchant solutions by phases according to contracts.

Our Other Business

We also offer certain other services that are ancillary to our two main businesses above, including maintenance and installation services along with the sales of merchandise, sales planning services and others.

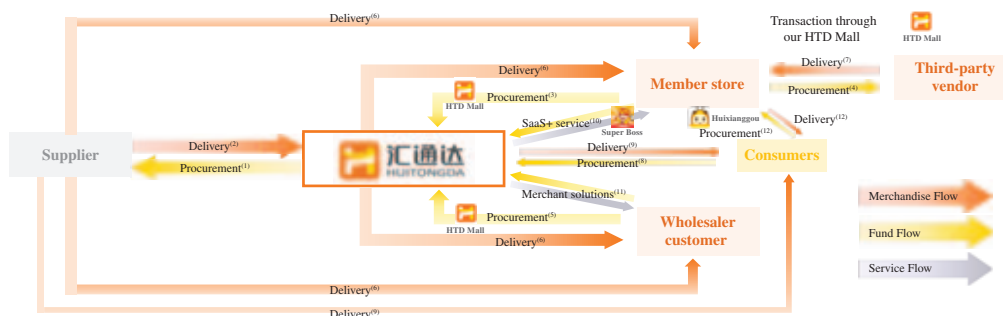
Our Business Model

Our commerce and service businesses have been enhancing each other to establish a mutually-reinforcing relationship. Specifically, our member stores accumulated from our commerce business provide a large customer base for our service business, to whom we can introduce our SaaS+; meanwhile, the continuous penetration of our service business increases customer stickiness and further bolsters our commerce business. The following chart illustrates our business model:



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The following diagram illustrates the merchandise flow, fund flow and service flow related to our business, and the interactions among our business segments:



Notes:

- (1) As a process of merchandise sourcing, we purchase products from suppliers for the six categories of merchandise that we offer on our platform under the direct sales model. We generally pay our suppliers after we receive the products.
- (2) As a process of merchandise sourcing, our suppliers deliver the products to us, and are generally responsible for the transportation and relevant logistics costs.
- (3) Under the direct sales model of our commerce business, our member stores purchase merchandise from us through *HTD Mall* and we generate revenue from the sales thereof.
- (4) Under the online marketplace model of our commerce business, third-party vendors (including some of our suppliers) sell merchandise from their own online stores opened on *HTD Mall* to our customers, and we charge commissions on their sales generated on *HTD Mall*. We also provide a range of operating and technical support to these third-party vendors and charge service fees accordingly.
- (5) Under the direct sales model of our commerce business, our wholesaler customers purchase merchandise from us through our sales department and *HTD Mall*. We also offered battery operating leases to wholesaler customers as part of our direct sales during the Track Record Period, and we have ceased this business in December 2020. We generated revenue from the sales and the lease.
- (6) Under the direct sales model of our commerce business, through our headquarter, our wholly-owned subsidiaries, and our regional service platforms as established with our channel partners, we deliver the merchandise to customers' designated addresses (i) through third-party logistics companies, (ii) through delivery directly arranged by the supplier, or (iii) through customer pick-up. As of September 30, 2021, we have established a warehouse network comprising 511 warehouses across 24 provinces.
- (7) Under the online marketplace model of our commerce business, third-party vendors (including some of our suppliers) take care of the delivery of products.
- (8) Under the direct sales model of our commerce business, consumers purchase our merchandise through our self-operated online stores on third-party e-commerce platforms and through our own sales department and we generate revenue from the sales thereof.
- (9) Under the direct sales model of our commerce business, we deliver the merchandise to consumers' designated addresses (i) through third-party logistics companies, (ii) through delivery directly arranged by the supplier, or (iii) through consumer pick-up. As of September 30, 2021, we have established a warehouse network comprising 511 warehouses across 24 provinces.
- (10) Under our service business, with the support of our regional service platforms as established with our channel partners, we provide free standard SaaS products and paid SaaS+ through our *Super Boss* mobile app and webpage, of which we charge subscription fees.
- (11) Under our service business, apart from wholesaler customers we also provide merchant solutions to brand manufacturers, suppliers and other customers, of which we charge service fees.
- (12) Consumers visit our member stores to pick up merchandise purchased at the online storefronts operated by such member stores via *Huixianggou*, which is one of the optional SaaS+ modules we offer to help member stores build up their own personalized online storefront with various marketing functions.

Our Ecosystem

The chart below illustrates the core participants and their interactions within our retail ecosystem:



We provide following services to our member store customers:

1. Our client managers visit our member stores on a regular basis to enhance offline interactions with them on a face to face basis;
2. Our client managers provide our SaaS products related training to our member stores;
3. Our client managers assist our member stores to launch marketing activities;
4. Our client managers guide member store owners to manage customer relationship;
5. Consumers visit our member stores to pick up merchandise purchased at the online storefronts operated by such member stores via *Huixiangou*; and
6. Our member stores use our SaaS+ to promote the operating efficiency of their online business and in-store business.

We provide following services to our wholesaler customers:

7. We provide stable and quality-assured supply chains for our wholesaler customers; and
8. We provide digitalization solutions for our wholesaler customers to achieve cost reduction and efficiency improvements.

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With our mutually-reinforcing commerce and service businesses, we intend to further digitalize the entire value chain of the lower-tier retail market across multiple industries in order to minimize cost and maximize efficiency, which we believe will propel our retail ecosystem forward.

During the Track Record Period, we have achieved a rapid growth. Our revenue increased by 46.4% from RMB29,801.7 million in 2018 to RMB43,633.2 million in 2019, and further increased by 13.7% to RMB49,629.1 million in 2020. Our revenue increased by 35.1% from RMB34,418.5 million for the nine months ended September 30, 2020 to RMB46,495.9 million for the nine months ended September 30, 2021. Our adjusted net profit (non-IFRS measure) increased by 100.7% from RMB124.3 million in 2018 to RMB249.5 million in 2019, and further increased by 29.1% to RMB322.1 million in 2020. Our adjusted net profit (non-IFRS measure) increased by 149.2% from RMB138.9 million for the nine months ended September 30, 2020 to RMB346.2 million for the nine months ended September 30, 2021. For further information, see “– Non-IFRS Measures”.

OUR STRENGTHS

We believe that the following competitive strengths have contributed to our success, and will facilitate our future development:

Fast growing commerce and service platform dedicated to serving business customers in China’s retail market

We are a fast growing commerce and service platform dedicated to serving business customers in China’s retail market, with majority of our revenue generated from wholesaler customers with a delivery address and retail stores registered in the lower-tier market. According to the Frost & Sullivan Report, we are the largest commerce platform serving businesses in the retail industry in China, in terms of the transaction value of commerce business in the lower-tier market in 2020. Since our inception in 2010, starting with the retail market of the towns and villages in China, we have steadily established extensive supply chains with diversified merchandise and a leading customer network of member store and wholesaler customers. During the Track Record Period, we have accumulatively connected over 160,000 member stores, 10,000 suppliers and 20,000 wholesaler customers, and, as of September 30, 2021, we have developed a retail ecosystem covering 21 provinces and over 20,000 towns and villages across China.

Our expanding customer network in the lower-tier market and the multi-dimensional data insights generated on our platform have allowed us to develop and enhance our relationship with suppliers. Our increasing scale and cooperation with quality suppliers further strengthen our ability to provide a broader merchandise portfolio at competitive prices, which in turn attracts more customers along the value chain to our platform. With such a virtuous cycle, we have expanded our retail ecosystem and diversified the participants therein, which has resulted in rapid and sustainable growth of our revenue. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, our total revenue was RMB29,801.7 million, RMB43,633.2 million, RMB49,629.1 million, RMB34,418.5 million and RMB46,495.9 million, respectively.

Diversified and tailored SaaS+ business addressing the customers' needs

By leveraging our industry knowledge and deep insights along with extensive experience of serving retail stores in the lower-tier market, we launched our SaaS+ business in 2017. Our SaaS products provide various modules, including digital retail management, online storefront and data analytics. We also provide retail stores with customized on-site services, such as themed marketing campaigns and customized branding campaigns. Our SaaS products in combination with those on-site services, which we refer to as SaaS+, aim to help retail stores strengthen digital capabilities, improve operational and marketing efficiency, and accelerate the transformation and upgrade of the retail industry in the lower-tier market.

To improve the customer experience of our SaaS products, our client managers collaborate closely with our R&D department. Given the close interactions between our localized client managers and our customers in the lower-tier market, we have gained a deep understanding of the pain points faced by our customers, so that we can continue to improve customer experience through the iteration of our SaaS products. As of September 30, 2021, the number of users using our free SaaS products was 73,234, and the number of paying users of our SaaS+ was 15,167. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, the revenue from our SaaS+ subscription amounted to RMB23.7 million, RMB49.4 million, RMB119.1 million, RMB93.7 million and RMB163.2 million, respectively.

Client management team highly compatible with the lower-tier retail market

We believe that culture affinity, deep knowledge of local customs and language, and in-person interaction are key to our ability to develop a large number of loyal member stores. As such, we have a large number of client managers who are responsible for business development, such as acquiring, engaging and retaining member stores. As of September 30, 2021, we had 2,902 client managers located across 21 provinces in China.

We provide customized marketing services for member stores, taking into consideration of their local customs, so that they can better understand and serve their targeted consumers. Our client managers provide demonstration of our SaaS+ to our member stores and are actively involved in the on-site trainings and marketing services for member stores. We have strict screening processes and training programs for our client managers, who are highly localized and have a deep understanding of the lower-tier market.

Our client managers are composed of business development managers and operation managers. The business development managers are responsible for the development and management of our member stores, promotion of our SaaS+ business and commerce business, as well as customer relationship management. The operation managers are responsible for providing trainings to our member stores in relation to our SaaS products, planning and executing marketing campaigns and activities, as well as managing member stores' merchandise sourcing.

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We have a three-tier management system for our client managers: (i) our headquarter is responsible for setting work strategies for our client managers, business objectives and assessment mechanisms, as well as training guidance; (ii) our regional management departments are responsible for the management of the client managers in the region, focusing on assisting the headquarter in decomposing, implementing and achieving the work strategies for our client managers, as well as providing periodical trainings; and (iii) our regional service platforms are responsible for the specific workflow arrangements and performance assessment of the client managers. Additionally, we have developed *Super Manager*, an internal management mobile app, to manage our client managers and ensure the quality and efficiency of our services.

According to the Frost & Sullivan Report, compared to other market players' offline teams who generally focus on the development and management of stores and promotion of the respective platforms' businesses, our client managers also provide more in-depth client services to our member stores, including providing training, planning and execution of marketing campaigns and activities, and managing member stores' merchandise sourcing.

Unmatched market insights and merchandise portfolio in China's lower-tier market

Based on our years of experience in the lower-tier market, we have developed deep insights into demands and preferences of the lower-tier market and are able to expand our merchandise portfolio accordingly, from initially household appliances to other categories such as consumer electronics, agricultural means of production, vehicles and auto parts, homebuilding and renovation materials, as well as liquor and beverages. In response to the increasingly diverse needs of consumers in the lower-tier market, we leverage our data analytics capability to expand our offerings to cover over 175,000 SKUs, forming a diversified merchandise portfolio to better serve the market.

With the consumption upgrades in the lower-tier market, we have further strengthened strategic alliances with leading brand manufacturers in the industry of the merchandise we focus on, to provide high-quality merchandise, such as smart devices and wellness products, in order to improve the consumption quality and living standards of consumers in the lower-tier market. In addition, we also cooperate with brand manufacturers for joint development or customization of products based on the customer needs and preferences of the lower-tier market, so as to provide a channel for brand manufacturers to understand the lower-tier market.

Visionary management team with proven track records

Our founder and our Chairman, Mr. WANG Jianguo, is a serial entrepreneur and business veteran in the PRC retail industry. He founded multiple other industry-leading retail enterprises in China, such as “Five Star Appliance”, one of the top-tier home appliance chains, “Kidswant”, a leading maternity-infant-children retailer as well as a child growth and development service provider, and “Hosjoy”, a leading player in the smart home furniture market. Our co-founder and our CEO, Mr. XU Xiuxian, has a deep understanding of the town-and-village retail market in China. Our senior management team has an average of 15 years of experience in retail and Internet sectors with strong execution and management skills.

Under the leadership of Mr. WANG Jianguo and Mr. XU Xiuxian, we are confident that we are able to seize the opportunities amid the transformation and upgrade of the town-and-village retail market in China. We will continue to serve this market, with our efficient business model and digitalization capabilities, to achieve rapid and sustainable growth.

OUR STRATEGIES

To further solidify our market leadership, we intend to pursue the following strategies:

Further increase the number of our member stores and expand the penetration of our business in the lower-tier market

Our strategies to increase our member store network and expand our business penetration are as follows:

- ***Continuously increasing the number of our member stores.*** We believe that there is great potential for the further growth of our business in the lower-tier market. We have focused our business on the retail market in the eastern and central regions of China. We will strategically expand into northern and southern regions of China, where we believe have great potential for further development, for example, Hebei, Henan, Guangdong and Fujian provinces.

We will comprehensively consider the macroeconomy, the market capacity and growth potential of each merchandise category, the density of our member stores, the penetration of our member stores and the purchase amount of each member store before we decide to increase the number of our member stores in a region. Taking our mature market in Jiangsu province as a benchmark, we believe that there is sufficient demand for our merchandise and services in these regions considering their GDP per capita and our market density therein. The table below sets forth the market details of these regions and Jiangsu province for the nine months ended September 30, 2021 as a comparison.

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Province	GDP per capita (in 2020)	Number of member stores	Market density of our member stores (number of member stores/number of towns and villages in the relevant province)
Hebei.....	RMB48,528	5,616	2.41
Guangdong	RMB87,897	5,936	3.69
Henan	RMB55,348	10,574	4.31
Fujian	RMB105,691	15,477	13.99
Jiangsu.....	RMB121,205	28,730	22.79

We plan to focus on increasing the number of member stores and expanding the coverage of member stores in Hebei and Guangdong provinces, and plan to enhance the operations of the existing member stores while gradually increasing the number of member stores in Henan and Fujian provinces, given that we have relatively low coverage in Hebei and Guangdong provinces, and that we have relatively broad member store layout in Henan and Fujian provinces with room to strengthen their operations. We plan to focus on offering consumer electronics, homebuilding and renovation materials and liquor and beverages in Henan and Hebei provinces, and focus on offering household appliances, consumer electronics and liquor and beverages in Guangdong and Fujian provinces. According to the Frost & Sullivan Report, for the lower-tier retail market in Henan and Hebei provinces, the CAGR over 2020 to 2025 of consumer electronics is expected to be 12.9% and 9.4%, respectively, and the CAGR over 2020 to 2025 of homebuilding and renovations materials is expected to be 9.4% and 6.1%, respectively. The market volume of liquor and beverages is expected to reach RMB115.6 billion in 2025 in Henan and RMB61.5 billion in Hebei in 2025, and we have been working on expanding our market share in this category. For the lower-tier retail market in Guangdong and Fujian provinces, the CAGR over 2020 to 2025 of household appliances is expected to be 12.3% and 14.0%, respectively, and the CAGR over 2020 to 2025 of consumer electronics is expected to be 13.9% and 15.6%, respectively. The market volume of liquor and beverages is expected to reach RMB346.3 billion in 2025 in Guangdong province and RMB323.8 billion in Fujian province in 2025. We would like to take the advantage of the relatively large growth potential and market volume of such merchandise categories in our strategic expansion into those regions.

We also believe there generally will be sufficient demand for our services in such regions. According to the Frost & Sullivan Report, the aggregated industry scale of the six merchandise categories that we offer has a CAGR of 11.1%, 9.5%, 8.8% and 5.7% over 2020 to 2025 in Fujian province, Guangdong province, Henan province and Hebei province, respectively. In addition, according to the Frost & Sullivan Report, as consumers in the lower-tier markets of northern and southern regions of

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China are increasingly focusing on merchandise and service quality, their spending on merchandise with higher value and expectation for customer service and consumption experience has also increased, which matches the merchandise we offer.

According to the Frost & Sullivan Report, same as the lower-tier market and the overall PRC market, the retail industry in northern and southern regions of China remains highly fragmented. The penetration rate (calculated by number of active stores over total number of retail store in the region) of major commerce platforms serving businesses in China's retail industry (for further information, see "Industry Overview") was generally less than 5% in these regions. Specifically, in the lower-tier market of these regions, there are also some local players, which generally have smaller business scale and operate in a traditional way. We believe that the combination of our solid operating history, comprehensive merchandise portfolio, complementary infrastructures, and comprehensive empowerment solutions and services developed for retail stores is able to differentiate us from other competitors in northern and southern regions of China. For further information, see "– Commerce Business." Particularly, we plan to (i) cooperate with some registered member stores to upgrade their storefront and digitalize their retail business and improve their operational efficiency, (ii) expand our team of client managers to further develop our member store network and to continuously provide high-quality services in these regions, and (iii) collaborate with wholesalers in these regions, who are familiar with local markets and have established their local distribution channels, to promote our merchandise offerings and SaaS+ business in these regions.

- ***Increase the average revenue contribution per member store.*** We believe that our member stores have great potential to increase their purchase from us.

With the expansion of our member store network, our rapidly growing commerce business contributes to our higher bargaining power with suppliers, allowing us to supply customers with competitively priced merchandise. In addition, our SaaS+ business can further enhance our member stores' stickiness. We will continue to provide more products and services to our member stores. For example, we will continue to leverage our market insights to further expand our merchandise portfolio tailored to the lower-tier market. In addition, we will also provide training and other value-added services to help our member stores better manage their operations and grow their businesses. Furthermore, we will further digitalize our key member stores and upgrade their storefronts in order to improve retail efficiency and in-store shopping experience. By providing a competitively priced, better and broader merchandise portfolio and those value-added services, we believe we will be able to further enhance our member stores' stickiness, and in turn, increase their revenue contribution to us.

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We intend to use approximately 10% of the net proceeds from the Global Offering for digitalizing our member stores and upgrading their storefronts in order to improve retail efficiency and in-store shopping experience, approximately 5% of the net proceeds from the Global Offering for strategically expanding our business into northern and southern regions of China where there is great potential for further development, and 5% of the net proceeds from the Global Offering for expanding our client managers team network with more digitalized solutions to acquire and retain more member stores in China, and increase our sales and marketing efforts for SaaS+ business. For further information, see “Future Plans and Use of Proceeds.”

Increase investment in the IT infrastructure of our platform

To further contribute to the digitalization of the industry value chain of the lower-tier market, we will continue to increase investments in our IT infrastructure, with a focus on:

- Smart supply chain: by leveraging our industry knowledge and deep insights along with extensive experience in the lower-tier market, we will increase the layout of customer-to-manufacturer model, and order from brand manufacturers customized SKUs to meet the demands of consumers in the lower-tier market. For example, during the Track Record Period, we collaborated with household appliance manufacturers to launch several products of customized functions and style that appealed to the lower-tier market. We contributed our insights and understanding on the needs of the lower-tier market so that the brand manufacturers could design and produce SKUs that have the potential to be popular in the lower-tier market. In return, we were able to obtain favorable terms and prices as the designated distributor of such SKUs. Another example is, based on the research we conducted with our member stores, we collaborated with liquor manufacturers to introduce products of customized sizes and packaging to the lower-tier market and we were able to obtain favorable terms and prices as the designated distributor of such customized SKUs. We believe that, through the collaboration with brand manufacturers, we are able to continue to obtain favorable terms and prices from them and maintain an appropriate profit margin. In addition, we intend to enhance our data analytics and R&D capabilities on smart merchandise selection-and-pricing and smart inventory planning to improve procurement and working capital efficiency of our commerce business. Furthermore, the investments in smart supply chain will help us reduce inventory risks and improve cash flow. We plan to expand and develop our R&D team and apply our in-house resources to enhance our smart supply chain related capabilities.
- Digital infrastructure for our warehouse logistics: warehouse logistics is an important infrastructure for online transaction platforms serving offline businesses. Digitization, intelligentization and automation of our warehouse logistics will help us improve fulfillment efficiency, reduce fulfillment cost and improve customer experience. In particular, we intend to upgrade our digital warehouse logistics system, integrate warehousing and logistical capabilities, build up a unified

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warehouse logistics system with a national coverage, and provide customers with a standardized, professional and efficient logistics and delivery experience. We plan to engage third-party IT consultants for approximately 40% of software related work in relation to updating our digital warehouse logistics system and apply our in-house capabilities for the rest of the software development work. We believe that our upgraded warehouse logistics will not only be used to support our own business, but can also be offered to suppliers and other participants along the retail industry value chain to enhance our monetization capability and diversify our revenue stream. We plan to offer brand manufacturers, suppliers and third-party vendors with warehouse service, especially pre-warehouse service, logistics service, such as last mile delivery, and warehouse management system upgrading service. With the digital warehouse logistics system, we will be able to help the market participants monitor their inventory and provide them with inventory analyses, so as to help elevate their inventory management efficiency. We plan to base the pricing of these services mainly on our costs as well as the market price.

- Middle and back-end infrastructure: our business operation is underpinned by an efficient middle and back-end infrastructure. We will improve and update such infrastructure with our own R&D staff in order to improve internal organizational efficiency, reduce lost; and strengthen the efficient intra-department cooperation. In particular, we intend to upgrade our cloud-based business platform, enhance R&D capabilities, and optimize the efficiency of our technology R&D. We believe that the investments in our middle and back-end infrastructure can propel our business growth and contribute to our revenue growth since the profitability of our commerce business highly depends on the sales order processing capability supported by such infrastructure, and the functionality and capability of our service business, particularly our SaaS products, are also supported by such infrastructure.
- Digital solutions for brand manufacturers: we plan to empower participants of the retail industry value chain by enhancing our cooperation with brand manufacturers which would, in turn, improve our supply chain capability. In particular, we intend to provide special software customization solutions developed by our own R&D staff and precise marketing services supported by our own marketing expertise for brand manufacturers to upgrade their marketing channels and improve their management efficiency, so that they are able to realize on-demand production, reduce costs, promote delivery efficiency. Accordingly, other participants along the industry value chain can benefit from the cost efficiency thereof and purchase products with lower price with efficient delivery service. By providing customized digital solutions and precise marketing services to other participants along the retail industry value chain, we expect their revenue and profit contribution to increase in the future and that a diversified business model will further contribute to our business growth and enhance our ability to mitigate industry risks. We plan to base the pricing mainly on our costs as well as the market price.

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These investments will not only be used to support our own business, but can also be offered to suppliers and other participants along the retail industry value chain to enhance our monetization capability and diversify our revenue stream. We believe that a diversified retail ecosystem will further contribute to our business growth and enhance our ability to mitigate industry risks.

We intend to use approximately 25% of the net proceeds from the Global Offering for optimizing the capability and efficiency of our supply chain. In addition, we intend to use approximately 5% of the net proceeds from the Global Offering for upgrading data infrastructure and enhancing our data analytics capabilities and approximately 5% of the net proceeds from the Global Offering for continuously upgrading our transaction and marketplace technology and infrastructure to attract more suppliers and retailers to join our ecosystem. For further information, see “Future Plans and Use of Proceeds”.

Enhance our SaaS+ business monetization capability

From a marketing perspective, we will leverage the large existing customer base of our member stores and increase our efforts in the marketing of our SaaS+ business. We will equip our client managers with professional skills and knowledge to ensure the service quality of our SaaS+ business. Furthermore, we plan to penetrate our SaaS+ business by exploring more external cooperation channels to areas that have not been fully addressed by our client management team. For example, we plan to cooperate with professional service providers who have SaaS related experiences and capabilities to introduce our SaaS+ business. We also plan to leverage our wholesaler customers with interests in SaaS+ business and relevant service capabilities as part of our external cooperation channels. In terms of cooperation mechanism, we plan to offer commissions based on the SaaS+ subscription revenue they bring in and their performance so that we can be mutually benefitted. Under our plan to penetrate our SaaS+ business, we plan to strictly select and review such cooperation channels and service providers based on their qualifications and service capabilities, and closely monitor their performance. Their designated area and scale are contingent on their service capabilities. We also plan to provide SaaS+ related training and service support for their sales and service teams.

In terms of the functionality and capability of our SaaS products, we will increase investment into its R&D to incorporate more value-added functionality and to bolster our monetization capability; for example, the wider adoption of data application, which in turn would be used to offer intelligence services to retail stores, covering sourcing, inventory management, replenishment, sales prediction, etc. Moreover, we will continuously upgrade the performance of our SaaS products, and aim to strengthen user stickiness by offering a real-time iteration mechanism in response to member stores’ pain points. In addition, we intent to launch following activities meeting various marketing needs and improve the content of the on-site training for member stores.

- National marketing campaigns: we plan to launch nation-wide online marketing campaigns on monthly basis to assist our member stores to attract online traffic and promote their sales.

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- Regional marketing activities: our client management team plans to execute online marketing activities and offline regional marketing activities launched onsite around our member stores for brand promotion, traffic attraction and special sales. We also plan to conduct research with our member stores to improve our services, such as researches on (i) local festivals and schedules of country fairs, (ii) local customs and preferences, (iii) market trends and marketing strategies to accommodate such trends, (iv) the purchase history of their regular consumers and plan promotions accordingly, and (v) customized marketing activities in light of the characteristics of each member store.
- Promotion functionalities: we plan to develop more promotion functionalities via our SaaS products, such as lucky draw and group buying, so that member stores are able to fully leverage the marketing functions of our SaaS products for their business.

We intend to use approximately 10% of the net proceeds from the Global Offering for acquiring IT talents for developing our SaaS+ business and merchant solutions. For further information, see “Future Plans and Use of Proceeds”.

Deepen business collaboration with wholesaler customers and increase monetization

As we continued to expand our commerce business and strengthen our supply chains, we accumulated a large number of wholesaler customers, totaling over 20,000 during the Track Record Period. We believe they are a relatively untapped customer base with unmet service and other needs. According to the Frost & Sullivan Report, many wholesalers in the market are reluctant to pay for value-added digital service. Such wholesalers would only select to purchase SaaS and other value-added services if they could receive business benefits such as improved operation efficiency and precise product selection. However, none of such benefits can be achieved if the wholesalers’ digital system only links to a limited part of the industry chain, as, without the ability to provide information from the upstream suppliers and of downstream demand, the digital system alone cannot generate any meaningful information to such wholesalers. There are limited number of service providers that have the ability to meet the demands of the wholesalers in this regard, and, as a result, the service and other needs of the wholesaler customer are relatively untapped. Whereas we, with our close cooperation with a large number of upstream brand manufacturers and downstream retail customer network, could leverage our existing technology infrastructure to provide SaaS and value-added market information to our wholesaler customers at a competitive price compared to SaaS service providers that provide SaaS solely.

In addition, according to the Frost & Sullivan Report, many wholesalers suffer from various disadvantages such as less favorable sourcing price and long turnover period, since the majority of them cannot directly purchase from brand manufacturers due to their business size and the minimum order requirement imposed by brand manufacturers. Since we have established close cooperation with brand manufacturers and suppliers, we are able to help such wholesalers obtain stable supply chain with favourable prices and terms to help them become

more competitive in the market. Furthermore, since many wholesalers have limited understanding of market demand in the lower-tier market, it is not uncommon for them to have dead stock. It is also difficult for them to expand client base and business scope, especially by digitalizing business operations in the market trend of digitalization. Commerce and service platforms like us could better perceive the market and the demand by analyzing aggregated purchase demand from a large number of wholesalers and retail stores with our industry know-how accumulated in years of business operation. By working with our commerce platform, wholesalers are able to mitigate the abovementioned disadvantages.

In the context of industrial decentralization, the competition among wholesalers in the retail industry becomes highly fierce mainly due to (i) their needs to enhance supply chain capabilities as they substantially rely on simple supply chains with limited number of manufacturers and are subject to high risks of being replaced, (ii) their relatively low marketing efficiency as the marketing activities in the lower-tier market requires relatively high costs and depends heavily on traditional offline distribution channels and services provided onsite, and (iii) their demand to improve management efficiency as a result of the lack of digitalization capacities to precisely analyze and meet their customers' needs.

We consider these wholesalers as our strategic partners in the future because we believe that some of them have local knowledge and insights as well as extensive network of retail store customers in the lower-tier market, with the opportunity to become our potential member stores. As such, we plan to develop and expand our services to our wholesaler customers and increase monetization through the following plans:

- we plan to offer integrated solutions to them to enhance their business capabilities so that we can share resources and offer complementary products and services to retailers in order to grow our businesses together, and ultimately increase retail store loyalty to create a win-win business alliance with wholesalers:
 - o supply chain solutions: we intend to deepen our business collaboration with wholesalers to strengthen their supply chain capabilities. We plan to offer them merchandise with diversified options so that they could better serve their customers and reduce their reliance on limited manufacturers;
 - o marketing solutions: we plan to offer wholesalers online and offline marketing solutions, so that they can reach broader customer base from both online and offline traffic. Through integrated marketing trainings, we will promote and market our SaaS+ business and encourage wholesalers to recommend the same to their customers. In turn, our SaaS+ business helps wholesalers to maintain customer stickiness and we are also able to enhance our SaaS+ business monetization capability; and

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- o management solutions: we plan to develop and offer customized software in accordance with wholesalers' business needs and their industry characteristics in order to help them minimize management cost and maximize operation efficiency via digital means; and
- we intend to deepen our business collaboration with wholesalers to strengthen their competitiveness in the retail market and offer them merchandise at competitive prices, which in turn increases our market share and reinforce our supply chains.

We intend to use approximately 10% of the net proceeds from the Global Offering for offering solutions to certain wholesalers so that we can share their retail store resources and offer them complementary products and services, such as our merchant solutions and a diverse range of merchandise with competitive pricing, to grow our businesses together, and to ultimately increase retail store loyalty so as to achieve a mutually beneficial relationship with wholesalers. For further information, see "Future Plans and Use of Proceeds".

Selectively pursue strategic alliances, investments and acquisitions

To complement our sustainable growth strategy, we will continue to selectively pursue strategic alliances, investments and acquisitions that we believe can solidify our market leadership. We plan to pursue strategic alliances, investments and acquisitions mainly in form of associates, and supplemented by investments as subsidiaries. We are committed to building a comprehensive commerce and service platform to support all types of commerce and service environments in the retail market. To achieve these goals, we plan to carry out potential strategic alliances, investments and acquisitions. Specifically, we intend to invest RMB5 million to RMB10 million in each strategic alliance project, RMB30 million to RMB50 million in each strategic investment project and up to RMB500 million in each strategic acquisition project. The target companies and their size and scale are as follows:

- brand manufacturers within each merchandise segment we focus on with an annual revenue of no less than RMB500 million, to strengthen our supply chain capabilities;
- third-party SaaS technology and service providers with an annual revenue of no less than RMB50 million, to enhance our technology service capabilities; and
- third-party operators within the industry value chain, such as logistic service providers and branding service providers, with an annual revenue of no less than RMB100 million and to improve our service quality to our member stores, thus optimizing our retail ecosystem.

We are familiar with potential targets' businesses and believe we are able to identify suitable targets, leveraging our industry experiences and insights. According to the Frost & Sullivan Report, currently there are thousands of brand manufacturers, channel operators and technical service companies in different industries, and the large number of such potential

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targets offers sufficient alliance, acquisition and investment opportunities. As of the Latest Practicable Date, we had not identified any definite targets for strategic alliances, investments and acquisitions. We will take into account a few factors in selecting targets which include: (i) if the target can improve our supply chain capabilities; (ii) if the target can facilitate our technical service capabilities; and (iii) if the target can assist the expansion of our sales network in relevant market segments. We will also review the risks associated with such strategic alliances, investments and acquisitions.

We intend to use approximately 15% of the net proceeds from the Global Offering for selectively pursuing strategic alliances, investments, or acquisitions. For further information, see “Future Plans and Use of Proceeds.”

OUR PRODUCTS AND SERVICES

During the Track Record Period, our revenue came from our commerce, service and other businesses. Our commerce and service businesses have been enhancing each other, establishing a virtuous cycle. On the one hand, our member stores accumulated from our commerce business provide a large customer base for our service business, to whom we can introduce our SaaS+. On the other hand, the continuous penetration of our service business increases customer stickiness and further bolsters our commerce business. Moreover, we believe the value we have created for the participants in our retail ecosystem has helped drive our business, and our ability to keep the following value propositions is instrumental to our future success.

- ***For member stores:*** we provide them with one-stop supply chains. For example, we analyze and consolidate the fragmented needs of member stores, and then make bulk purchases from suppliers, a process which leads to better economies of scale and cost advantages so that we are able to provide competitively priced and quality-assured merchandise to our member stores and help them improve their profitability. For further information, see “– Merchandise Sourcing.” In addition, benefiting from the designated agency arrangements we have obtained, our bargaining power with suppliers, as well as our comprehensive service capabilities, we are able to offer competitive prices and terms to our member stores compared to other market players. Moreover, we also empower them with a series of digital solutions based on our SaaS products in order to improve their operational efficiency, which include various modules, including digital retail management, online storefront and data analytics, assisting our member stores to improve the efficiency of in-store management, and to introduce them to an effective online business operation. We also provide them with customized on-site marketing services in order to help them expand the coverage of consumers and improve their marketing efficiency. During these customized on-site marketing services, our client managers help our member stores execute and deliver various themed marketing campaigns and customized branding activities in light of their local market knowledge, their understanding of the merchandise offered on our platform as well as their understanding of the operations and the branding needs of our member stores.

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- **For wholesaler customers:** benefitting from our close cooperation with the brand manufacturers and suppliers, we are able to provide our wholesaler customers with competitively priced and quality-assured merchandise under stable supply chains. For further information, see “– Merchandise Sourcing” and “– Commerce Business – Sales to Wholesaler Customers.” As such, wholesaler customers are able to achieve cost reduction and efficiency improvements.
- **For suppliers:** based on our experience and customers accumulated within the lower-tier market over the years, we have come to establish a leading customer network composed of member store and wholesaler customers, which provides our suppliers with extensive distribution channels in the lower-tier market, particularly, our expanding member store network that deeply penetrates into the towns and villages in China. In addition, our warehouse network across China are able to supplement the logistics systems of our suppliers, and especially for certain areas of the lower-tier market where some suppliers are unable to reach directly. Furthermore, given our solid reputation in the industry, our strong customer base and sizable bulk purchase demand, we are able to collaborate with brand manufacturers and launch customized products to meet the consumer needs and preferences of the lower-tier market.
- **For consumers:** we are committed to meeting the increasingly diversified consumer needs in the lower-tier market, covering their daily lives and agricultural production. With the competitively priced and quality-assured merchandise we offer through our member stores, we are able to improve the customer experience of the lower-tier market.

The table below sets forth the breakdown of our revenue contributions by customer type during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Member stores	14,492,316	48.6	17,130,069	39.3	13,470,374	27.1	10,153,881	29.5	11,500,513	24.7
Wholesaler customers ⁽¹⁾	14,756,230	49.5	25,366,870	58.1	35,010,152	70.6	23,582,672	68.5	33,534,416	72.1
Consumers	553,115	1.9	1,136,291	2.6	1,148,609	2.3	681,990	2.0	1,460,947	3.2
Total	29,801,661	100.0	43,633,230	100.0	49,629,135	100.0	34,418,543	100.0	46,495,876	100.0

Note:

- (1) Our revenue from wholesaler customers includes revenue generated from our business of battery operating leases operated from October 2019 to December 2020. We have ceased this business since we believe it did not align with our business strategies in the lower-tier retail market and was immaterial. For further information, see “– Sales to Wholesaler Customers.”

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The wholesaler customers' revenue contribution as a percentage of our total revenue increased during the Track Record Period, since we started to increase our transactions with wholesalers strategically. We believe our wholesaler customers play an important role in (i) driving sizable demand and procurement volume so that we can achieve a stronger bargaining power and competitive cost from suppliers and expand our merchandise portfolio, which in turn allows us to offer various competitively priced merchandise on our platform; (ii) providing valuable market data, which drives our in-depth collaborative research on industry technologies and market needs with our suppliers and brand manufacturers; and (iii) sharing their retail store resources with us, since we intend to deepen business collaboration with wholesaler customers as one of our strategies, for further information, see “– Our Strategies.”

Despite the increase of the wholesaler customers' revenue contribution as a percentage of our total revenue during the Track Record Period, we remain our effort on serving businesses in China's lower-tier retail market, in particular serving our member stores in China's towns and villages mainly from the following aspects:

- we have been continuously expanding member store network in the lower-tier market, and the number of our active members stores increased from 34,968 in 2018 to 57,074 for the nine months ended September 30, 2021;
- we have also been increasing our investment in our client managers, who are highly compatible with the lower-tier retail market and mainly serving our member stores with 2,902 client managers located across 21 provinces and deeply penetrated in the towns and villages in China. For further information, see “– Our Strengths – Client management team highly compatible with the lower-tier retail market” and “– Marketing and Sales”;
- supported by our extensive collaboration with various brand manufacturers and suppliers, the resources of over 1,100 third-party vendors via our online marketplace on *HTD Mall*, as well as the diversified merchandise portfolio benefited from the sizable demand and procurement volume by the wholesaler customers, our member stores can diversify their product and service portfolio with competitive prices; and
- we are dedicated to collaborating with the member stores and providing them with comprehensive empowerment solutions and services on free or trial basis, such as SaaS products, on-site marketing training, themed marketing campaigns, customized branding campaigns and other localized value-added services, additionally we have adopted internal performance evaluation mechanism to ensure the service quality provided to our member stores, for further information, see “– Our Service Business”.

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The table below sets forth the details of the revenue-generating and non-revenue generating online interfaces where we offer our products and services:

Platform	Nature	Functions	Users	Targeted customers	Fee models	Connection with other platform
Commerce business						
<i>HTD Mall</i>	Webpage	For direct sales: we offer merchandise to targeted customers under a direct sales model with key functions of merchandise display, merchandise search, merchandise recommendations, order management, online payment and marketing services and promotions.	Member stores and wholesaler customers	Member stores and wholesaler customers	Merchandise sales	Connected to the <i>Super Boss</i> for the merchandise sourcing by our member stores
		For online marketplace: we operate the online marketplace where third-party vendors can operate their own online stores opened on <i>HTD Mall</i> and offer merchandise to targeted customers; we also provide a range of operating and technical support to third-party vendors, such as online store set-up, operation management, marketing management and supply chain management.	Third-party vendors, member stores and wholesaler customers	Third-party vendors	Commissions and service fees	
Online stores operated on third-party e-commerce platforms	Webpage and/or mobile app and/or WeChat Mini Program	We operate our self-operated online stores opened on third-party e-commerce platforms and we offer merchandise to targeted customers under a direct sales model.	Consumers	Consumers	Merchandise sales	N/A
Service business						
<i>Super Boss</i>	Webpage and mobile app	We provide digital solutions for retail stores via various modules, including digital retail management, online storefront and data analytics.	Member stores	Member stores	Subscription fee	Connected to <i>HTD Mall</i> for the merchandise sourcing by our member stores

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Platform	Nature	Functions	Users	Targeted customers	Fee models	Connection with other platform
<i>Huixianggou</i>	Mobile app and WeChat Mini Program	We offer tools for member stores to build up and operate their own online storefront as an interface for their consumers to purchase products from such online storefront	Member stores and their consumers	Member stores	Subscription fee	Embedded in <i>Super Boss</i> as an optional module with additional subscription fee

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

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands)</i>						<i>(unaudited)</i>			
<i>HTD Mall</i>	22,751,505	76.3	36,031,335	82.6	33,564,426	67.6	23,582,327	68.5	37,374,393	80.4
<i>Super Boss</i> ⁽¹⁾	9,996,510	33.5	13,572,195	31.1	9,752,471	19.7	7,146,038	20.7	9,554,119	20.6
<i>HTD Mall Webpage</i>	12,754,995	42.8	22,459,140	51.5	23,811,955	48.0	16,436,289	47.8	27,820,274	59.8
Online stores operated on third-party e-commerce platform	85,884	0.3	181,050	0.4	536,848	1.0	252,280	0.7	857,382	1.8
Offline channels	6,964,272	23.4	7,420,845	17.0	15,527,861	31.3	10,584,629	30.8	8,264,101	17.8
Offline sales to wholesaler customers (through our own sales department)	6,379,691	21.4	6,260,295	14.3	14,708,052	29.6	10,040,376	29.2	7,471,384	16.1
Offline sales to consumers (through our own sales department)	467,231	1.6	955,241	2.2	611,761	1.2	429,711	1.2	603,564	1.3
Merchant Solutions	1,553	0.0	6,090	0.0	123,635	0.3	60,621	0.2	114,559	0.2
Others ⁽²⁾	115,797	0.4	199,219	0.5	84,413	0.2	53,228	0.2	74,594	0.2
Total	29,801,661	100.0	43,633,230	100.0	49,629,135	100.0	34,418,543	100.0	46,495,876	100.0

Notes:

- (1) Our revenue generated through *Super Boss* includes revenue of merchandise sales under the direct sales model of our commerce business, commissions and service fees under the direct sales model of our commerce business and SaaS+ subscription fees under our service business.
- (2) Others mainly include revenue generated from maintenance and installation services and sales planning services we provided under our other business.

Commerce Business

Our commerce business focuses on serving the businesses mainly in the retail market, including retail store and wholesaler customers. We offer a wide and expanding range of merchandise on our platform to member store and wholesaler customers. In addition, to a much lesser extent, we only offer merchandise directly to online consumers through our self-operated online stores on third-party e-commerce platforms under an online retail model and to consumers with large procurement volume through our own sales department under a traditional retail model.

We provide a wide variety of merchandise to meet the increasingly diverse needs of consumers in the lower-tier market, including household appliances, consumer electronics, agricultural means of production, vehicles and auto parts, homebuilding and renovation materials, and liquor and beverages. As of September 30, 2021, we have a retail ecosystem covering 21 provinces and over 20,000 town-and-village regions across China, accumulatively connecting over 160,000 member stores, 10,000 suppliers and 20,000 wholesaler customers during the Track Record Period. Our increasing scale and cooperation with quality suppliers further strengthen our ability to provide a broader merchandise portfolio at competitive prices, which in turn attracts more customers along the value chain to our platform through a self-reinforcing virtuous cycle. According to the Frost & Sullivan Report, we are the largest commerce platform serving businesses in the retail industry in China, in terms of the transaction value of commerce business in the lower-tier market in 2020.

We are able to offer competitive prices and terms to our customers compared to other market players in terms of the merchandise based on the following reasons:

- (i) we are authorised as designated national, regional or channel agent of some brand manufacturers or particular SKU under designated agency arrangements. For further information, see “– Merchandise Sourcing”;
- (ii) in terms of the rest of the merchandise offered on our platform, leveraging our large operating scale and brand image, we generally are also able to obtain relatively favorable pricing from our suppliers and subsequently offer to our customers, which many customers with a relatively small scale of operations find attractive, as they may not be able to purchase directly from some major suppliers or may not be able to obtain favorable prices with their size of business;
- (iii) from time to time, we may strategically launch temporary marketing campaigns for new markets or merchandise we are exploring, and our pricing strategies for that specific period are generally competitive for those particular markets or merchandise;
- (iv) for certain high-quality wholesaler customers with long cooperation history with us, we offer credit terms generally ranging from 30 days to 60 days and settlements with acceptance bills, providing them with additional financing flexibilities; and
- (v) with our comprehensive service capabilities, we can provide ancillary services, such as logistics arrangements and various local services supported by our regional service platforms located across 21 provinces in China, assisting our customers to reduce their overall operating costs.

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We believe we are able to distinguish from our potential competitors and achieve a rapid growth during the Track Record Period mainly due to the following aspects:

- since our inception in 2010, we have been strategically building up our presence and operating capabilities in the lower-tier market which has distinct market attributes and consumption characteristics. For further information, see “Industry Overview – China’s Distinctive Lower-tier Retail Market”. With over 10 years of experience in China’s lower-tier market, we have accumulated deep operational expertise and insights into the demands and preferences of the lower-tier market. Leveraging our retail ecosystem with 57,074 active member stores, 13,653 active wholesaler customers and 4,268 suppliers for the nine months ended September 30, 2021, as well as a client management team with 2,902 client managers as of September 30, 2021, we have been able to better understand and capture the lower-tier market’s demands and provide a diversified merchandise portfolio to better serve the market. During the Track Record Period, we experienced a rapid growth of total revenue, which increased from RMB29,801.7 million in 2018 to RMB49,629.1 million in 2020. For the nine months ended September 30, 2021, we recorded a total revenue of RMB46,495.9 million;
- we have developed strong supply chain capabilities in merchandise with significant growth potential in household spending in the lower-tier market and gradually diversified our merchandise offerings under various categories including household appliances, consumer electronics, agricultural means of production, vehicles and auto parts, and homebuilding and renovation materials, as well as liquor and beverages. For instance, the revenue generated from agricultural means of production has doubled from RMB5,219.4 million in 2018 to RMB10,937.0 million in 2020. On the other hand, according to the Frost & Sullivan Report, the main product types covered by the other major commerce platforms are generally FMCG and durable goods. For further information, see “Industry Overview – Competitive Landscape”;
- we have established a series of complementary infrastructures to support our business, such as online commerce platforms, digital solutions, logistics networks and information systems. Additionally, we have established an extensive and highly localized service network with 2,902 client managers located across 21 provinces and deeply penetrated in the towns and villages in China. Our client managers not only focus on the development and management of stores and promotion of our business, but also provide more in-depth client services to our member stores, including providing training, planning and execution of marketing campaigns and activities, and managing member stores’ merchandise sourcing. For further information, see “– Our Strengths – Client management team highly compatible with the lower-tier retail market”; and

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- in view of the strong desire of traditional offline retail stores to transform their business model with holistic digital solutions, we are dedicated to collaborating with our member stores and providing them with comprehensive empowerment solutions and services, such as SaaS+, which helps to further motivate the member stores and enhance customer stickiness. Our SaaS+ business has achieved significant growth during the Track Record Period, demonstrating its wide acceptance by the businesses in the lower-tier market.

Our commerce and service businesses have formed a mutually-reinforcing relationship, which helps to improve our monetization capability and diversify our revenue streams, further enhancing our competitive edges as summarized above.

Merchandise

We provide customers with a wide variety of merchandise, comprising household appliances, consumer electronics, agricultural means of production, vehicles and auto parts, homebuilding and renovation materials, and liquor and beverages. The table below sets forth the six categories of merchandise offered under our direct sales:

<u>Category</u>	<u>Merchandise Description</u>
Household Appliances	Refrigerators, air conditioners, washing machines, TVs, speakers, kitchen and bathroom appliances, small household appliances
Consumer Electronics	Digital accessories, phones, laptops, smart devices, office equipment
Agricultural Means of Production	Fertilizer, pesticide, feed, feed ingredients, agricultural equipment
Vehicles and Auto Parts	Electric cars, tires, batteries
Homebuilding and Renovation Materials	Sanitary ware, glass, flooring, wire, cable
Liquor and Beverages	Liquor and spirits, beverages

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The table below sets forth the breakdown of our direct sales revenue contributions by merchandise categories during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Household appliances	17,021,402	57.4	16,428,714	37.9	12,173,644	24.7	8,835,117	25.8	8,793,140	19.1
Consumer electronics	5,838,766	19.7	11,782,677	27.2	17,371,629	35.2	12,234,332	35.8	18,054,756	39.1
Agricultural means of production	5,219,437	17.6	9,540,558	22.0	10,937,047	22.2	7,330,863	21.4	10,376,235	22.5
Vehicles and auto parts ⁽¹⁾	439,946	1.5	3,817,360	8.8	5,414,057	11.0	3,626,235	10.6	4,946,105	10.7
Homebuilding and renovation materials	280,072	0.9	1,025,871	2.4	2,501,784	5.1	1,627,348	4.8	3,010,832	6.5
Liquor and beverages	495,635	1.7	704,163	1.6	756,126	1.5	457,656	1.3	777,269	1.7
Others ⁽²⁾	365,342	1.2	79,220	0.2	145,681	0.3	98,730	0.3	182,974	0.4
Total revenue of our direct sales	29,660,600	100.0	43,378,563	100.0	49,299,968	100.0	34,210,281	100.0	46,141,311	100.0

Notes:

- (1) Our revenue from vehicles and auto parts includes our business of battery operating leases operated from October 2019 to December 2020. For further information, see “– Sales to Wholesaler Customers”.
- (2) Others mainly comprise solar panels and various FMCG, such as snack food products.

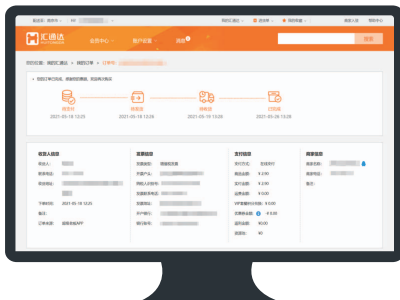
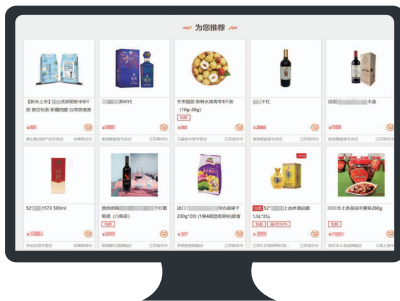
Sales to member stores

We provide commerce services to our member stores through *HTD Mall*, our own e-commerce platform. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, our revenue generated from member stores amounted to RMB14,492.3 million, RMB17,130.1 million, RMB13,470.4 million, RMB10,153.9 million and RMB11,500.5 million, respectively. Revenue from merchandise sales to member stores under direct sales model is recognized when merchandise is delivered and accepted.

Direct sales

Under our direct sales model, we directly procure merchandise from suppliers and sell them to our customers as the seller, as such, we are able to control and arrange the subsequent inventory, delivery, pricing and after-sales customer services.

Via *HTD Mall's* webpage, *mall.htd.cn*, we mainly offer a collection of merchandise with detailed information provided to our member stores to help them make informed sourcing decisions. Our customers can browse merchandise, and place and manage their orders on *HTD Mall*. Our customers can also enjoy e-commerce functionalities integrated into *HTD Mall*, such as online payments and logistics arrangement. Key functions of *HTD Mall* are as follows:



- **Merchandise display:** provide diversified merchandise, with a wide variety of options for customers to select from; provide comprehensive display of detailed merchandise information, including price, model, specifications, functions and qualifications
- **Merchandise search:** assist customers to quickly and efficiently locate the right merchandise and key information with the comprehensive built-in search tool
- **Merchandise recommendations:** with the assistance of data analytics, recommend tailored merchandise portfolio to customers according to the transaction data on our platform
- **Order management:** place, manage, and track orders



- **Online payment:** connect to third-party payment platforms such as commercial bank online payment system, Alipay
- **Marketing:** offer marketing services and promotions, such as coupons

Online marketplace

We officially launched our online marketplace on *HTD Mall* in 2020 to meet the increasingly diverse needs of consumers. As of September 30, 2021, we had 1,152 third-party vendors on our online marketplace, including some of our suppliers offering merchandises which were generally different from what they sold to us. In 2020 and for the nine months ended September 30, 2021, we had 12,871 and 21,699 active member stores on our online marketplace, respectively. In 2020, revenue from our online marketplace was RMB2.0 million, and the transaction value was RMB239.2 million. For the nine months ended September 30, 2021, revenue from our online marketplace was RMB2.2 million, and the transaction value was RMB209.6 million.

Via our online marketplace, third-party vendors can sell merchandise from their own online stores opened on *HTD Mall* to our member stores, issue invoices in their own business names, arrange logistics, and are ultimately responsible for after-sales customer services. Currently, third-party vendors are free to set their own prices on their online stores, subject to platform rules.

As the owner and operator of *HTD Mall*, we charge commissions on third-party vendors' sales from their online stores at *HTD Mall*. During the Track Record Period, the average commission rate we charged was approximately 1.0%. With a standardized merchandise entry system, order-management tools and *Super Suppliers* (a webpage-based online retail management system independently developed by us), we provide a range of operating and technical support to third-party vendors, such as online store set-up, operation management, marketing management and supply chain management. We charge a fixed service fee of RMB1,000 per year for third-party vendors' operations on *HTD Mall*.

We have adopted stringent selection criteria for admitting third-party vendors to our online marketplace, including qualification requirements, operation requirements and credit requirements. We also require third-party vendors to pay a deposit to us to guarantee their performance, service and the quality of the merchandise offered in their online stores.

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Member stores

Our member stores are primarily family-run stores serving the lower-tier market and also include a number of larger scale retail stores, such as major specialty retail outlets, regional retail chains, agricultural material stores serving large scale growers and farmers and retail stores with wholesaling business.

The table below sets forth the breakdown of the revenue generated in relation to our member stores and percentage by purchase amount from us during the Track Record Period:

Revenue range	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Revenue generated from member stores under direct sales model										
Over RMB10 million (inclusive) . . .	1,754,397	12.2	2,882,513	16.9	3,174,321	23.8	1,841,698	18.3	4,438,277	39.1
From RMB5 million (inclusive) to RMB10 million	1,982,963	13.7	2,678,339	15.7	1,942,156	14.6	1,465,021	14.6	1,548,514	13.7
From RMB1 million (inclusive) to RMB5 million	6,031,139	41.8	7,062,317	41.5	5,121,690	38.4	4,008,943	39.9	3,238,731	28.6
Less than RMB1 million	4,665,490	32.3	4,412,425	25.9	3,092,495	23.2	2,728,090	27.2	2,109,208	18.6
Total revenue generated from member stores under direct sales model	14,433,989	100.0	17,035,594	100.0	13,330,662	100.0	10,043,752	100.0	11,334,730	100.0
Total revenue from other business in relation to member stores ⁽¹⁾ . . .	58,327		94,475		139,712		110,129		165,783	
Total revenue in relation to member stores	14,492,316		17,130,069		13,470,374		10,153,881		11,500,513	

Note:

- (1) Revenue from other business in relation to member stores comprises revenue of SaaS+ subscription fees, commissions from our online marketplace and revenue from other business.

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The table below sets forth the breakdown of the number and percentage of active member stores by purchase amount from us during the Track Record Period:

Number of active member stores Revenue scope	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Number	%	Number	%	Number	%	Number	%	Number	%
Revenue generated from member stores under direct sales model										
Over RMB10 million (inclusive)	100	0.3	166	0.5	133	0.6	81	0.4	154	0.4
From RMB5 million (inclusive) to RMB10 million	306	0.9	400	1.3	297	1.2	222	1.0	224	0.6
From RMB1 million (inclusive) to RMB5 million	2,876	8.2	3,313	10.6	2,357	9.8	1,892	8.9	1,496	3.9
Less than RMB1 million	31,622	90.6	27,516	87.6	21,329	88.4	19,154	89.7	36,705	95.1
Total active member stores under direct sales model	34,904	100.0	31,395	100.0	24,116	100.0	21,349	100.0	38,579	100.0
Active member stores under online marketplace model only	64		2,830		8,599		3,612		18,495	
Total active member stores	34,968		34,225		32,715		24,961		57,074	

We require a member store to register its membership with *HTD Mall* and enter into a platform service agreement and a sales agreement with us before purchasing from us. Our member stores are required to be businesses legally established in China and hold valid business licenses for their retail operations. In addition, we generally require a member store to have a physical business presence, an existing consumer base, a basic grounding in business and services, and a good business reputation. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, our revenue generated from member stores amounted to RMB14,492.3 million, RMB17,130.1 million, RMB13,470.4 million, RMB10,153.9 million and RMB11,500.5 million, respectively. In 2018, 2019, 2020 and for the nine months ended September 30, 2021, the average revenue contribution of each of our active member store customer under the direct sales model was RMB0.4 million, RMB0.5 million, RMB0.6 million and RMB0.3 million, respectively. Whilst we do not charge membership fees from our member stores, our revenue from member stores for commerce business is generated from merchandise sales. The following map illustrates our member stores' coverage as of September 30, 2021:

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In 2020, 84.1% of our active member stores had business registration address in the lower-tier market. According to the Frost & Sullivan Report, retail stores in the industry generally operate their business around the business registration address, as such the business registration address is generally able to represent their targeted markets. The table below sets forth the number of our active members stores by location and as a percentage of the number of total active member stores during the Track Record Period. The location of our member stores was determined based on the business registration address of our member stores.

Province/municipality	Year ended December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	Number	%	Number	%	Number	%	Number	%
Jiangsu	7,241	21	7,189	21	7,549	23	9,445	17
<i>lower-tier market</i>	5,883	17	5,916	17	6,108	19	7,726	14
<i>non-lower-tier market</i>	1,358	4	1,273	4	1,441	4	1,719	3
Guangdong	1,257	4	1,523	4	1,314	4	2,173	4
<i>lower-tier market</i>	1,100	3	1,358	4	1,147	4	1,515	3
<i>non-lower-tier market</i>	157	0	165	0	167	1	658	1
Zhejiang	2,568	7	2,819	8	3,603	11	3,901	7
<i>lower-tier market</i>	2,383	7	2,325	7	2,826	9	2,884	5
<i>non-lower-tier market</i>	185	1	494	1	777	2	1,017	2
Shandong	4,980	14	3,872	11	4,397	13	7,194	13
<i>lower-tier market</i>	4,278	12	3,384	10	3,879	12	6,713	12
<i>non-lower-tier market</i>	702	2	488	1	518	2	481	1
Anhui	4,223	12	3,636	11	3,280	10	6,462	11
<i>lower-tier market</i>	3,327	10	3,024	9	2,849	9	6,183	11
<i>non-lower-tier market</i>	896	3	612	2	431	1	279	0

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Province/municipality	Year ended December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	Number	%	Number	%	Number	%	Number	%
Shanghai	669	2	717	2	546	2	684	1
<i>lower-tier market</i>	567	2	644	2	449	1	514	1
<i>non-lower-tier market</i>	102	0	73	0	97	0	170	0
Hubei	2,312	7	2,461	7	1,652	5	2,754	5
<i>lower-tier market</i>	1,945	6	2,103	6	1,457	4	2,624	5
<i>non-lower-tier market</i>	367	1	358	1	195	1	130	0
Hunan	2,232	6	1,898	6	1,450	4	2,407	4
<i>lower-tier market</i>	1,794	5	1,606	5	1,217	4	2,220	4
<i>non-lower-tier market</i>	438	1	292	1	233	1	187	0
Beijing	790	2	511	1	316	1	411	1
<i>lower-tier market</i>	599	2	445	1	266	1	151	0
<i>non-lower-tier market</i>	191	1	66	0	50	0	260	0
Hebei	1,259	4	1,360	4	1,298	4	1,735	3
<i>lower-tier market</i>	1,013	3	1,107	3	1,142	3	1,606	3
<i>non-lower-tier market</i>	246	1	253	1	156	0	129	0
Henan	1,335	4	1,396	4	1,310	4	2,348	4
<i>lower-tier market</i>	1,112	3	1,139	3	1,138	3	2,101	4
<i>non-lower-tier market</i>	223	1	257	1	172	1	247	0
Shaanxi	754	2	1,046	3	831	3	1,636	3
<i>lower-tier market</i>	629	2	798	2	699	2	1,171	2
<i>non-lower-tier market</i>	125	0	248	1	132	0	465	1
Jiangxi	2,309	7	2,282	7	1,521	5	1,853	3
<i>lower-tier market</i>	2,016	6	1,977	6	1,263	4	1,836	3
<i>non-lower-tier market</i>	293	1	305	1	258	1	17	0
Liaoning	279	1	287	1	218	1	501	1
<i>lower-tier market</i>	259	1	181	1	188	1	362	1
<i>non-lower-tier market</i>	20	0	106	0	30	0	139	0
Fujian	1,377	4	2,054	6	2,459	8	11,594	20
<i>lower-tier market</i>	1,099	3	1,732	5	2,054	6	10,609	19
<i>non-lower-tier market</i>	278	1	322	1	405	1	985	2
Sichuan	746	2	588	2	469	1	761	1
<i>lower-tier market</i>	615	2	492	1	382	1	664	1
<i>non-lower-tier market</i>	131	0	96	0	87	0	97	0
Heilongjiang	115	0	92	0	80	0	162	0
<i>lower-tier market</i>	88	0	85	0	62	0	139	0
<i>non-lower-tier market</i>	27	0	7	0	18	0	23	0
Shanxi	193	1	203	1	218	1	449	1
<i>lower-tier market</i>	171	0	169	0	181	1	442	1
<i>non-lower-tier market</i>	22	0	34	0	37	0	7	0
Jilin	62	0	74	0	30	0	129	0
<i>lower-tier market</i>	50	0	65	0	26	0	107	0
<i>non-lower-tier market</i>	12	0	9	0	4	0	22	0
Tianjin	88	0	123	0	76	0	123	0
<i>lower-tier market</i>	88	0	64	0	71	0	94	0
<i>non-lower-tier market</i>	–	0	59	0	5	0	29	0
Chongqing	84	0	31	0	18	0	227	0
<i>lower-tier market</i>	62	0	25	0	17	0	207	0
<i>non-lower-tier market</i>	22	0	6	0	1	0	20	0
Others ⁽¹⁾	95	0	63	0	80	0	125	0

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Province/municipality	Year ended December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	Number	%	Number	%	Number	%	Number	%
lower-tier market	88	0	46	0	76	0	125	0
non-lower-tier market	7	0	17	0	4	0	0	0
Total	34,968	100	34,225	100	32,715	100	57,074	100

Note:

(1) Others are Xinjiang, Tibet and Inner Mongolia.

The table below sets forth the breakdown of the revenue from our active member stores by location and as a percentage of our total revenue of commerce business generated from member stores under the direct sales model during the Track Record Period. The location of our active member stores was determined based on the business registration addresses of our member stores.

Province/municipality	Year ended December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>								
Jiangsu	4,167,470	29	3,823,200	22	3,023,684	23	2,716,422	23
lower-tier market	3,139,276	22	2,798,243	16	2,209,581	17	1,879,016	17
non-lower-tier market	1,028,194	7	1,024,957	6	814,103	6	837,406	7
Guangdong	630,257	4	847,933	5	809,456	6	645,263	6
lower-tier market	370,693	3	587,708	3	557,807	4	405,383	4
non-lower-tier market	259,564	2	260,225	2	251,649	2	239,880	2
Zhejiang	1,413,994	10	1,443,785	8	1,173,017	9	1,227,659	12
lower-tier market	979,642	7	932,113	5	738,244	6	452,995	4
non-lower-tier market	434,352	3	511,672	3	434,773	3	774,664	8
Shandong	1,557,377	11	2,122,432	12	2,023,070	15	1,923,658	18
lower-tier market	1,380,826	10	1,871,669	11	1,673,476	13	1,638,747	15
non-lower-tier market	176,551	1	250,763	1	349,594	3	284,911	2
Anhui	1,292,637	9	1,503,410	9	1,095,311	8	757,219	6
lower-tier market	1,162,165	8	1,400,317	8	995,555	7	697,098	5
non-lower-tier market	130,472	1	103,093	1	99,756	1	60,121	1
Shanghai	449,109	3	585,836	3	359,208	3	492,142	4
lower-tier market	323,800	2	469,885	3	271,861	2	194,790	2
non-lower-tier market	125,309	1	115,951	1	87,347	1	297,352	2
Hubei	769,125	5	1,102,514	6	826,866	6	570,492	5
lower-tier market	591,152	4	960,423	6	771,746	6	547,385	5
non-lower-tier market	177,973	1	142,091	1	55,120	0	23,107	0
Hunan	659,776	5	989,733	6	812,965	6	619,015	5
lower-tier market	581,580	4	891,447	5	743,216	6	559,801	4
non-lower-tier market	78,196	1	98,286	1	69,749	1	59,214	1
Beijing	337,471	2	374,226	2	262,625	2	211,943	2

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Province/municipality	Year ended December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentage)</i>							
lower-tier market	93,568	1	138,180	1	129,079	1	110,759	1
non-lower-tier market	243,903	2	236,046	1	133,546	1	101,184	1
Hebei	331,190	2	572,276	3	451,359	3	405,192	3
lower-tier market	227,863	2	487,995	3	384,089	3	350,044	3
non-lower-tier market	103,327	1	84,281	0	67,270	1	55,148	1
Henan	766,971	5	949,784	6	759,812	6	511,137	4
lower-tier market	740,110	5	884,214	5	672,700	5	425,901	4
non-lower-tier market	26,861	0	65,570	0	87,112	1	85,236	1
Shaanxi	164,041	1	295,098	2	247,073	2	132,951	1
lower-tier market	103,229	1	142,867	1	115,670	1	60,696	1
non-lower-tier market	60,812	0	152,231	1	131,403	1	72,255	1
Jiangxi	622,523	4	795,430	5	317,013	2	257,683	2
lower-tier market	607,268	4	777,805	5	312,455	2	256,701	2
non-lower-tier market	15,255	0	17,625	0	4,558	0	982	0
Liaoning	84,231	1	158,623	1	215,803	2	127,305	1
lower-tier market	32,798	0	63,631	0	51,178	0	83,028	0
non-lower-tier market	51,433	0	94,992	1	164,625	1	44,277	1
Fujian	512,534	4	815,677	5	512,825	4	480,396	4
lower-tier market	410,631	3	668,497	4	435,882	3	197,306	2
non-lower-tier market	101,903	1	147,180	1	76,943	1	283,090	2
Sichuan	248,758	2	262,357	2	144,567	1	101,049	1
lower-tier market	192,341	1	178,579	1	92,077	1	47,160	0
non-lower-tier market	56,417	0	83,778	0	52,490	0	53,889	0
Heilongjiang	47,481	0	59,439	0	22,627	0	15,718	0
lower-tier market	11,314	0	34,610	0	6,762	0	8,358	0
non-lower-tier market	36,167	0	24,829	0	15,865	0	7,360	0
Shanxi	117,327	1	125,633	1	175,300	1	90,837	1
lower-tier market	105,123	1	118,380	1	171,576	1	89,395	1
non-lower-tier market	12,204	0	7,253	0	3,724	0	1,442	0
Jilin	18,516	0	20,226	0	17,035	0	20,785	0
lower-tier market	16,650	0	12,774	0	10,239	0	3,753	0
non-lower-tier market	1,866	0	7,452	0	6,796	0	17,032	0
Tianjin	130,243	1	130,123	1	51,121	0	13,870	0
lower-tier market	118,049	1	121,328	1	42,436	0	10,797	0
non-lower-tier market	12,194	0	8,795	0	8,685	0	3,073	0
Chongqing	61,981	0	18,926	0	4,885	0	4,938	0
lower-tier market	16,426	0	1,872	0	296	0	1,499	0
non-lower-tier market	45,555	0	17,054	0	4,589	0	3,439	0
Others ⁽¹⁾	50,977	0	38,933	0	25,040	0	9,056	0
lower-tier market	50,977	0	38,933	0	25,040	0	9,056	0
non-lower-tier market	-	0	-	0	-	0	-	0
Total	14,433,989	100	17,035,594	100	13,330,662	100	11,334,730	100

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Note:

(1) Others are Xinjiang, Tibet and Inner Mongolia.

The percentage of our revenue of commerce business under direct sales model generated from member stores with business registration address in the lower-tier market over our total revenue generated from member stores, including both our commerce business and service business, was 77.7%, 79.3%, 77.3% and 69.8% in 2018, 2019, 2020 and for the nine months ended September 30, 2021, respectively.

The table below sets forth the total number of our active member stores and the movement during the periods indicated:

	Year ended December 31,			Nine months ended September 30,		From January 1, 2021 to the Latest Practicable Date
	2018	2019	2020	2020	2021	
Number of active member stores at the beginning of the period	31,212	34,968	34,225	34,225	32,715	32,715
Number of new active member stores	19,068	14,881	15,697	9,508	40,920	46,033
Number of member stores who became inactive	15,312	15,624	17,207	18,772	16,561	16,149
Number of active member stores at the end of the period	34,968	34,225	32,715	24,961	57,074	62,599

The churn rate of our active member stores (defined as number of member stores who became inactive divided by the number of active member stores at the beginning of the year/period) was 49.1%, 44.7%, 50.3%, 54.8% and 50.6% in 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, respectively. According to the Frost & Sullivan Report, the churn rate of customers for enterprises serving business in the industry was around 50% in 2020. There was also a decrease in the number of our active member stores in 2019 and 2020.

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The relatively high churn rate of our active member stores and the decrease in the number of our active member stores were primarily because: (i) household appliance was one of the main merchandise categories we offered to our customers in 2018, 2019 and 2020. In 2018, 2019 and 2020, we had 21,686, 18,307 and 16,863 active member stores mainly engaging in the distribution of household appliance products, accounting for 62.0%, 53.5% and 51.5% of our total active member stores. The market of traditional household appliance, such as air conditioner, TV, washing machine and fridge, declined during the same period, especially in 2020 when such market was adversely affected during the COVID-19 outbreak, as such: the number of our active member stores decreased; (ii) our member stores' businesses were adversely affected during the COVID-19 outbreak in 2020, primarily due to local governments, especially in towns and villages, implementing strict travel restrictions, and as a result, some member stores became more prudent in sourcing merchandise from us; and (iii) we focused on the expansion of our customer base to reach to broader market during the Track Record Period, and we plan to focus more on increasing our member stores' loyalty in the future.

As we typically require our member stores to pay us before we deliver the merchandise to them, we believe that our sales to member stores reflected consumer demand directly from the local communities. Our Directors believe that channel stuffing risk with our member stores is low, as, in practice, we generally do not require a minimum purchase amount, nor do we have any sales target and discount arrangement with them. In addition, normally we only accept exchange or return requests if the sold merchandise are proved to be defective, and according to the Frost & Sullivan Report, such policy is in line with industry practice. In 2018, 2019, 2020 and for the nine months ended September 30, 2021, the amount of sales return from our member stores was RMB55.1 million, RMB79.5 million, RMB48.8 million, and RMB40.9 million, represented 0.4%, 0.5%, 0.4% and 0.4% of our revenue of merchandise sales generated from our member stores for the same periods, respectively.

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We enter into platform service agreements with our member stores, which contain terms regarding the respective obligations of each party. The key terms of our service agreements with our member stores are summarized below:

- Duration** No definite duration.
- Payment** We do not charge our member stores for the service provided along with sales.
- Delivery logistics** After receiving the merchandise, if a member store confirms that the merchandise meet the quality standards upon inspection, it shall confirm the receipt on *HTD Mall*. If the member store fails to do so within seven days from the date of delivery, the merchandise shall be deemed as received with no objections.
- Privacy Protection** We shall not disclose member stores' information and shall only use such information for providing our services.
- Termination** Breach of contract by either party or by force majeure.

We enter into sales agreements with our member stores, which contain terms regarding the respective obligations of each party. We generally do not terminate sales agreements with them, and a member store can renew its sales agreements with us on an annual basis if it chooses to continue to purchase merchandise from us. The key terms of our sales agreements with our member stores are summarized below:

- Duration** Generally, one year, and renewable on an annual basis.
- Payment and credit terms** We generally require our member stores to pay us before we deliver the merchandise.
- Delivery of merchandise** Merchandise could either be delivered by our contracted logistics company as arranged by us; or collected by customers at designated locations.
- Transfer of risks**. Risks are transferred upon completion of inspection and confirmation of receipt of the merchandise.
- Merchandise returns/exchanges** Normally we only accept returns or exchanges due to quality defects, which are found and notified us within three days from the date of acceptance of the goods.

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Pricing policies. Generally, our member stores purchase merchandise from us for their own account with ownership fully transferred to them, and then resell our merchandise at their own discretion, except for certain limited merchandise that are subject to price guidances and geographical limitations imposed by brand manufacturers. For example, (i) a washing machine manufacturer required that the retail price of their products shall follow their national price guidance as advised from time to time; (ii) a liquor manufacturer required that their products could only be sold within Taizhou, Zhejiang province; and (iii) an electric vehicle manufacturer required that their products could only be sold within certain regions in Henan Province.

Termination N/A

In 2018, 2019, 2020 and for the nine months ended September 30, 2021, there were 11, 7, 6 and 16 member stores whose shareholders were also the non-controlling shareholders of certain of our subsidiaries, to which our aggregate sales amount were RMB10.1 million, RMB6.7 million, RMB10.5 million and RMB47.1 million respectively, accounting for 0.1%, 0.04%, 0.1% and 0.4% respectively of our revenue generated from member stores for each period. These member stores purchased merchandise from us during its ordinary course of business under normal commercial terms and on arm's length basis. As of September 30, 2021, to the best knowledge of our Directors and based on publicly available information, other than the member stores above, all of our member stores (active and inactive) were independent third parties and there was no past or present relationship, including business, family, employment, trust, financing, fund flow or otherwise, between the operators of these member stores and ourselves (including the Company's and its subsidiaries' shareholders, directors and senior management, or any of their respective associates).

Sales to wholesaler customers

We procure merchandise from our suppliers, including brand manufacturers and distributors, and sell them to our wholesaler customers as sellers under a direct sales model. We also offered battery operating leases to wholesaler customers as part of our direct sales during the Track Record Period, and we have ceased this business in December 2020.

The majority of our wholesaler customers are regional distributors and the rest are typically chain stores, national distributors and e-commerce platforms. The customer base of our wholesaler customers are mainly small and medium-sized wholesalers, retailers, constructors and consumers. With the favorable terms and prices which we obtain from our suppliers and our solid reputation in China's lower-tier market, we have been attracting wholesalers to our retail ecosystem.

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Our wholesaler customers also include some large-scale e-commerce platforms, who choose to make procurements from us mainly because: (i) given the considerable procurement volume of these large-scale e-commerce platforms, and in order to maintain the long-term cooperation relationships with them to drive our economies of scale, we offer better credit terms and more flexible payment methods, compared with those offered by other suppliers, to these large-scale e-commerce platforms, and according to the Frost & Sullivan Report, these favorable terms are a key commercial consideration when these platforms choose their procurement channel; (ii) we are designated as national, regional and channel agents for certain brands or SKUs and have established our competitive edges for supply chain of such brands, while it is impossible for these large-scale e-commerce platforms to be designated as agents for all brands in all regions, and as such they usually choose to procure from other platforms like us, where the overall cost of related merchandise is most competitive. For further information, see “– Merchandise Sourcing”; and (iii) we have established close relationships with a wide range of brand manufacturers and suppliers, and consequently, have established comprehensive merchandise portfolios, with which these large-scale e-commerce platforms are able to optimize their procurement mechanisms instead of dealing with a large number of brand manufacturers and suppliers separately.

In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, our revenue generated from wholesaler customers amounted to RMB14,756.2 million, RMB25,366.9 million, RMB35,010.2 million, RMB23,582.7 million and RMB33,534.4 million, respectively. In 2018, 2019, 2020 and for the nine months ended September 30, 2021, the average revenue contribution of each of our active wholesaler customers was RMB1.1 million, RMB1.3 million, RMB1.9 million and RMB2.5 million, respectively. Revenue from merchandise sales to wholesaler customers is recognized when merchandise are delivered and accepted. We believe our wholesaler customers are an important and integral part of our business and contribute to our growth, which also contributed to the change in our customer mix during the Track Record Period. On the one hand, they play an important role in driving sizable demand and procurement volume, allowing us to achieve a stronger bargaining power and competitive cost from suppliers, which in turn allows us to offer competitively priced merchandise to our customers. Meanwhile, the sales to wholesaler customers greatly expand our supply chain coverage and merchandise portfolio.

As our cooperation with the wholesaler customers deepens, we expand merchandise coverage when we spot their needs and as per their request, which enables us to understand market demand and to provide more competitive merchandise on our platform. On the other hand, their local knowledge and insights efficiently bridge our retail ecosystem to the broader market. With the competitively priced and quality-assured merchandise under stable supply chains offered by us, our wholesaler customers could better serve their customers with the reach of their channels into the lower-tier market in most cases.

Our active wholesaler customers refer to the wholesaler customers that transacted at least once through our platform during the period. The table below sets forth the total number of our active wholesaler customers and the movement during the periods indicated:

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	Year ended December 31,					From January 1, 2021 to the Latest Practicable Date	
	2018		2019		2020		
	2018	2019	2020	Nine months ended September 30,			
	2018	2019	2020	2020	2021	Date	
Number of active wholesaler customers at the beginning of the period	10,161	12,955	19,425	19,425	18,807	18,807	
Number of new active wholesaler customers	10,715	15,688	12,455	8,817	8,060	11,160	
Number of wholesaler customers who became inactive.	7,921	9,218	13,073	13,699	13,214	12,723	
Number of active wholesaler customers at the end of the period	12,955	19,425	18,807	14,543	13,653	17,244	

The churn rate of our active wholesaler customers (defined as number of wholesaler customers who became inactive divided by the number of active wholesaler customers at the beginning of the year/period) was 78.0%, 71.2%, 67.3%, 70.5% and 70.3% in 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, respectively. According to the Frost & Sullivan Report, the churn rate of customers for enterprises serving business in the industry was around 50% in 2020.

There was also a decrease in the number of our active wholesaler customers in 2020. The relatively high churn rate of our active wholesaler customers and the decrease in the number of our active wholesaler customers were primarily because: (i) household appliance was one of the main merchandise categories we offered to our customers in 2018, 2019 and 2020. In 2018, 2019 and 2020, we had 7,920, 7,945 and 6,198 wholesaler customers who mainly procured household appliance products from us, accounting for 61.1%, 40.9% and 33.0% of our total active wholesaler customers. The market of traditional household appliance, such as air conditioner, TV, washing machine and fridge, declined during the same period, especially in 2020 when such market was adversely affected during the COVID-19 outbreak, therefore, some wholesalers ceased to transact with us; (ii) we have been proactively assessing and optimizing our customer mix strategies to focus on the large scale wholesalers who mainly focus on the lower-tier market and tend to have sizable demand and procurement volume, and selectively reducing wholesalers without expected operational efficiency; (iii) the wholesaling industry was facing fierce competition in the same period, and the degree of concentration has been rising therein, leading to industry consolidation among our wholesaler customers; and (iv) we focused on the expansion of our customer base to reach to broader market during the Track Record Period, and we plan to focus more on increasing our wholesaler customers' loyalty in the future. We believe the churn rate of our wholesaler customers will return to a normal level of the industry based on following measures: (i) with increasing business scale and continued expansion of our merchandise portfolio, we will be able to offer diversified products at favourable prices, which will increase the continuous engagement of our customers on the platform; and (ii) we plan to deepen business collaboration with our wholesaler customers to enhance their stickiness to our platform by providing supply chain solutions, marketing solutions and management solutions, and to enhance their business capabilities, all of which will help increase their transactions with our platform.

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The table below sets forth the length of business relationship with our active wholesaler customers during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
	Less than three years ⁽¹⁾	12,448	18,789	17,851
Three to five years	354	428	793	1,276
Five years and above	153	208	163	148
Total	12,955	19,425	18,807	13,653

Note:

- (1) The large percentage of the active wholesaler customers having less than three years of business relationships with us during the Track Record Period was mainly due to we have been exploring new markets, implementing merchandise exploration strategy and expanding our merchandise portfolio, and subsequently obtained a large number of new wholesaler customers in recent years.

In 2020, 69.3% of our active wholesaler customers had business registration address in the lower-tier market and 66.4% of our active wholesaler customers had delivery addresses in the lower-tier market. According to the Frost & Sullivan Report, wholesalers in the industry generally operate their business within certain areas, and their warehouses are usually located close to their targeted markets for cost and operating efficiency reasons, as such their delivery address is generally able to represent their targeted markets. The table below sets forth the number of our active wholesaler customers by location and as a percentage of the number of total active wholesaler customers during the Track Record Period. The location of our active wholesaler customers was determined based on the delivery addresses of our wholesaler customers.

Province/municipality	Year ended December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	Number	%	Number	%	Number	%	Number	%
Jiangsu	3,491	27	4,968	26	4,332	23	3,889	28
<i>lower-tier market</i>	2,412	19	3,455	18	3,016	16	2,678	20
<i>non-lower-tier market</i>	1,079	8	1,513	8	1,316	7	1,211	9
Guangdong	1,215	9	1,747	9	1,899	10	1,251	9
<i>lower-tier market</i>	502	4	734	4	852	5	633	5
<i>non-lower-tier market</i>	713	6	1,013	5	1,047	6	618	5
Zhejiang	1,456	11	1,686	9	1,291	7	829	6
<i>lower-tier market</i>	743	6	931	5	652	3	324	2
<i>non-lower-tier market</i>	713	6	755	4	639	3	505	4
Shandong	1,380	11	1,489	8	1,660	9	1,101	8
<i>lower-tier market</i>	1,163	9	1,182	6	1,290	7	808	6
<i>non-lower-tier market</i>	217	2	307	2	370	2	293	2
Anhui	1,197	9	1,457	8	1,258	7	981	7
<i>lower-tier market</i>	1,081	8	1,240	6	1,039	6	769	6
<i>non-lower-tier market</i>	116	1	217	1	219	1	212	2
Shanghai	586	5	874	4	829	4	697	5
<i>lower-tier market</i>	367	3	593	3	577	3	507	4
<i>non-lower-tier market</i>	219	2	281	1	252	1	190	1
Hubei	243	2	1,239	6	1,537	8	572	4
<i>lower-tier market</i>	151	1	1,043	5	1,422	8	457	3
<i>non-lower-tier market</i>	92	1	196	1	115	1	115	1

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Province/municipality	Year ended December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	Number	%	Number	%	Number	%	Number	%
Hunan	293	2	565	3	542	3	549	4
<i>lower-tier market</i>	215	2	439	2	424	2	471	3
<i>non-lower-tier market</i>	78	1	126	1	118	1	78	1
Beijing	584	5	848	4	754	4	394	3
<i>lower-tier market</i>	205	2	286	1	301	2	149	1
<i>non-lower-tier market</i>	379	3	562	3	453	2	245	2
Hebei	228	2	393	2	410	2	441	3
<i>lower-tier market</i>	166	1	297	2	320	2	347	3
<i>non-lower-tier market</i>	62	0	96	0	90	0	94	1
Henan	230	2	439	2	497	3	457	3
<i>lower-tier market</i>	146	1	298	2	362	2	360	3
<i>non-lower-tier market</i>	84	1	141	1	135	1	97	1
Shaanxi	567	4	630	3	677	4	497	4
<i>lower-tier market</i>	195	2	262	1	314	2	102	1
<i>non-lower-tier market</i>	372	3	368	2	363	2	395	3
Jiangxi	370	3	678	3	536	3	421	3
<i>lower-tier market</i>	355	3	641	3	500	3	406	3
<i>non-lower-tier market</i>	15	0	37	0	36	0	15	0
Liaoning	152	1	512	3	621	3	370	3
<i>lower-tier market</i>	45	0	107	1	118	1	90	1
<i>non-lower-tier market</i>	107	1	405	2	503	3	280	2
Fujian	294	2	608	3	543	3	367	3
<i>lower-tier market</i>	213	2	433	2	397	2	275	2
<i>non-lower-tier market</i>	81	1	175	1	146	1	92	1
Sichuan	174	1	352	2	349	2	222	2
<i>lower-tier market</i>	76	1	163	1	181	1	129	1
<i>non-lower-tier market</i>	98	1	189	1	168	1	93	1
Heilongjiang	35	0	100	1	125	1	136	1
<i>lower-tier market</i>	13	0	49	0	83	0	88	1
<i>non-lower-tier market</i>	22	0	51	0	42	0	48	0
Shanxi	103	1	171	1	170	1	143	1
<i>lower-tier market</i>	101	1	163	1	156	1	135	1
<i>non-lower-tier market</i>	2	0	8	0	14	0	8	0
Jilin	39	0	287	1	432	2	106	1
<i>lower-tier market</i>	27	0	124	1	220	1	66	0
<i>non-lower-tier market</i>	12	0	163	1	212	1	40	0
Tianjin	107	1	181	1	123	1	87	1
<i>lower-tier market</i>	80	1	138	1	93	0	57	0
<i>non-lower-tier market</i>	27	0	43	0	30	0	30	0
Chongqing	135	1	64	0	64	0	44	0
<i>lower-tier market</i>	31	0	23	0	20	0	16	0
<i>non-lower-tier market</i>	104	1	41	0	44	0	28	0
Others ⁽¹⁾	76	1	137	1	158	1	99	1
<i>lower-tier market</i>	76	1	136	1	158	1	99	1
<i>non-lower-tier market</i>	–	0	1	0	–	0	0	0
Total	12,955	100	19,425	100	18,807	100	13,653	100

Note:

(1) Others are Xinjiang, Tibet and Inner Mongolia.

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The table below sets forth the breakdown of the revenue from our active wholesaler customers by location and as a percentage of our total revenue of commerce business generated from our active wholesaler customers under the direct sales model during the Track Record Period. The location of our active wholesaler customers was determined based on the delivery addresses of our wholesaler customers.

Province/municipality	Year ended of December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Jiangsu	3,343,829	23	4,895,680	19	4,935,940	14	3,766,007	11
<i>lower-tier market</i>	1,878,996	13	3,072,662	12	3,183,778	9	2,750,180	8
<i>non-lower-tier market</i>	1,464,833	10	1,823,018	7	1,752,162	5	1,015,827	3
Guangdong	1,135,635	8	1,475,349	6	3,408,532	10	6,331,802	19
<i>lower-tier market</i>	315,369	2	693,113	3	1,844,881	5	4,138,054	12
<i>non-lower-tier market</i>	820,266	6	782,236	3	1,563,651	4	2,193,748	7
Zhejiang	2,260,496	15	3,855,044	15	5,818,760	17	3,724,896	11
<i>lower-tier market</i>	903,824	6	928,835	4	2,616,905	8	1,857,753	6
<i>non-lower-tier market</i>	1,356,672	9	2,926,209	12	3,201,855	9	1,867,143	6
Shandong	1,455,965	10	2,745,889	11	4,155,684	12	4,357,485	13
<i>lower-tier market</i>	688,129	5	1,452,157	6	2,128,152	6	3,126,717	9
<i>non-lower-tier market</i>	767,836	5	1,293,732	5	2,027,532	6	1,230,768	4
Anhui	1,044,518	7	1,573,659	6	1,410,704	4	1,227,039	4
<i>lower-tier market</i>	987,270	7	1,472,934	6	1,322,752	4	827,624	2
<i>non-lower-tier market</i>	57,248	0	100,725	0	87,952	0	399,415	1
Shanghai	703,695	5	1,626,544	6	2,406,359	7	2,309,795	7
<i>lower-tier market</i>	402,922	3	766,984	3	897,534	3	1,745,174	5
<i>non-lower-tier market</i>	300,773	2	859,560	3	1,508,825	4	564,621	2
Hubei	898,608	6	1,457,633	6	1,977,858	6	1,657,855	5
<i>lower-tier market</i>	758,740	5	1,022,815	4	1,403,952	4	1,291,345	4
<i>non-lower-tier market</i>	139,868	1	434,818	2	573,906	2	366,510	1
Hunan	445,517	3	880,317	3	1,369,251	4	1,266,781	4
<i>lower-tier market</i>	371,687	3	769,698	3	1,127,514	3	1,097,209	3
<i>non-lower-tier market</i>	73,830	1	110,619	0	241,737	1	169,572	1
Beijing	527,711	4	1,259,253	5	2,420,102	7	1,966,628	6
<i>lower-tier market</i>	143,319	1	282,250	1	970,868	3	603,594	2
<i>non-lower-tier market</i>	384,392	3	977,003	4	1,449,234	4	1,363,034	4
Hebei	128,038	1	465,141	2	852,621	2	574,243	2
<i>lower-tier market</i>	88,033	1	350,120	1	685,841	2	299,782	1
<i>non-lower-tier market</i>	40,005	0	115,021	0	166,780	0	274,461	1
Henan	491,466	3	776,252	3	968,686	3	809,612	2
<i>lower-tier market</i>	389,317	3	630,003	2	812,090	2	698,780	2
<i>non-lower-tier market</i>	102,149	1	146,249	1	156,596	0	110,832	0
Shaanxi	244,386	2	495,509	2	337,165	1	369,448	1
<i>lower-tier market</i>	34,822	0	209,877	1	113,534	0	124,580	0
<i>non-lower-tier market</i>	209,564	1	285,632	1	223,631	1	244,868	1

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Province/municipality	Year ended of December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Jiangxi	965,586	7	747,036	3	519,352	1	360,188	1
<i>lower-tier market</i>	717,957	5	630,073	2	505,304	1	325,102	1
<i>non-lower-tier market</i>	247,629	2	116,963	0	14,048	0	35,086	0
Liaoning	45,228	0	221,147	1	232,457	1	98,595	0
<i>lower-tier market</i>	33,379	0	133,591	1	59,498	0	51,778	0
<i>non-lower-tier market</i>	11,849	0	87,556	0	172,959	0	46,817	0
Fujian	174,145	1	436,841	2	1,251,672	4	1,808,502	5
<i>lower-tier market</i>	110,222	1	334,867	1	335,394	1	1,411,766	4
<i>non-lower-tier market</i>	63,923	0	101,974	0	916,278	3	396,736	1
Sichuan	244,488	2	592,502	2	630,383	2	993,391	3
<i>lower-tier market</i>	196,861	1	540,512	2	309,149	1	646,981	2
<i>non-lower-tier market</i>	47,627	0	51,990	0	321,234	1	346,410	1
Heilongjiang	38,273	0	141,312	1	170,125	0	267,789	1
<i>lower-tier market</i>	7,160	0	48,237	0	92,496	0	106,223	0
<i>non-lower-tier market</i>	31,113	0	93,075	0	77,629	0	161,566	0
Shanxi	190,813	1	148,608	1	121,100	0	584,905	2
<i>lower-tier market</i>	180,383	1	127,854	1	103,298	0	570,612	2
<i>non-lower-tier market</i>	10,430	0	20,754	0	17,802	0	14,293	0
Jilin	15,168	0	376,322	1	565,439	2	138,720	0
<i>lower-tier market</i>	12,783	0	233,963	1	285,784	1	88,875	0
<i>non-lower-tier market</i>	2,385	0	142,359	1	279,655	1	49,845	0
Tianjin	123,384	1	385,592	2	773,980	2	461,318	1
<i>lower-tier market</i>	110,198	1	344,623	1	751,775	2	383,526	1
<i>non-lower-tier market</i>	13,186	0	40,969	0	22,205	0	77,792	0
Chongqing	33,684	0	261,019	1	197,578	1	119,208	0
<i>lower-tier market</i>	8,957	0	16,432	0	103,167	0	16,704	0
<i>non-lower-tier market</i>	24,727	0	244,587	1	94,411	0	102,504	0
Others ⁽¹⁾	162,863	1	390,029	2	296,949	1	151,427	0
<i>lower-tier market</i>	162,863	1	390,029	2	296,949	1	151,427	0
<i>non-lower-tier market</i>	-	0	-	0	-	0	-	0
Total	14,673,496	100	25,206,678	100	34,820,697	100	33,345,634	100

Note:

(1) Others are Xinjiang, Tibet and Inner Mongolia.

The percentage of our revenue of commerce business under direct sales model generated from wholesaler customers with delivery address in lower-tier market over our total revenue generated from wholesaler customers, including both our commerce business and service business, was 57.6%, 57.0%, 57.0% and 66.5% in 2018, 2019, 2020 and for the nine months ended September 30, 2021, respectively.

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Some of our wholesaler customers are referred by our existing customers. We also select and approach potential wholesaler customers based on our knowledge and insights in the industry of the merchandise we focus on. We periodically launch national and regional trade fairs and promotion conferences to introduce our business and build up relationship with our wholesaler customers. We usually sell merchandise to our wholesaler customers on an order-by-order basis either through our own sales department or on *HTD Mall*. With some of our major wholesaler customers, we enter into annual framework agreements, under which they would place orders with us from time to time. Our wholesaler customers purchase merchandise from us for their own account with ownership fully transferred to them, and then resell our merchandise at their own discretion, except for certain limited merchandise that are subject to price guidances and geographical limitations imposed by brand manufacturers. For example, (i) a washing machine manufacturer required that the retail price of their products shall follow their national retail pricing guidance as advised for the contracted period; (ii) a liquor manufacturer required that their products could only be sold within Taizhou, Zhejiang province; and (iii) an electric vehicle manufacturer required that their products could only be sold within designated regions in Henan province. Our client managers visit our wholesaler customers from time to time to obtain feedback and provide trainings. As of the Latest Practicable Date, to minimize the risk of cannibalization, we generally take the following measures in relation to our wholesaler customers: (i) when engaging wholesaler customers, we would consider their business and service scope, locations and target markets, so as to avoid potential competitions among our wholesaler customers; (ii) in cases that we are regional designated agents for certain merchandises, we generally allow them to distribute on certain channels designated by us to avoid overlapping; and (iii) for merchandises subject to above price guidance or merchandises with manufacturer recommended retail price, we generally ask them to follow recommended retail price set by brand manufacturers. The retail industry in both the lower-tier market and the overall PRC market is large yet fragmented and our market share is relatively small, indicating a large growth potential of our business. Therefore, though we have adopted the above measures to minimize the risks of cannibalization, we still have achieved substantial revenue growth during the Track Record Period, and as such, our Directors believe the above measures have limited impact on our financial performance.

Our Directors believe that channel stuffing risk with our wholesaler customers is low, as, in practice, we generally do not require a minimum purchase amount, nor do we have any sales target and discount arrangement with them. In addition, normally we only accept exchange or return requests if the sold merchandise are proved to be defective, and according to the Frost & Sullivan Report, such policy is in line with industry practice. In 2018, 2019, 2020 and for the nine months ended September 30, 2021, the amount of sales return from our wholesaler customers was RMB69.5 million, RMB118.9 million, RMB153.3 million, and RMB79.5 million, representing 0.5%, 0.5%, 0.4% and 0.2% of our revenue of merchandise sales generated from our wholesaler customers for the same periods, respectively. Our Directors also believe that account receivable risk with our wholesaler customers is low, as we generally only offer credit terms to certain high-quality customers with long cooperation history with us, which are generally no more than 90 days. The turnover days of our trade and bills receivables were 12 days, 10 days, 12 days and 12 days in 2018, 2019, 2020 and for the nine months ended September 30, 2021, respectively, which we believe were relatively stable and reasonable. In

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2018, 2019, 2020 and for the nine months ended September 30, 2021, our trade and bills receivables aged over 12 months was RMB16.4 million, RMB124.0 million, RMB15.8 million and RMB31.8 million, respectively.

Major terms of our framework agreements and/or sales agreements with wholesaler customers include:

Duration Generally, one year, renewable on an annual basis.

Payment and credit terms . . We generally require payment in advance.

For wholesaler customers who are e-commerce platforms, we generally grant them credit terms no more than six months.

Delivery of merchandise . . . Collected by customers at our designated warehouses with customers bearing the logistics cost; or we deliver to the address instructed by customers with us bearing the logistics costs.

Transfer of risks. Risks are transferred upon completion of inspection and confirmation of receipt of the merchandise.

Merchandise returns/exchanges We normally do not accept product returns except for product defects, packaging defects, counterfeit products, recalled products, or samples.

Termination Breach of contract by one party, or by force majeure.

For wholesaler customers who are e-commerce platforms, a contract will terminate if we breach the relevant anti-bribery clauses or we have any operational or reputational issues.

We generally do not terminate framework agreements with our wholesaler customers as they are renewed annually only if we are satisfied with the relationship.

For the business of battery operating leases, we started this business in October 2019 and the targeted customers were generally wholesaler customers who engaged in battery business. In response to national industrial policy on the harmless treatment of used lead-acid batteries, we explored the pilot business of battery operating leases in the way of the lease rather than a direct sale based on our existing battery sales business. Once a wholesaler customer placed an order with us and paid rent and deposit, we delivered batteries to the addresses designated according to the order. Upon expiration of the lease, our delegated recycling company would collect the leased battery from the wholesaler customers, and we would return the deposit if the batteries passed the recycling company's inspections and, simultaneously, we would sell the

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batteries to the recycling company at recycling price. The rent of the battery lease was generally determined by the salvage value of the battery and market price. As we believe that the business of battery operating leases has limited synergy with our principal business, we ceased this business in December 2020. In 2019 and 2020, the revenue from the business of battery operating leases was RMB22.3 million and RMB1,051.3 million respectively, which accounted for 0.1% and 2.1% of our total revenue during the same period.

In 2018, there were ten wholesaler customers who are affiliates of Mr. Wang and two wholesaler customers who are affiliates of Mr. WANG Jian, to which our aggregate sales amount was RMB8.5 million, accounting for less than 0.1% of our revenue generated from wholesaler customers. In 2019, there were five wholesaler customers who are either subsidiaries or affiliates of Alibaba China, thirteen wholesaler customers who are affiliates of Mr. Wang and four wholesaler customers who are affiliates of Mr. WANG Jian, to which our aggregate sales amount was RMB302.8 million, accounting for 1.2% of our revenue generated from wholesaler customers. In 2020, there were four wholesaler customers who are either subsidiaries or affiliates of Alibaba China and eleven wholesaler customers who are affiliates of Mr. Wang, to which our aggregate sales amount was RMB127.2 million, accounting for 0.4% of our revenue generated from wholesaler customers. For the nine months ended September 30, 2021, there were one wholesaler customer who is either subsidiary, or affiliate of Alibaba China and six wholesaler customers who are affiliates of Mr. Wang, to which our aggregate sales amount was RMB65.6 million, accounting for 0.2% of our revenue generated from our wholesaler customers. The wholesaler customers who are affiliates of Mr. Wang are the subsidiaries of Hosjoy, which is another retail enterprise founded by Mr. Wang. The wholesaler customers who are affiliates of Mr. WANG Jian purchased merchandise from us for their own business operation. The wholesaler customers who are either subsidiaries or affiliates of Alibaba China are market players in China's retail industry. In 2018, 2019, 2020 and for the nine months ended September 30, 2021, there were 5, 5, 22 and 34 wholesaler customers whose shareholders or legal representatives are also the non-controlling shareholders of certain of our subsidiaries, to which our aggregate sales amount were RMB79.5 million, RMB66.0 million, RMB101.5 million and RMB280.4 million respectively, accounting for 0.5%, 0.3%, 0.3% and 0.8% respectively of our revenue generated from wholesale customers for each period. These wholesaler customers purchased merchandise from us during their ordinary course of business under normal commercial terms and on arm's length basis given our price advantage compared to other market players. As of September 30, 2021, to the best knowledge of our Directors and based on publicly available information, other than the wholesaler customers above, all of the rest wholesaler customers (active and inactive) were independent third parties and there was no past or present relationship, including business, trust, fund flow, employment, financing, family or otherwise, between the operators of these wholesaler customers (including their directors, shareholders and senior management, and their respective associates) and ourselves (including the Company's and its subsidiaries' shareholders, directors and senior management, or any of their respective associates), nor did they use our name or has received a material advance or financial assistance from us.

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Based on the due diligence work conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors to disagree with the Directors' views on the channel stuffing risk and account receivable risk with its member stores and wholesaler customers as mentioned above.

Sales to consumers

We only sell merchandise to consumers via our self-operated online stores on third-party e-commerce platforms and through our own sales department. We procure merchandise from our suppliers and then directly sell to consumers as seller under a direct sales model. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, the revenue from consumers was RMB553.1 million, RMB1,136.3 million, RMB1,148.6 million, RMB682.0 million and RMB1,460.9 million, respectively.

We enter into agreements with third-party e-commerce platforms for the operation of our self-operated online stores thereon, which contain terms regarding the respective obligations of each party. The duration of such agreements is generally one year, which are renewable on an annual basis. Third-party e-commerce platforms typically provide us with software and Internet information related services, and we pay service fees accordingly. Service fees generally include annual service fees and commissions based on our sales on such third-party e-commerce platform. The agreements shall be terminated on expiration, when the parties agree to terminate or there is a breach of contract. The merchandise we offer on these third-party e-commerce platforms is the same as we procure from our suppliers. For further information, see “– Merchandise Sourcing”. We generally follow the payment rules of these third-party e-commerce platforms and require consumers to make payments before we process orders and make deliveries. Once consumers confirm the receipt of the deliveries on the third-party e-commerce platforms, the platforms would release the customer payments to us. After our online stores receive orders from consumers and consumers make payments to the third-party e-commerce platforms, we normally arrange deliveries to consumers' designated addresses through third-party logistics companies as chosen by consumers or ask our suppliers to arrange the deliveries directly. For further information, see “– Inventory Management and Fulfillment.” We generally offer consumers with standard service policy which includes an unconditional return or exchange guarantee within seven days of the purchase. If there are any quality issues with the products, our suppliers are generally responsible for replacement.

Merchandise Sourcing

In 2018, 2019, 2020 and for the nine months ended September 30, 2021, we had 4,894, 5,920, 5,298 and 4,268 suppliers, respectively. We select suppliers on the basis of their brand, reliability, historical record, production capacity, and price. Our suppliers are required to be able to meet our requirements for timely supply of authentic products, and to demonstrate an ability to arrange proper after-sales customer service. Before engagement, we perform background checks on our supplier candidates. We inspect their business licenses and qualifications, as well as their operational permits, and evaluate their brand recognition and the market reputation of their products. Our stable supply chains ensure the quality of our merchandise, as we have established supplier onboarding procedures which are strictly followed. Before cooperating with a supplier, we would get a full picture of its business conditions, including its business scale, business achievements, credit and qualifications. We only work with a supplier whose conditions meet our standards. We would specify a quality guarantee in the terms of our agreements with the suppliers. In addition, we conduct regular and random inspections of our suppliers' products to ensure that their products comply with our standards and policies.

Our merchandise procurement cost in relation to our commerce business accounted for 99.2%, 99.1%, 99.1%, 99.2% and 99.4% of our total cost of revenue, in 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, respectively. We usually enter into framework agreements with our suppliers for a term of one year, which may be renewed if we are satisfied with the buyer and seller relationship. The key terms of the framework agreements with our suppliers are summarized as below:

Duration Generally, one year, and renewable on an annual basis.

Payment and Credit Term We generally pay our suppliers after we receive the products, and the credit term granted to us is usually no more than 90 days.

Delivery of Products The suppliers shall be responsible for the transportation, and shall be responsible for all risks during the transportation and before the delivery.

Products Guarantee The suppliers generally declare that the products supplied are authentic and of legal origin, guarantee the quality of their products, and ensure they do not infringe the legal rights of third parties.

Generally, the products supplied by the suppliers shall meet the quality standards of the factory and the standards of the state or industry, and are supplied according to the samples confirmed by both parties.

The suppliers generally shall pay us liquidated damages in the event of breach.

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- After-sales services** After-sales support is usually provided by the suppliers. We generally require the suppliers to provide one-year warranty services.
- Product returns/exchanges** . . The suppliers are generally liable for any product defect and responsible for the return of exchange of merchandise which are proven to be defective.
- Termination** Breach of contract by one party, or by force majeure.

During the Track Record Period, we had both discounts and rebates from our bulk purchases from our suppliers. The discounts were negotiated with our suppliers on a case-by-case basis and were directly reflected in the purchase price when signing the purchase contracts. The rebates were negotiated with our suppliers on a case-by-case basis, which we separately receive and record, apart from the purchase price paid to suppliers. According to the Frost & Sullivan Report, granting such discounts and rebates is an industry norm.

Given our strong customer base and sizable bulk purchase demand, our suppliers are willing to provide us with competitive discount or rebate terms, which are typically determined based on the bulk purchase volume and achieving target sales thresholds in the future. Specifically, we can be granted discounts or rebates upon reaching the desired bulk purchase volume by our suppliers. In addition, we can earn rebates upon reaching a sales target as specified by our suppliers.

For the years ended December 31, 2018, 2019 and 2020 and for the nine months ended September 30, 2021, 46.5%, 46.2%, 37.3% and 31.0% of our total procurements had rebates and the amount of rebates we received was RMB1,173.8 million, RMB1,285.5 million, RMB991.6 million and RMB530.4 million, respectively. During the same periods, rebates arising from our bulk purchases from suppliers accounted for 7.2%, 5.6%, 4.7% and 3.3%, respectively, of our total purchase amount from such suppliers that offered rebates, and 3.4%, 2.6%, 1.7% and 1.0%, respectively, of our total purchase amount. Rebate policies are usually set and offered by suppliers taking into considerations of the seasonality and purchasing amount, while discount terms are often negotiated on a case-by-case basis, and such policies and terms in the past cannot be guaranteed or indicative of future purchases.

During the Track Record Period, we have collaborated with various brand manufacturers and suppliers and are authorised as the following types of designated agents of certain brands or merchandise. We are able to obtain various designated agency arrangements from brand manufacturers and suppliers mainly based on (i) our solid reputation in the industry can enhance the influence of their brands along the distribution process, (ii) our extensive and expanding member store network that deeply penetrates into the towns and villages in China, as well as our wholesaler customers with sizable demand and procurement volume, provide efficient distribution channels for their products, (iii) our warehouse network across China are able to supplement the logistics systems of the brand manufacturers, and especially for certain areas of the lower-tier market where the brand manufacturers are unable to reach directly, we are able to provide efficient delivery services to our customers, and (iv) our regional service platforms and our team of client managers are capable to help them promote their brands and

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products. These brand manufacturers and suppliers usually determine the scope of these designated agency arrangements based on their brand strategies and the characteristics of their products, as well as their marketing capabilities.

- **Regional agent:** we are authorised as designated agents to provide marketing services, distributions and sales services and brand promotion services to brand manufacturers and suppliers within specific regions, such as specific province, city and town.
- **National agent:** we are authorised as designated agents to provide marketing services, distributions and sales services and brand promotion services to brand manufacturers and suppliers in China without geographical limitations.
- **Channel agent:** we are authorised as designated agents to provide marketing services, distributions and sales services and brand promotion services to brand manufacturers and suppliers through specific channels, such as e-commerce platforms, chain store channels or group buying events.

The table below sets forth the number of designated agents we were authorised as during the Track Record Period:

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
Regional agent	561	690	493	324
Household appliances	483	530	341	215
Consumer electronics	63	121	119	79
Homebuilding and renovation materials	12	27	18	23
Liquor and beverages	2	8	7	5
Vehicles and auto parts	1	4	8	2
National agent	3	13	18	21
Household appliances	–	8	14	16
Consumer electronics	2	4	–	1
Homebuilding and renovation materials	–	–	1	1
Liquor and beverages	–	–	1	–
Vehicles and auto parts	1	1	2	3
Channel agent	–	32	24	31
Household appliances	–	14	13	16
Consumer electronics	–	14	11	9
Homebuilding and renovation materials	–	2	–	4
Liquor and beverages	–	1	–	1
Vehicles and auto parts	–	1	–	1
Total	<u>564</u>	<u>735</u>	<u>535</u>	<u>376</u>

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The details of the revenue attributable to such designated agency arrangements during the Track Record Period are as below:

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
	Amount	Amount	Amount	Amount
	<i>(RMB in millions)</i>			
Regional agent	5,948.2	6,815.1	4,873.2	2,760.8
Household appliances	5,472.7	5,930.7	3,693.6	2,035.6
Consumer electronics	299.3	590.6	676.1	378.0
Homebuilding and renovation materials	137.1	133.9	180.2	160.8
Liquor and beverages	25.2	64.3	161.9	110.9
Vehicles and auto parts	14.0	95.6	161.4	75.5
National agent	171.3	3,443.1	2,397.5	2,575.2
Household appliances	–	155.0	200.7	254.8
Consumer electronics	108.2	92.4	–	182.8
Homebuilding and renovation materials	–	–	40.6	–
Liquor and beverages	–	–	22.1	–
Vehicles and auto parts	63.2	2,195.7	2,134.2	2,137.6
Channel agent	–	444.2	1,310.7	911.1
Household appliances	–	95.9	851.0	787.1
Consumer electronics	–	331.0	459.8	107.7
Homebuilding and renovation materials	–	0.2	–	0.3
Liquor and beverage	–	17.1	–	15.9
Vehicles and auto parts	–	–	–	0.1
Total	<u>6,119.6</u>	<u>9,702.4</u>	<u>8,581.5</u>	<u>6,247.1</u>

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The number of regional agents that we were authorised as and the revenue attributable to the corresponding designated agency arrangements decreased in 2020 and for the nine months ended September 30, 2021 mainly due to that (i) household appliance was one of the main merchandise categories we offered to our customers during the Track Record Period, while the market of traditional household appliance, such as air conditioner, TV, washing machine and fridge, declined during the same period, and therefore, we have strategically opted to cease some regional designated agency arrangements and relevant transactions with small brand manufacturers and suppliers upon expiry; and (ii) as impacted by the COVID-19 outbreak in 2020, the demand of certain merchandise from our customers declined during the same period and we temporally did not maintain some of the designated agency arrangements and relevant transactions. Meanwhile, the merchandise categories we have been strategically focusing on in recent years, such as agricultural means of production (the revenue contribution of which increased significantly during the Track Record Period), do not widely use designated agency arrangements for distributions according to the Frost & Sullivan Report.

Set forth below are the key terms of the agency agreements with relevant suppliers:

Term and Termination: Generally, from one to three years, which can be renewed upon expiry or early terminated by mutual agreement.

Area/Channel Restriction: . . Nationwide, specific regions or specific sales channels such as online or platform channels.

Pricing Restriction: Generally, our sales price shall comply with the price guidance advised by our suppliers from time to time.

Minimum Purchase Amounts: Generally, we are required to meet annual minimum purchase amounts as required by suppliers.

Payment: We are generally required to settle payments before our suppliers arrange shipments.

Sales Target: Generally, we are entitled to receive a rebate or discount on the next year's purchase if we can meet the specific sales target as agreed from time to time.

While the terms of our agency agreements do not explicitly state that we are designated as an exclusive agent, according to the Frost & Sullivan Report, in general practice, brand manufacturers usually designate a single distributor for each region so that they are able to build a balanced distribution network ensuring the sustainable development of their brands, mainly due to (i) avoiding fierce competition among distributors; (ii) motivating and encouraging distributors to develop long-term cooperation; and (iii) leveraging the advantages that distributors enjoy locally. Our Directors believe that, for the agency arrangements we have obtained, we are generally designated as exclusive agents in specific regions in practice.

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Since 2020, we have also established strategic alliances with selected suppliers for further collaborations. We normally look for strategic alliances with major brand manufacturers within each merchandise category we focus on. We usually enter into cooperation agreements with such selected suppliers, with a duration of one to two years. The parties generally agree to share industry resources and conduct in-depth collaborative research on industry technologies and market needs. The parties shall leverage their advantages on respective products and channel resources and give priority to the collaboration. Collaborations are generally carried out in forms of brand promotion cooperation through media marketing and internet promotion, supply chain cooperation through logistics and inventory support, and merchandise cooperation through regional agency arrangement or co-developing customized products. The agreements shall be terminated on expiration, when the parties agree to terminate or there is a breach of contract.

Pricing and revenue model

Under our commerce business, other than the online marketplace on *HTD Mall*, we seek to price our merchandise appropriately to attract and retain customers and to maintain an appropriate profit margin. We make continual efforts to maintain an efficient cost structure and create incentives for our suppliers to provide us with competitive prices. We typically negotiate with our suppliers for prices that are lower than those offered to retailers. Pricing under our direct sales model is based on various factors, including the market price, the purchasing price from suppliers and the price of competing products.

Inventory Management and Fulfillment

Our inventory principally includes the six merchandise categories we offer on our platform. We understand our customers' needs and preferences. We have implemented policies to optimize our inventory level to control inventory carrying costs while ensuring timely delivery of products and maintaining the quality and variety of merchandise available to our customers. According to such policies, our inventory department monitors our inventory level and cash flow information on a weekly basis, based on the weekly sales reports from our business department, to ensure inventory levels and cash flow are within the normal and reasonable range.

We consider and analyze historical sales data, seasonality and customer feedback to project the quantity of particular merchandise we should procure, in order to minimize our inventory. For example, we plan the centralized purchase of air conditioners in April and May every year and plan the centralized purchase of liquor and beverages one to two weeks before the Mid-Autumn Festival and the Spring Festival. In addition, our ERP system keeps track of all inventory at all stages of purchasing, order receipt, and order fulfillment.

We also have inventory provision accounting policies to ensure the accuracy of our cash flow information. In general, we aim to maintain not more than 20 days of inventory. If there is overdue inventory, we would restrict further procurement and make the liquidation of

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overdue inventory. In 2018, 2019, 2020 and for the nine months ended September 30, 2021, our average inventory turnover days were 28, 24, 20, and 16, respectively. To further enhance inventory accountability and security, we track our inventory at all stages of the receiving and order fulfilment process.

As of September 30, 2021, we have established a warehouse network comprising 511 warehouses. For most of these warehouses, we have engaged third-party logistics service providers to provide warehouse management services for us.

The table below sets forth the locations of our contracted warehouses as of September 30, 2021:

<u>Province/municipalities</u>	<u>As of September 30, 2021</u>
Jiangsu	99
Zhejiang	55
Shandong	54
Anhui	42
Hubei	35
Guangdong	28
Henan	28
Hunan	21
Sichuan	24
Shaanxi	19
Fujian	18
Shanghai	14
Jiangxi	16
Beijing	14
Hebei	13
Liaoning	8
Shanxi	8
Tianjin	4
Guizhou	3
Jilin	4
Guangxi	1
Chongqing	1
Yunnan	1
Heilongjiang	1
Total	511

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Once an order has been placed by our customer (other than orders from consumers directly and orders from our online marketplace on *HTD Mall*), the order will go into our ERP system, and we will process the order and arrange shipment accordingly.

- ***Delivery by us.*** for delivery arranged by us, we deliver orders through reputable third-party logistics companies with nationwide coverage. We select third-party logistics companies based on routing distance, their service capability and price comparison and typically negotiate and enter into service agreements with them on an annual basis. To reduce the risk of reliance, we typically contract with two or more regional logistics companies in each major region. In addition, to ensure the stability of our high-quality service capabilities, we continuously monitor the performance of our service providers and the compliance with our contractual terms and eliminate those with unsatisfied performance. We leverage our scale effect and brand image to obtain favorable terms and prices from logistics companies. All deliveries arranged by us need to be signed for or stamped on receipt. As of September 30, 2021, we had 302 logistics service providers. We generally bear the logistics costs, which have been included as a consideration for our merchandise pricing.
- ***Direct delivery by the supplier.*** for delivery arranged by the supplier, we will notify the suppliers once we receive the delivery address from our customer, and our customer will notify us upon reception of the merchandise. Our suppliers generally bear the logistics costs.
- ***Customer pick-up.*** we default to choose the nearest warehouse to our customers based on their locations for customer pick-up. If we are out of inventory at such warehouse, we would internally arrange resources from other warehouses to satisfy customers' needs for pickup. Customers will be required to present relevant proof of identity on pick-up at our warehouse. Our customers generally bear the logistics costs.

Suppliers are generally required to offer customer services in relation to their products, and we normally monitor the entire after-sales services process. We offer dedicated pre-sales and after-sales consulting services, and require our client managers to patiently answer customers' questions, handle after-sales return and exchange matters if customers need assistance and promptly resolve customer complaints. We believe our dedication to providing quality customers services would build a positive image of us, and potentially increase customer loyalty. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints from customers.

Service Business

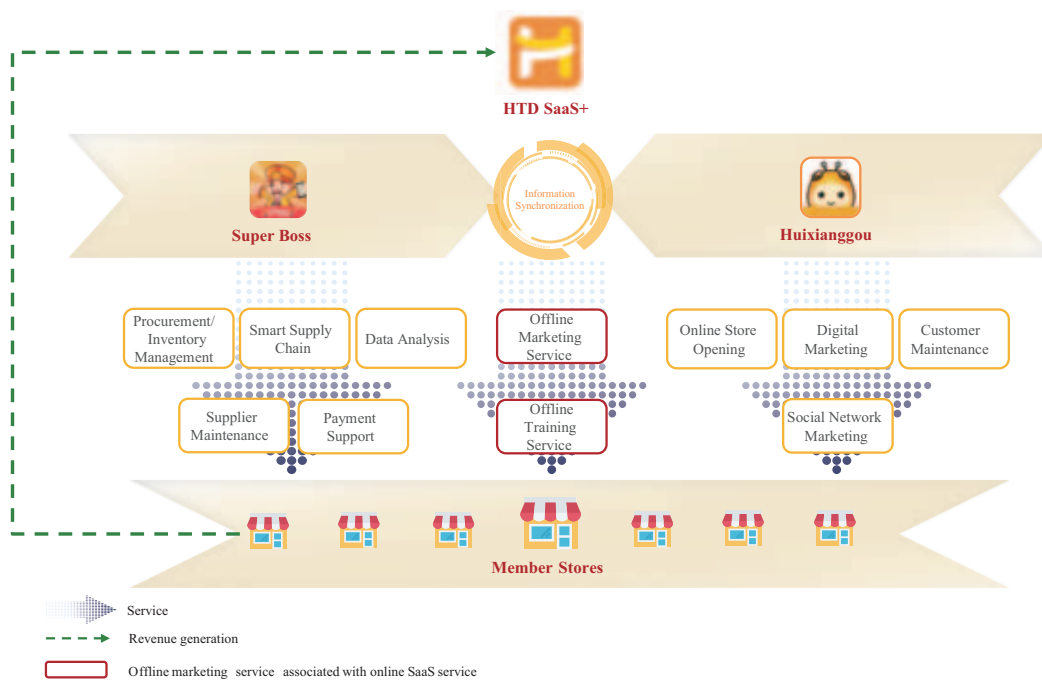
We launched our SaaS+ business in 2017 for retail stores in the lower-tier market in China to digitalize their retail business. We also launched the merchant solutions business for the participants along the value chain of China's lower-tier retail market, such as brand manufacturers, suppliers and wholesalers.

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SaaS+

For the “SaaS” part, our SaaS products provide digital solutions for retail stores via various modules, including digital retail management, online storefront and data analytics, which assist retail stores to improve the efficiency of in-store management, and to introduce them to an effective online business operation. For the “+” part, we provide retail stores with customized marketing services onsite, such as themed marketing campaigns and customized branding campaigns. Overall, our SaaS+ business helps retail stores improve their operational and marketing efficiency.

The chart below illustrates the workflow of our SaaS+ business:



We had 167,076 member stores as of September 30, 2021, providing us with a large potential user pool for our SaaS+ business that we can convert into paying users and monetize on a recurring basis. The number of users for our free SaaS products was 65,827, 55,262, 59,483 and 73,234 and the number of paying users of our SaaS+ was 2,547, 4,156, 2,571 and 15,167 as of December 30, 2018, 2019, 2020 and as of September 30, 2021, respectively. The increase of the number of paying users of our SaaS+ for the nine months ended September 30, 2021 was mainly because: (i) we resumed charging subscription fees in 2021 for some SaaS+ modules which we temporarily offered for free during the COVID-19 outbreak in 2020, (ii) our client managers have been particularly focusing on promoting our SaaS+ in 2021, and (iii) our supply chain capabilities under our commerce business have been further strengthened, which attracts more paying users of our SaaS+. Our revenue from SaaS+ subscription was RMB23.7 million, RMB49.4 million, RMB119.1 million, RMB93.7 million and RMB163.2 million in 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, respectively.

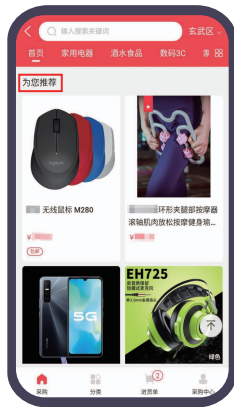
Main functionalities

We deliver our SaaS+ primarily through our *Super Boss* mobile app, *Super Boss* webpage, *Huixianggou* mobile app, *Huixianggou* WeChat Mini Program and various customized marketing services onsite:

- **Digital retail management system – Super Boss:** through our *Super Boss* member stores can source merchandise on our *HTD Mall* and manage their online and in-store retail business, including order placement, merchandise display, payment management and customer relationship management:



- **Order Placement:** support order placement for their daily retail business via mobile devices by merchandise name or bar-code search



- **Merchandise Recommendation:** provide merchandise recommendations to member stores based on their stores' profiles and preferences, local customs, locations, seasonality and browsing history



- **Account Management:** with the built-in accounting system, present member stores with their overall financial positions and each consumer's account balance



- *SMS: send promotional messages based on consumers' transaction records, browsing history*

- *Online storefront for member stores – Huixianggou: with the comprehensive suite of easy-to-use digital solutions offered under Huixianggou, member stores are able to build up their own personalized online storefront with various marketing functions, such as group buying, bargaining, sharing and referral gifts. Huixianggou, one of the optional SaaS+ modules embedded in Super Boss helps member stores carry out marketing activities on mobile app and various social media platforms. In turn, member stores are able to leverage social media traffic to build up their own consumer base.*



- *Online storefront: consumers may browse the online storefront operated by a member store, and the merchandise displayed are mainly curated by those member stores themselves*



- *Promotional activities: member stores may set up various promotional activities, such as offering referral commissions, and they may also offer shopping vouchers to their selected customers to enhance customer stickiness*

- ***Customized marketing services onsite:*** our client management teams provide various marketing services for our member stores onsite.

For themed marketing campaigns, we take account of the patterns of the lower-tier retail market, plan and execute our own series of national marketing campaigns on a monthly basis and on major festivals, such as “HTD Young Talent Contest (匯通達兒童才藝大賽)”, “HTD Square Dance Contest (匯通達廣場舞大賽)” and other innovative marketing activities and promotions such as “New Year Festival (年貨節)” and “11.11 National County Shopping Festival (雙十一全國鄉鎮購物節)”. These themed marketing campaigns are generally designed and planned by our headquarter and hosted offline by our member stores at their premises, usually in the form of promotional activities (such as on-sale product display) or social activities (such as square dance contest), as a means of attracting these member stores’ offline consumer traffic and driving their sales. Our client managers help the member stores in their designated areas to execute and deliver these marketing campaigns in light of their local market knowledge as well as their understanding of the merchandise offered on our platform. They mainly provide on-site training and event set-up guidance prior to the marketing campaigns, oversee the campaign implementation, provide customer service to consumers during the marketing campaigns and advise on follow-up marketing strategies based on the outcome of the marketing campaigns. For further information, see “– Marketing and Sales”.

For customized branding activities, there are on-demand marketing activities executed by our member stores to meet their branding needs, such as store grand openings, anniversary celebrations and special marketing activities for particular brand manufacturers. During the client managers’ on-site services and periodical visits to our member stores, they are able to understand the operations of the member stores and capture their branding needs. Our client managers help the member stores plan and launch the offline branding activities and advise on event set-up, branding and customer service strategies. In addition, such branding activities are generally carried out online simultaneously where our client managers help drive online visit traffic and sales for our member stores, leveraging our service and technology capabilities.

- ***Data analytics and marketing support:*** with transaction data generated from *Super Boss*, we utilize our data analytics capabilities to provide data support to our member stores for their marketing decisions. We do not rely heavily on tracking and analyzing user data to conduct our business.
- ***Data analysis service:*** we present operating figures and charts to owners of the member stores, which can help them efficiently access their stores’ real-time operation information, including the number of online visitors, the number of online and in-store orders and the sales volume for specific periods.

- **Marketing support service:** we help member stores establish a set of consumer management modules with various functionalities such as bargaining games, group purchase, coupon management and shopping guidance. Member stores can flexibly choose different module packages based on their marketing demands such as attracting new consumers, promoting repurchases and sales.

Thus, through our multidimensional data-capture and real-time reporting, our data analytics service and marketing support service can help our member stores efficiently target and acquire consumers and monitor the performance of their marketing activities.



- **Targeted Marketing:** auto-generate promotional content to consumers based on their profile, transaction record and browsing history

Pricing and revenue model

We have offered our standard SaaS products for free since the launch of this business to promote adoption of our SaaS+. This has helped us build a large user base with monetization potential. Since 2017, we have launched a number of upgraded solutions through SaaS+ to further enhance customer experience and our monetization capability. In addition to the basic functions of our standard SaaS products, such as order intake, merchandise display and customer relationship management, our SaaS+ includes customized marketing services, membership management, transaction data analytics and online cashier.

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During the Track Record Period, the price range of SaaS+ packages was from RMB1,999 per year to RMB30,888 per year, and users could subscribe for more than one package during the same period. We adjust the price of our SaaS+ packages periodically depending on modules provided, our costs and marketing activities. As of September 30, 2021, we have launched four SaaS+ packages and the prices of which depending on the modules selected. The following table sets forth the pricing and respective modules of the four SaaS+ packages as of September 30, 2021:

Key Modules (RMB per year)	Silver Package 1,999	Gold Package 5,999	Platinum Package 18,888	Diamond Package 28,888
Digital retail management system	√	√	√	√
Online storefront service		√	√	√
Customized marketing services			√	√
Data analytics and marketing support				√

Our ARPU of SaaS+ amounted to approximately RMB10,800, RMB21,900, RMB31,200 and RMB28,454 in 2018, 2019, 2020 and for the nine months ended September 30, 2021, respectively.

Technology and R&D

We provide our member stores with easy-to-use and affordable technology infrastructure equipped with enterprise-level security, scalability and reliability. To guarantee availability of our services, our SaaS products are supported by leading third-party service providers, including Alibaba Cloud. For further information, see “– Data Privacy and Protection.”

The R&D process of our SaaS+ is driven by our member stores’ needs. We closely attend to the needs of our member stores through various sources and respond to any changes or shifts through developing new solutions, updating existing solutions or adding new features to existing products.

Merchant solutions

We launched the business of merchant solutions in March 2018, which mainly focus on establishing and upgrading digital infrastructures of the participants along the value chain of China’s retail market, including brand manufacturers, suppliers and wholesalers, and offering targeted marketing solutions and software customization solutions to them.

- *Targeted marketing solutions.* We provide targeted marketing solutions covering various industries and related technical supports to improve our customers’ marketing capabilities and increase their sales. Specifically, we communicate marketing plans by e-mail or other means with our customers, and we, based on historical data analysis and marketing road-map in different channels, select suitable media channels to launch marketing activities thereon in light of the customer’s business characteristics. The price of targeted marketing solutions per project generally ranges from RMB0.1 million to RMB3.0 million.

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- *Software customization solutions.* We provide software customization solutions, such as smart retail, customer relationship management and other omni-channel industry digitalization solutions, so that our customers are equipped with digital means to optimize their sales and achieve their digitalization transformation. Specifically, we communicate internally with our sales personnel regarding the demand of customers and conduct internal evaluation, and then formulate the project development and delivery plan which is usually either independently developed by our IT department or jointly developed with specialized third-party service providers. In general, we would require the customer to make partial prepayments before initiating development. The price of software customization solutions per project generally ranges from RMB1.0 million to RMB6.0 million.

Our merchant solutions business is still in its early stage of development, and during the Track Record Period, we have increased the outsourcing of certain solutions to specialized third-party service providers to accelerate the solution development cycle and optimize customer experience, such as geographic information system, soil test system and other non-digital retail related software development.

We charge service fees for our merchant solutions business based on various factors, including the workload of particular solutions, our expenses, costs of specialized third-party service providers, as well as the price of similar services in the market. The service fees vary significantly, depending on the nature of the merchant solutions required by customers. During the Track Record Period, we kept our pricing for merchant solutions business relatively low and competitive to expand our business and maintain customer relationships. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, revenue generated from our merchant solutions business was RMB1.6 million, RMB6.1 million, RMB123.6 million, RMB60.6 million and RMB114.6 million, respectively.

Other Businesses

We also offer certain other services that are ancillary to our main business, in response to the requests of our customers, comprising maintenance and installation services and sales planning services. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, the revenue generated from other businesses was RMB115.8 million, RMB199.2 million, RMB84.4 million, RMB53.2 million and RMB74.6 million, respectively, accounting for 0.4%, 0.5%, 0.2%, 0.2% and 0.2% of our total revenue, respectively.

Maintenance and Installation Services

We offer maintenance and installation services along with the sales of merchandise, and such services are generally provided to household appliances consumers and often outsourced to third-party contractors. The pricing of the maintenance and installation services is based on our costs, reasonable profits and the guiding price by brand manufacturers.

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Sales Planning Services

We offer sales planning services for ad-hoc sales activities hosted by certain enterprises within the retail industry. The pricing of sales planning service is based on our costs, reasonable profits and market price.

MARKETING AND SALES

We promote our platform through a team of experienced and efficient client managers. We believe that cultural affinity, deep knowledge of local customs and languages, in-person client interaction are keys to our ability to develop a large number of loyal member stores. As such, we establish a large and specialized client management team responsible for acquiring, engaging and retaining member stores. As of September 30, 2021, we employed 2,902 client managers located across 21 provinces in China. We have a strict screening process and training program for our client managers, who are highly localized and have a deep understanding of the lower-tier retail market.

As of September 30, 2021, we have established 475 regional service platforms located across 21 provinces in China to serve the lower-tier market and manage our client managers in designated areas. Our regional service platforms are responsible for (i) enhancing the supply chain capabilities of us, (ii) promoting and supporting our SaaS+ business, and (iii) providing trainings to and performance assessment of client managers.

These regional service platforms are non-wholly-owned subsidiaries we established with channel partners, who take main functions of business development and management as well as building up and managing local operation teams. Such regional service platforms are established in the form of joint ventures with our channel partners and integrated into our corporate structure and function as our local subsidiaries. The channel partners, as shareholders of such regional service platforms, also actively participate in the management and daily operations of these regional service platforms. In 2018, 2019, 2020 and for the nine months ended September 30, 2021, there were 16, 7, 9 and 17 non wholly-owned subsidiaries whose non-controlling shareholders are also the shareholders or legal representatives of our customers. Such non-wholly owned subsidiaries in aggregate contributed only 1.3%, 0.7%, 1.0% and 2.2% of our total revenue for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, respectively.

We believe that, with the cooperation with our channel partners and leveraging our channel partners' local market knowledge, expertise, and channel resources, these regional service platforms could efficiently serve our member stores, manage our client management team and broaden the reach of our business, especially for the new markets we are developing, and effectively achieve our expansion strategies and market penetration targets. Our channel partners are primarily individuals or teams with strong sales backgrounds and capabilities, such as management and operation capabilities, supply chain capabilities and business development capabilities in their respective areas.

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New channel partners are usually introduced and recommended to us by existing channel partners, customers and relevant industry associations. There are also channel partners who proactively approached us based on our brand and partnership opportunities. To effectively motivate our channel partners, these non-wholly-owned subsidiaries are generally in the form of joint ventures, so that they are entitled to dividends of these non-wholly-owned subsidiaries depending on their business performance and entitled to sharing profits generating from the non-wholly-owned subsidiaries. As of December 31, 2018, 2019, 2020 and September 30, 2021, we had 595, 577, 512 and 475 channel partners, respectively.

We enter into investment cooperation agreements with our channel partners, which contain terms regarding the respective obligations of each party. The key terms of the investment cooperation agreements are summarized as below:

- Duration** Long-term or the term of operation registered with the industry and commerce authority (but shall be no less than 10 years).

- Capital Structure** We generally hold 60% and our channel partners hold 40% of the joint venture company.

- Time of Capital Contribution** We and our channel partners shall deposit each respective subscribed registered capital in full into the bank account of the joint venture company within 90 days from the date of registration of the joint venture company.

- Organizational Structure** The single executive director and the single supervisor shall be nominated by us and elected through the shareholders' meeting. The general manager shall be nominated by our channel partners and appointed or dismissed by the executive director.

- Management and Operation.** The operation and management procedures of the joint venture company shall be formulated by us. The general manager shall be responsible for the operation of the joint venture company. We shall provide the joint venture company with supports of information technology, financing, logistics arrangement, training and other resources.

- Termination** Expiration of the joint venture company or as parties agree to terminate the investment cooperation agreement and dissolve the joint venture company.

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We evaluated the key terms of each investment cooperation agreements with our channel partners and determined whether we have control over the regional service platforms established based on the investment cooperation agreements by evaluating our exposure to the variable returns from our involvement with these regional service platforms and our ability to affect those returns through our power over these regional service platforms in accordance with IFRS 10 - Consolidated Financial Statements. Based on the above assessment, except for the five companies as at December 31, 2020 and four companies as at September 30, 2021 were accounted as our associates, over which we can exert significant influence, under the equity method in accordance with IAS 28 – Investment in Associates and Joint Ventures, we obtained the control of all of other regional service platforms established with the channel partners, of which the results of operations, assets and liabilities, and cash flows of these regional service platforms were consolidated into our consolidated financial statements of the Group during the Track Record Period.

Since July 2021, we have launched a collaboration program with some of our wholesaler customers primarily under the merchandise category of agricultural means of production and piloted such program in Anhui, Jiangsu, Shandong and Guangxi provinces.

Under such collaboration program, the wholesaler customers enter into service agreements with us, allowing them to introduce our platform directly to their retail store customers, who then register as our member stores. The new member stores are able to directly purchase from us, rather than sourcing from the wholesaler customers. In addition, these wholesaler customers agree to provide a series of services to our member stores in their designated regions acting as our service providers, including (i) assisting member store registration and management (including their previous retail store customers), (ii) promoting the merchandise offered on our platform and SaaS+ business, and (iii) arranging local delivery for member stores in their designated regions.

We and the wholesaler customers are mutually benefitted from this collaboration program.

- The wholesaler customers are entitled to receive commissions, which are settled based on the revenue that we generate from the new member stores introduced by them for the merchandise directly sourced from our platform, without having capital tied up for stocking-up inventory. In addition, they are also able to receive additional income for the services provided to us.
- We also benefit from such collaboration program, given we are able to quickly expand our member store network without applying additional business development resources, and generate additional revenue from both our commerce business and SaaS+ business brought by the new member stores. Furthermore, we are able to enhance our direct understanding of the lower-tier market and apply our strengthened data analytics capabilities to our collaboration with brand manufacturers and suppliers.

BUSINESS

For the period from July to October 2021, 21 wholesaler customers had entered into service agreements with us, with 245 retail store customers of these wholesaler customers having transacted with us as our new member stores, the transaction value of the procurements made by which under our commerce business being RMB22.3 million and the cash received from which under our SaaS+ business being approximately RMB750 thousand. Currently, the collaboration program is still in its early stage of deployment and has not generated substantial revenue or had any substantial impact on our financial performance. As such, we may continue the collaboration program in its current form or explore other collaboration program for other merchandise categories in the future, based on further assessment.

In addition to the traditional online and on-site marketing activities, we have designed innovative marketing activities and promotions to further increase our own brand awareness and that of our customers, and to better capture market share. We hold platform wide promotions for consumers during multiple national festivals, and our member stores can take the opportunity to invite consumers to participate in the campaigns to boost their sales; for example, the “New Year Festival (年貨節)”, “4.18 County Fair Shopping Festival (鄉鎮集市購物節)”, “6.18 Mid-year Sale (年中狂歡節)”, “11.11 National County Shopping Festival (雙十一全國鄉鎮購物節)”, and “12.12 Member Intake Festival (雙十二會員店採購節)”.

SEASONALITY

We experience seasonality in our business for particular merchandise categories, reflecting the seasonal fluctuations in both customer purchases and the frequency of marketing activities and promotional activities. During the Track Record Period, our revenue for the first half of the year was lower than that for the second half of the year. We generally experience higher customer traffic and orders from our customers for the prior months leading to Chinese New Year holiday, and less customer traffic and orders from our customers during the Chinese New Year holiday season in the first quarter of the year. In addition, we usually experience higher sales volume during the marketing activities and promotional activities held by us, most of which are in the third quarter and fourth quarter of the year, for example, the “11.11 National County Shopping Festival (雙十一全國鄉鎮購物節)” and the “12.12 Member Intake Festival (雙十二會員店採購節)”. For further information, see “– Marketing and Sales”. Moreover, brand manufacturers of household appliances and consumer electronics generally hold new product launches in the third quarter and fourth quarter of the year, resulting in an increase in our sales during the same period. Overall, the impact of seasonality on our business has been relatively mild due to our diversified merchandise portfolio and our rapid growth. The seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results. For further information, see “Risk Factors – Our business operations may be subject to seasonality.”

RESEARCH AND DEVELOPMENT

We have a team of experienced product engineers, mainly mobile internet R&D engineers and back-end R&D engineers, dedicated to the research and development. As of September 30, 2021, our 192 R&D staff had expertise in mobile internet information technology, big data computing technology and AI technology. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, our R&D expenses was RMB34.7 million, RMB49.3 million, RMB58.3 million, RMB35.6 million and RMB54.9 million, respectively.

Our aim is to provide our R&D staff with a comfortable work environment to stimulate their creativity and efficiency. We adopt a flat organizational structure and project systems to establish teams based on the dynamic needs of various projects, to accomplish our goal together. Our R&D staff works under comprehensive and strict procedures covering demand analysis, project initiation, design and development, and testing and launching to effectively control costs as well as guarantee project quality. We evaluate our R&D staff, not only based on product quality, project quality, and technology abilities, but also based on soft aspects such as customer experience.

Key components of our technology include:

- ***Business-to-business e-commerce platform serving the entire industry value chain:*** through customized design and continuous optimization, our e-commerce platform can fully support e-commerce transactions of our suppliers, third-party vendors and member stores. It is able to support a variety of transactions, adapt to various complex transaction rules, and process a high volume of real-time transactions among multiple parties;
- ***Data platform and assets:*** we have designed and developed an integrated data platform – the Galaxy Data Platform, which is capable to process all kinds of transactional and behavioral data generating from our over 140,000 member stores across the country and address the data requirements from multiple industries, including data collection, data processing and data analytics. Our data platform accumulates multi-dimensional data, and gradually forms a data map serving both the upstream and downstream of the lower-tier retail market; and
- ***Intelligent service management system:*** to achieve the digitalization of our customers and the unified service standard of our client managers, we have designed and developed our intelligent service management system, which can assign a service task to client management team based on the service nature, specific requirement of the service, user life cycle and GPS location of a client manager and his or her service capabilities.

Relying on open-source technology and extensive experience accumulated, we have designed a series of platform-based software, mobile app, SaaS products and marketplace software, such as *HTD Mall*, *Super Boss*, *Huixianggou* and *Super Manager*.

OUR INFRASTRUCTURE

We have set up our IT infrastructures and our data platform in our Nanjing headquarters with the support of cloud data services provided by Alibaba Cloud.

Key features of our infrastructure are set out below:

- **Reliability and availability:** we believe that our platform is the core of our business. Our platform builds a highly available service resource pool through a highly redundant, horizontally scalable, and shared architecture to ensure the resiliency and high availability of our platform. Our platform ensures 24/7 technical support for customers;
- **Scalability:** we use microservice technology to build the cloud-based architecture of our platform, which allows us to easily scale our computing resources and support sudden traffic and order spikes as a result of marketing activities;
- **High performance:** we employ a variety of advanced technologies, such as national CDN acceleration and multi-level caching, to optimize the performance for customers, so that we can provide our customers and consumers with high-speed experience;
- **Security:** our data is an important asset of our platform, and in order to ensure data security, our platform is built up on servers in geographically dispersed data centers to ensure a fast recovery. We protect our business and merchant data by adopting firewalls, https encryption, data encryption, authority classification, as well as other technologies. We also rely on Alibaba Cloud SaaS security services to effectively help our customers guard against security issues; and
- **Backup:** our platform is equipped with two internet lines for mutual recovery and equipped with 1000 Mbps fiber optic interconnection between the private cloud and the public cloud. Further, most of our systems are deployed with containerization technology, which can realize online migration in the same cluster and guarantee high availability of system applications.

During the Track Record Period, we did not experience any material security breach or disruption to our platform, software and IT infrastructure or any other IT-related mishap.

DATA PRIVACY AND PROTECTION**Our Efforts on Data Privacy and Protection**

We attach great importance to our information technology-related risk management; the storage and protection of user data and other relevant information is of utmost importance to us. Our sensitive data includes information such as our customers' addresses, tax numbers and bank information, as well as details of supplier contracts. We collect such sensitive data from our customers when they register their memberships with *HTD Mall*, enter into agreements with us and/or place orders with us. All sensitive data is stored in our private cloud supported by professional storage devices and encrypted to de-identify sensitive information. Our internal data team is responsible for processing sensitive data, without external third parties involved. Our data team collects data via Spark, de-identifies data collected and conducts off-line computation. The outcome of our data team will be transformed into various data analysis indexes and data labels for data application, which is only used within our platform for analysis, business risk management, smart retail and other services. All data collected will not be exported to external third parties.

According to the relevant laws and regulations, we are required to obtain the consent from our customers before collecting and using their personal data. We enter into relevant privacy agreements with our customers, according to which we obtain our customers' consent and authorization to collect and use their personal information and the relevant data provided and generated by our customers in the course of use of our platform. We collect and use our customers' personal data within the scope of such consent and authorization only for the purpose of providing services to them, including sharing such data with service providers where necessary, such as logistics service providers. To ensure the security of user information, we have obligations to keep such information confidential. We do not sell or illegally provide the personal information we collect from our customers to any third-party organizations. Our *HTD Mall* has adopted a series of relevant data security measures and passed CMMi3 certification for two consecutive years in accordance with the requirements of the Ministry of Public Security on Network Security Protection Level 3 Equivalent Security.

We use advanced encryption algorithms and proprietary keys, which are not able to be displayed or exported at will. Unauthorized private download and preview of confidential data are not permitted. There are well-defined data operation and maintenance service standards for our system to monitor direct interaction, and data interactions among all systems are monitored by a unified operation and maintenance platform for performance. There are interface desensitization requirements for sensitive data transmission.

We continue to build new procedural safeguards as part of our privacy program. These include a dedicated team of professionals who are involved in new product and feature development from design through launch; ongoing review and monitoring of the way data are handled by existing features and apps; and rigorous data security practices. We regularly work with online privacy and safety experts and regulators. We enter into service agreements with Alibaba Cloud. As service provider, Alibaba Cloud provides us with cloud data services and

SaaS security services to help us guard against data security issues. According to the agreements, Alibaba Cloud shall provide various services to us, including but not limited to, shared service center design, technical architecture service based on our business central platform system, cloud platform deployment architecture service and operational architecture design service. The service fee we paid to Alibaba Cloud in 2018, 2019, 2020 and for the nine months ended September 30, 2021 was RMB0.08 million, RMB2.15 million, RMB0.56 million and RMB2.61 million. We design our platform to include robust safety tools. These tools are coupled with partnerships with online safety experts to offer protection for all customers. We are also equipped with data de-identification technology, mainly from three aspects: (i) in terms of storage, sensitive data of our customers and ourselves are stored with specific encryption strategies and the keys are managed by special personnel in charge; (ii) in terms of sharing, sensitive data shall not be stored among applications without approval, which shall be granted on a “need-to-know” basis, and our system automatically records any alarm operations; and (iii) in terms of display, all sensitive data will be replaced by “*” to obscure key information in final display versions and our system blocks all printing tasks without going through data de-identification filter tools.

From an internal policy perspective, we strictly limit the number of personnel who can access our servers that store our user and internal data, and only grant such access on a “need-to-know” basis. We have adopted a series of data-related policies, such as *The Measures for the Administration of Data Services and Applications of Huitongda* (《匯通達數據服務與應用管理辦法》), which stipulate the principle of operation data management authority, authority allocation rules, user authority management and authority inspection management. Our internal data team has also adopted various security technical means such as network isolation and access white list restriction, database access log record, regular local and remote data backup, and database clustering deployment. Only non-sensitive data is allowed to be stored in the public cloud, which is supported by Alibaba Cloud, and we are satisfied with their data security policies, such as *Alibaba Cloud data security white paper* (《阿里雲大數據平台數據安全白皮書》), and will review such policies periodically. During the Track Record Period, we did not experience any material information leakage or loss of user data.

Our Compliance with Relevant Laws and Regulations

In recent years, with the promulgation of a series of laws and regulations related to internet security and data protection, the MIIT, the CAC and other competent authorities have taken relevant measures against some mobile apps that infringe on users’ rights and interests. The frequency of implementation of the relevant measures has gradually increased during 2020 and 2021. According to the opinion of our PRC legal advisor, on the one hand, these administrative measures are indicative of the increasingly stringent supervision and regulation of the internet and data security compliance by government agencies, which may impose higher compliance requirements on us with internet and data security, and on the other hand, such regulatory measures provide clearer guidance for us to continue to comply with legal requirements about internet and data security, which is more conducive to the healthy development of the industry we are in.

As confirmed by our PRC legal advisor, we comply with the applicable PRC laws, rules and regulations relating to personal data in all material respects. According to the opinion of our PRC legal advisor, during the Track Record Period, (i) we established relevant policies for data collection, and the collection of data was fully authorized by relevant data owners by way of entering into relevant authorization document; (ii) we used the relevant data only for the purpose of providing services to relevant data owners, and the use of the data did not exceed the authorized scope; (iii) the data collected and generated by us were stored within the PRC, and no cross-border data transmission was involved in the process; (iv) we established the relevant organization for network and data security, carried out network and data security related training, and specific professionals were appointed to be responsible for our network and data security; (v) we established and implemented internal control policies for network and data security and the relevant technical measures; and (vi) the information system for carrying out our businesses passed CMMi3 certification in accordance with the requirements of the Ministry of Public Security on Network Security Protection Level 3 Equivalent Security.

The Impact of Apple's Policy regarding User Data

Since 2021, Apple has changed its policy whereby iPhone users are allowed to choose whether to agree to be tracked on different apps, which, as advised by our PRC legal advisor, reflects Apple's further compliance with regulatory requirements in China, such as the E-commerce Law. The Directors believe that we are not substantially relying on tracking user data for our business, and as such the change in Apple's policy would not have a material and adverse impact on our financial condition and results of operations. Our PRC legal advisor is of the view that as of the Latest Practicable Date, the removal of non-compliant mobile apps by the CAC and changes in Apple's relevant policies did not have a material adverse impact on the normal conduct of our business. We do not rely heavily on tracking and analyzing user data to conduct our business due to the following reasons:

- the user data collected by us is mainly used in three aspects: to assess whether the users are eligible to become a member store of us; to facilitate the follow-up services, mainly the delivery, installation and after-sales services of member stores after orders are placed; and to facilitate the data management of member stores, such as purchase, sales, inventory, orders and basic customer information in their business through SaaS system;
- our acquisition of member store and wholesaler customers is mainly through promotion and conference marketing by offline business personnel, while the acquisition of individual consumers is mainly through the retail activities of member stores; and
- our customers mainly consist of businesses including member store and wholesaler customers, and revenue contribution from individual consumers represented a small proportion of our total revenue during the Track Record Period.

BUSINESS

As advised by our PRC legal advisor, since we have not been subject to claims for data compliance matters such as cyber security, data security and personal information protection as of the Latest Practicable Date, nor have we been subject to any investigation or penalty for cyber and data security matters, and we have been continuously strengthening our internal controls over data collection and privacy, our Directors are of the view that such regulatory measures have no material adverse impact on our financial condition, operation outcome and, in particular, the use of data. On the basis that the Joint Sponsors have (i) obtained and reviewed relevant documents, internal policies and information provided by the Company in relation to their data collection, management and protection practices; (ii) conducted due diligence with the Company in relation to, among others, the Group's data protection and recent regulatory measures by the CAC and change of Apple policy, and (iii) discussed with the PRC legal advisor to the Company to understand the relevant PRC laws, rules and regulations relating to personal data collection and implications of recent regulatory incidents on the Group, nothing has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsor to disagree with the views of the Directors and PRC legal advisor in this regard as disclosed above.

BUSINESS

CUSTOMERS

Our customers are primarily businesses in China’s lower-tier retail market, including retail stores and wholesalers. In addition, to a much lesser extent, we also offer merchandise directly to consumers mainly through our self-operated online stores on third-party e-commerce platforms. In 2018, 2019, 2020 and for the nine months ended September 30, 2021, our five largest customers, who are wholesalers and e-commerce platforms, contributed 4.9%, 6.8%, 7.6% and 7.2%, respectively, to our total revenue. In addition, our single largest customer contributed 1.9%, 2.2%, 1.8% and 2.5%, respectively, to our total revenue during the same years. For further information, see “– Our Products and Services – Commerce Business – Sales to member stores; Sales to wholesaler customers; and Sales to consumers”.

The following table sets forth details of our top five customers for the year ended December 31, 2018:

Rank	Customer	Business Scope	Products/Services Provided	Sales amount <i>(RMB in thousands)</i>	Percentage of total revenue	Year of commencement of business relationship
1	Customer A	Principally engaged in sales of household electric appliances	Kitchen and toilet appliances, air conditioners, fridges, household appliances, washing machines	559,394	1.9	2015
2	Customer B	Principally engaged in sales of computer, communication and consumer electronics	Smart phones and tablet computers	244,659	0.8	2018
3	Customer C	Principally engaged in sales of various merchandise	Air conditioners, digital production, kitchen and toilet appliances, smart devices, color TVs, tablet computers	241,874	0.8	2013
4	Customer D	Principally engaged in sales of household electric appliances	Household appliances	224,131	0.8	2017
5	Customer E	Principally engaged in sales of drinks and beverage	Alcohol	185,216	0.6	2017
	Subtotal			1,445,274	4.9	
	Total revenue			29,801,661		

BUSINESS

The following table sets forth details of our top five customers for the year ended December 31, 2019:

Rank	Customer	Business Scope	Products/Services Provided	Sales amount <i>(RMB in thousands)</i>	Percentage of total revenue <i>(%)</i>	Year of commencement of business relationship
1	Customer C	Principally engaged in sales of various merchandise	Air conditioners, digital production, kitchen and toilet appliances, smart devices, color TVs, tablet computers	971,569	2.2	2013
2	Customer F	Principally engaged in sales of computer, communication and consumer electronics	Smart phones and tablet computers	813,110	1.9	2018
3	Customer A	Principally engaged in sales of household electric appliances	Kitchen and toilet appliances, air conditioners, fridges, household appliances, washing machines	574,649	1.3	2015
4	Customer G	Principally engaged in sales of agricultural material and machinery	Chemical fertilizer	313,811	0.7	2018
5	Customer H	Principally engaged in sales of computer, communication and consumer electronics	Smart phones and tablet computers and headphones	309,912	0.7	2018
	Subtotal			2,983,051	6.8	
	Total revenue			43,633,230		

BUSINESS

The following table sets forth details of our top five customers for the year ended December 31, 2020:

Rank	Customer	Business Scope	Products/Services Provided	Sales amount <i>(RMB in thousands)</i>	Percentage of total revenue <i>(%)</i>	Year of commencement of business relationship
1	Customer I	Principally engaged in sales of computer, communication and consumer electronics	Smart phones and tablet computers and headphones, communication accessories	882,660	1.8	2019
2	Customer C	Principally engaged in sales of various merchandise	Air conditioners, digital production, kitchen and toilet appliances, smart devices, color TVs, tablet computers	849,087	1.7	2013
3	Customer J	Principally engaged in sales of computer, communication and consumer electronics	Smart phones and smart devices	818,753	1.6	2018
4	Customer K	Principally engaged in sales of various merchandise	Air conditioners, washing machines, fridges, kitchen and toilet appliances, household appliances	637,200	1.3	2010
5	Customer A	Principally engaged in sales of household electric appliances	Kitchen and toilet appliances, air conditioners, fridges, household appliances, washing machines	584,337	1.2	2015
	Subtotal			3,772,037	7.6	
	Total revenue			49,629,135		

BUSINESS

The following table sets forth details of our top five customers for the nine months ended September 30, 2021:

Rank	Customer	Business Scope	Products/Services Provided	Sales amount <i>(RMB in thousands)</i>	Percentage of total revenue <i>(%)</i>	Year of commencement of business relationship
1	Customer K	Principally engaged in sales of various merchandise	Air conditioners, washing machines, fridges, kitchen and toilet appliances, household appliances	1,162,672	2.5	2010
2	Customer L	Principally engaged in sales of computer, communication and consumer electronics	Smart phones and tablet computers	671,015	1.4	2018
3	Customer I	Principally engaged in sales of computer, communication and consumer electronics	Smart phones and tablet computers and headphones, communication accessories	617,170	1.3	2019
4	Customer N	Principally engaged in sales of computer, communication and consumer electronics	Smart phones and tablet computers	451,367	1.0	2019
5	Customer A	Principally engaged in sales of household electric appliances	Kitchen and toilet appliances, air conditioners, fridges, household appliances, washing machines	442,410	1.0	2015
	Subtotal			3,344,634	7.2	
	Total revenue			46,495,876		

To the knowledge of our Directors, none of our Directors and their respective associates or any Shareholders holding more than 5% of our issued share capital has any interests in any of our five largest customers as of September 30, 2021.

BUSINESS

The following table sets forth details of our five largest member stores for the year ended December 31, 2018:

Rank	Member Stores	Business Scope	Products/Service Provided	Sales amount <i>(RMB in thousands)</i>	Percentage of total revenue <i>(%)</i>
1	Member Store A	Principally engaged in sales of household electric appliances, computer, communication and consumer electronics, drinks and beverage and others	Fridges, air conditioners, household appliances, mobile phones, digital production, TVs	72,435	0.2
2	Member Store B	Principally engaged in sales of household electric appliances	Fridges, kitchen and toilet appliances, air conditioners, washing machines, TVs	59,846	0.2
3	Member Store C	Principally engaged in sales of computer, communication and consumer electronics	Communication accessories and smart devices	47,179	0.2
4	Member Store D	Principally engaged in sales of agricultural material	Agricultural materials	43,952	0.1
5	Member Store E	Principally engaged in sales of household electric appliances	Air conditioners	33,830	0.1
	Subtotal			257,242	0.9
	Total Revenue			29,801,661	

The following table sets forth details of our five largest member stores for the year ended December 31, 2019:

Rank	Member Stores	Business Scope	Products/Service Provided	Sales amount <i>(RMB in thousands)</i>	Percentage of total revenue <i>(%)</i>
1	Member Store F	Principally engaged in sales of agricultural material	Agricultural materials	106,317	0.2
2	Member Store G	Principally engaged in sales of agricultural material	Agricultural materials	79,748	0.2
3	Member Store H	Principally engaged in sales of agricultural material	Agricultural materials	72,870	0.2
4	Member Store I	Principally engaged in sales of household electric appliances, computer, communication and consumer electronics and others	Fridges, kitchen and toilet appliances, computers, air conditioners, household appliances, washing machines, TVs	54,143	0.1
5	Member Store J	Principally engaged in sales of agricultural material	Agricultural materials	50,304	0.1
	Subtotal			363,382	0.8
	Total Revenue			43,633,230	

BUSINESS

The following table sets forth details of our five largest member stores for the year ended December 31, 2020:

Rank	Member Stores	Business Scope	Products/Service Provided	Sales amount <i>(RMB in thousands)</i>	Percentage of total revenue <i>(%)</i>
1	Member Store K	Principally engaged in sales of vehicles and auto parts	Vehicles and auto parts	217,481	0.4
2	Member Store G	Principally engaged in sales of agricultural material	Chemical fertilizer	178,950	0.4
3	Member Store L	Principally engaged in sales of agricultural material	Mulches	136,412	0.3
4	Member Store M	Principally engaged in sales of agricultural material and machinery	Mulches	131,509	0.3
5	Member Store I	Principally engaged in sales of household electric appliances, computer, communication and consumer electronics and others	Computers, smart devices, air conditioners, household appliances, agricultural materials, washing machines, digital videos, communication accessories, smart household appliances	122,724	0.2
	Subtotal			787,076	1.6
	Total Revenue			49,629,135	

The following table sets forth details of our five largest member stores for the nine months ended September 30, 2021:

Rank	Member Stores	Business Scope	Products/Service Provided	Sales amount <i>(RMB in thousands)</i>	Percentage of total revenue <i>(%)</i>
1	Member Store O	Principally engaged in sales of agricultural material	Feeds	252,920	0.5
2	Member Store K	Principally engaged in sales of vehicles and auto parts	Vehicles and auto parts	172,961	0.4
3	Member Store N	Principally engaged in sales of household electric appliances, computer, communication and consumer electronics	Mobile phones, tablet computers, laptop computers, Bluetooth headphones, TVs	166,662	0.4
4	Member Store P	Principally engaged in sales of vehicles and auto parts	Tires	163,061	0.4
5	Member Store Q	Principally engaged in sales of computer, communication and consumer electronics	Mobile phones and tablet computers	134,678	0.3
	Subtotal			890,282	1.9
	Total Revenue			46,495,876	

BUSINESS

SUPPLIERS

Our suppliers are brand manufacturers and distributors of various merchandise. In 2018, 2019, 2020 and for the nine months ended September 30, 2021, purchases from our five largest suppliers, who are mainly brand manufacturers and distributors from industries of household appliances, consumer electronics, vehicles and auto parts and agricultural means of production, accounted for 17.2%, 16.7%, 15.8% and 15.5%, respectively, of our total purchases. In addition, purchases from our single largest supplier accounted for 6.0%, 6.4%, 6.0% and 4.9%, respectively, of our total purchases during the same years. For further information, see “– Our Products and Services – Commerce Business – Merchandise Sourcing”.

The following table sets forth details of our top five suppliers for the year ended December 31, 2018:

Rank	Supplier	Business Scope	Products/Services Provided	Purchase amount <i>(RMB in thousands)</i>	Year of	
					Percentage of total purchases <i>(%)</i>	commencement of business relationship
1	Supplier A	Manufacturer of household electric appliances	Air conditioners, kitchen and toilet appliances, fridges, household appliances, washing machines	1,819,953	6.0	2018
2	Supplier B	Whole industry wholesaler	Fridges, household appliances, kitchen and toilet appliances, washing machines, Air conditioners	1,150,961	3.8	2011
3	Supplier C	Distributor of household electric appliances	Air conditioners, household appliances, washing machines	989,387	3.2	2010
4	Supplier D	Distributor of household electric appliances	Air conditioners, kitchen and toilet appliances, household appliances	706,289	2.3	2010
5	Supplier E	Whole industry wholesaler	Household appliances, kitchen and toilet appliances, color TVs, smartphones	577,258	1.9	2013
	Subtotal			5,243,848	17.2	
	Total purchase			30,479,350		

BUSINESS

The following table sets forth details of our top five suppliers for the financial year ended December 31, 2019:

Rank	Supplier	Business Scope	Products/Services Provided	Purchase amount <i>(RMB in thousands)</i>	Percentage of total purchases <i>(%)</i>	Year of commencement of business relationship
1	Supplier F	Manufacturer of batteries for electric vehicles	Batteries	2,814,384	6.4	2017
2	Supplier A	Manufacturer of household electric appliances	Air conditioners, kitchen and toilet appliances, household appliances, fridges	1,699,452	3.8	2018
3	Supplier C	Distributor of household electric appliances	Air conditioners, kitchen and toilet appliances	1,049,685	2.4	2010
4	Supplier G	Whole industry wholesaler	Air conditioners, fridges, computers, color TVs, office equipment, household appliances, kitchen and toilet appliances, smart phones, tablets table	928,866	2.1	2016
5	Supplier H	Whole industry wholesaler	Fodder	901,951	2.0	2017
	Subtotal			7,394,338	16.7	
	Total purchase			44,180,820		

BUSINESS

The following table sets forth details of our top five suppliers for the financial year ended December 31, 2020:

Rank	Supplier	Business Scope	Products/Services Provided	Purchase amount <i>(RMB in thousands)</i>	Percentage of total purchases <i>(%)</i>	Year of commencement of business relationship
1	Supplier F	Manufacturer of batteries for electric bicycle	Batteries	3,068,793	6.0	2017
2	Supplier G	Whole industry wholesaler	Air conditioners, fridges, computers, color TVs, office equipment, household appliances, kitchen and toilet appliances, smart phones, tablets table	1,777,920	3.5	2016
3	Supplier I	Manufacturer of batteries for electric vehicles	Batteries	1,203,135	2.4	2019
4	Supplier A	Manufacturer of household electric appliances	Air conditioners	1,180,913	2.3	2018
5	Supplier J	Distributor of computer communication and consumer electronics	Smart phones	796,460	1.6	2020
	Subtotal			<u>8,027,221</u>	15.8	
	Total purchase			<u><u>50,781,632</u></u>		

BUSINESS

The following table sets forth details of our top five suppliers for the nine months ended September 30, 2021:

Rank	Supplier	Business Scope	Products/Services Provided	Purchase amount <i>(RMB in thousands)</i>	Percentage of total purchases <i>(%)</i>	Year of commencement of business relationship
1	Supplier G	Whole industry wholesaler	Air conditioners, fridges, computers, color TVs, office equipment, household appliances, kitchen and toilet appliances, smart phones, tablets table	2,268,810	4.9	2016
2	Supplier L	Distributor of computer communication and consumer electronics	Smart phones and computers	1,520,968	3.3	2017
3	Supplier M	Distributor of computer communication and consumer electronics	Smart phones	1,334,058	2.9	2019
4	Supplier K	Distributor of computer communication and consumer electronics	Smart phones and computers	1,159,426	2.5	2020
5	Supplier A	Manufacturer of household electric appliances	Air conditioners, kitchen and toilet appliances, fridges, household appliances, washing machines	942,175	2.0	2018
	Subtotal			7,223,437	15.5	
	Total purchase			46,492,120		

To the knowledge of our Directors, none of our Directors and their respective Associates or any Shareholders holding more than 5% of our issued share capital has any interests in any of our five largest suppliers as of September 30, 2021.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

We sell merchandise to certain customers, from whom we may also procure merchandise mainly under different SKUs. As such, some of our customers are also our suppliers, or vice-versa (i.e. some of our suppliers are also our customers).

- For the merchandise under different SKUs, the overlapping of sales and procurements was mainly due to the different supply chain capabilities and different focus of product offerings of each party. Specifically, we had close relationships with some brand manufacturers engaging particular merchandise category, and subsequently obtained favorable prices and terms for some SKUs thereunder, which these overlapping customers and suppliers sourced from us, and vice-versa, these overlapping customers and suppliers had their supply chain advantages in terms of particular SKUs that they supplied to us.
- To a lesser extent, there was some overlapping of sales and procurements of merchandise under the same SKUs between different subsidiaries of us and subsidiaries of these overlapping customers and suppliers located in different regions (and a much lesser extent between same subsidiaries of each other), which was mainly due to (i) the parties may encounter temporary shortages of certain merchandise, which lead to overlapping sales and procurements over same SKUs during certain periods to meet customers' procurement demands; and (ii) the parties may introduce temporary discount and rebate policies when exploring a new market or merchandise, launching marketing campaigns or clearing stocks, which may lead the pricing lower than the normal level, and other parties may take the opportunity to replenish their stocks under overlapping sales and procurements.

Our sales and procurements with the overlapping wholesaler customers and suppliers were not inter-conditional with each other. The numbers of these overlapping customers and suppliers were 812, 1,393, 1,282 and 1,044 in 2018, 2019, 2020 and for the nine months ended September 30, 2021, respectively. Our Directors confirmed that all of our sales to and purchases from these entities were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. The table below sets forth the percentage of the purchase amounts and sales amounts with our suppliers or customers during the Track Record Period under different or same SKUs out of the total purchase amounts and total sales amounts respectively during the Track Record Period.

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	Year ended December 31,												Nine months ended September 30,			
	2018				2019				2020				2021			
	Purchase		Sales		Purchase		Sales		Purchase		Sales		Purchase		Sales	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>															
Different SKU	5,695,783	95.2	1,684,636	88.9	8,634,814	90.2	7,989,742	87.3	12,511,883	89.6	12,183,823	87.8	15,898,917	91.4	12,482,172	86.5
Same SKU	290,237	4.8	209,733	11.1	933,006	9.8	1,160,300	12.7	1,454,304	10.4	1,697,970	12.2	1,489,040	8.6	1,943,442	13.5
- Between different subsidiaries of us and subsidiaries of customers (or suppliers)	219,490	3.7	146,821	7.8	571,548	6.0	718,016	7.9	1,165,190	8.3	1,374,306	9.9	1,357,843	7.8	1,729,043	12.0
- Between same subsidiaries of us and subsidiaries of customers (or suppliers)	70,747	1.1	62,912	3.3	361,458	3.8	442,284	4.8	289,114	2.1	323,664	2.3	131,197	0.8	214,399	1.5
Total Amount	5,986,020	100.0	1,894,369	100.0	9,567,820	100.0	9,150,042	100.0	13,966,187	100.0	13,881,793	100.0	17,387,957	100.0	14,452,614	100.0

The pricing offered by us and these overlapping customers and suppliers to each customer generally follow the price guidance as instructed by brand manufacturers as well as taking into considerations of characteristics of our and their distribution channels, such as inventory levels, marketing strategies and seasonality factors. A large group of the overlapping customers and suppliers above are enterprises involved in the commerce business of consumer electronics and agricultural means of production, where the overlapping sales and procurements is more common, since such products feature businesses with high turnover rate and require commerce platforms serving business to make more instant responses to the dynamic market demand, according to the Frost & Sullivan Report. According to the Frost & Sullivan Report, the overlapping of sales and procurements is not uncommon in the industry, since the merchandise sourcing in the industry is mainly determined by terms and prices offered by suppliers to different platforms, merchandise availabilities and each party's supply chain management strategies. In addition, China's retail industry features a massive and multi-layered market, which leads to a complicated distribution network, and merchandises are usually sold to consumers through many suppliers or wholesalers. When these suppliers or wholesalers are short of certain merchandise or there is a comparative price advantage of certain merchandise, it is quite common for market players to purchase merchandises from each other, which means one market player can be customer and supplier at the same time. According to the Frost & Sullivan Report, the industry witnesses an increasing trend of overlapping sales and procurements, which is mainly due to the increasing number of scaled market players who are capable to leverage comparative advantage on certain SKUs and diversity of consumers' needs.

The purchase amount from our suppliers who are also our five largest customers as a percentage of our total purchases was 3.6%, 2.4%, 6.3% and 11.1% in 2018, 2019, 2020 and for the nine months ended September 30, 2021, respectively, and revenue from them as a percentage of our total revenue was 3.3%, 4.3%, 7.6% and 7.2% in 2018, 2019, 2020 and for the nine months ended September 30, 2021, respectively. The revenue from our customers who are also our five largest suppliers as a percentage of our total revenue was 1.0%, 0.4%, 1.3%

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and 4.0% in 2018, 2019, 2020 and for the nine months ended September 30, 2021, respectively, and purchase amount from them as a percentage of our total purchases was 5.7%, 2.1%, 3.5% and 13.5% in 2018, 2019, 2020 and for the nine months ended September 30, 2021, respectively. The competition among us and these overlapping customers and suppliers (who are also our five largest customers or suppliers) is relatively low, as there is generally not much overlapping in terms of distribution channels, specifically, our distribution focus is on the business enterprises in the lower-tier market, and according to the Frost & Sullivan Report, some of these overlapping customers and suppliers (who are also our five largest customers or suppliers) run their businesses by directly selling products to the end-consumer, and therefore they do not compete with us directly. For those who sell products to business enterprises, they generally would consider the competition status within the market, such as geographic advantages, level of penetration, and distribution efficiency enjoyed by existing competitors and strategically avoid competing with leading players directly in certain regions.

The tables below set forth the percentage of the purchase amounts and sales amounts with the e-commerce platforms who were also our five largest suppliers or five largest customers during the Track Record Period under different or same SKUs out of the total purchase amounts and total sales amounts with that e-commerce platform respectively during the Track Record Period.

Customer K (or Supplier G)

	Year ended December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	Purchase	Sales	Purchase	Sales	Purchase	Sales	Purchase	Sales
	(%)							
Different SKUs	100.0	100.0	99.7	96.5	98.7	90.2	96.8	93.6
Same SKU	0.0	0.0	0.3	3.5	1.3	9.8	3.2	6.4
– Between different subsidiaries of us and subsidiaries of Customer K (or Supplier G).	–	–	0.3	0.7	1.3	9.8	3.2	6.4
– Between same subsidiaries of us and subsidiaries of Customer K (or Supplier G).	–	–	0.0	2.8	–	–	–	–
Total.	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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Customer C (or Supplier E)

	Year ended December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	Purchase	Sales	Purchase	Sales	Purchase	Sales	Purchase	Sales
	(%)							
Different SKUs	98.2	78.2	86.7	93.1	80.1	69.5	95.3	86.1
Same SKU ⁽¹⁾	1.8	21.8	13.3	6.9	19.9	30.5	4.7	13.9
– Between different subsidiaries of us and subsidiaries of Customer C (or Supplier E)	1.8	21.8	13.3	6.8	19.9	30.5	4.7	13.9
– Between same subsidiaries of us and subsidiaries of Customer C (or Supplier E)	–	–	0.0	0.1	0.0	0.0	–	–
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note:

- (1) Though 21.8% and 30.5% of sales to Customer C in 2018 and 2020, respectively, were related to the same SKU which we also purchased from Supplier E, the majority of these overlapping sales and procurements for the same SKU were conducted where one party was predominant seller or purchaser, which included two scenarios: (i) for the SKU we recorded both procurement from and sales to Customer C (or Supplier E) during the same year, our procurement amount from Supplier E was much smaller than our sales amount to Customer C; and (ii) for the SKU we recorded both procurement from and sales to Customer C (or Supplier E) during the same year, our sales amount to Customer C was much smaller than our procurement amount from Supplier E. To quantify, for the same SKU we both sold to and procured from Customer C (or Supplier E), if procurement amount was less than 5% of the sales amount, or vice versa, we call it a one-side-predominant overlapping transaction. In 2018 and 2020, our sales amount under this type of transaction was RMB50.3 million and RMB205.7 million, respectively, which accounted for 95.6% and 79.5% of our total sales amount under the transactions involving overlapping sales and procurements for the same SKUs between Customer C (or Supplier E) and us in the respective year. Since both sides differ in each's supply chain capabilities, we usually act as a seller for certain SKUs where we can offer Customer C more favorable terms than it sources elsewhere, and buyer vice versa. However, since we both have nationwide subsidiaries, some of our regional subsidiaries occasionally purchase the SKU (for which we usually act as a seller) from Supplier E, which leads to the above-mentioned one-side-predominant overlapping transactions. The rest of these overlapping sales and procurements for the same SKUs were primarily because we purchased from Supplier E when it was launching promotion activities for particular SKUs with favourable prices in certain regions. During the Track Record Period, for the overall transactions between Customer C (or Supplier E) and us, our sales amount was generally larger than our purchase amount.

COMPETITION

The market we operate in is fragmented. We may face competition in each of our business segments. In terms of our commerce business, our potential competitors include other e-commerce platforms and industry players who provide merchandise similar to those we offer. In terms of our service business, we may compete with other SaaS providers and marketing solutions providers.

Despite potential competition, we have maintained a leading market position in China's retail market. According to the Frost & Sullivan Report, we are the largest commerce platform serving businesses in the retail industry in China, in terms of the transaction value of commerce business in the lower-tier market in 2020. The key success factors in our industry are the scale and quality of our customer network, depth and breadth of the services we offer, the access to quality supply chain resources, our technology capabilities, and the effectiveness of our client management team.

Compared with our potential competitors, with over 10 years of experience operating in China's lower-tier market, we have accumulated deep operational expertise and insights into the demands and preferences of the lower-tier market. Leveraging our retail ecosystem, we have been able to better understand and capture the lower-tier market's demands and provide a diversified merchandise portfolio to better serve the market. Meanwhile, we have established a series of complementary infrastructures to support our business, such as online commerce platform, digital solutions, logistics systems and information systems. Moreover, we are dedicated to collaborating with the member stores and providing them with comprehensive empowerment solutions and services, such as our SaaS+, which helps to further motivate the member stores and enhance customer stickiness.

We believe that our strong track record and our brand reputation enable us to compete effectively with our competitors. However, some of our existing and potential competitors may have longer operating histories, larger customer base, better brand recognition, stronger platform management and practice capabilities, and greater financial, technical and marketing resources than we do. For further information, see "Risk Factor – Risks Relating to Our Business and the Industry – We may fail to successfully compete against our potential competitors, which may reduce demand for our services and merchandise, resulting in loss of market share and reduced operating margins".

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AWARDS AND RECOGNITIONS

During the Track Record Period, we had received awards and recognitions for our business and services. Representative awards and recognitions are set forth below:

<u>Award/Recognition</u>	<u>Award Year</u>	<u>Awarding Institution/Authority</u>
National Supply Chain Innovation and Application Demonstration Enterprise	2021	Ministry of Commerce of the PRC (商務部)
2020 Digital Commerce Enterprise of Ministry of Commerce	2020	Ministry of Commerce of the PRC (商務部)
Top 500 Chinese Private Enterprises of the Year	2020	All-China Federation of Industry and Commerce (中華全國工商業聯合會)
Top 500 Chinese Enterprises of the Year	2020	China Entrepreneur Confederation (中國企業家聯合會)
Top 100 Chinese Internet Enterprises of the Year	2019	Ministry of Industry and Information Technology of the PRC (工信部)
Chinese Supply Chain Pilot Enterprise of the Year	2019	Ministry of Commerce of the PRC (商務部)
Best E-Commerce Application Innovation Award of the Year	2019	China General Chamber of Commerce (中國商業聯合會)
National High-tech Enterprise	2018	Ministry of Science and Technology of the PRC (科技部)

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INTELLECTUAL PROPERTY

We rely on a combination of patent, copyright, trademark and trade secret to protect our intellectual property rights. As of the Latest Practicable Date, we had 799 registered trademarks, 11 domains in use, 76 software copyrights and two copyrights. For further information, see “Appendix VII – Statutory and General Information.”

We had not been subject to any material infringement of our intellectual property rights or allegations of infringement by third parties during the Track Record Period and up the Latest Practicable Date.

EMPLOYEES

We believe that our professional workforce is the foundation of our long-term growth. The following table sets forth a breakdown of our employees by business function as of September 30, 2021:

	Number of Employees
Headquarter and Administration.....	92
R&D	192
Finance, Internal Control and Legal	840
Business	519
Client management	2,902
Total	4,545

The following table sets forth a breakdown of our employees by geographic region as of September 30, 2021:

	Number of Employees
Jiangsu	1,794
Shandong	445
Zhejiang	466
Anhui	306
Guangdong	292
Hubei	169
Henan	152
Hunan	127
Shaanxi	115
Fujian	117
Sichuan	98
Hebei	84
Tianjin	79
Shanghai	71
Jiangxi	73
Liaoning	47
Beijing	37
Shanxi	32
Guizhou	16
Heilongjiang	11
Jilin	14
Total	4,545

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As of September 30, 2021, 1,642 employees had bachelor's degrees or above, accounting for 36.1% of our total employees. During the Track Record Period, we recruited our employees through on-campus recruitment, job fairs, recruitment agencies and internal and external referrals. As part of our retention strategy, we offer our employees competitive salaries and comprehensive insurance packages which are generally based on performance of the individual employees and the overall performance of our business. We provide social insurance plans and housing provident funds in accordance with applicable PRC laws and regulations to our employees. We pay great attention to our employees' welfare, and continually improve our welfare system. We offer employees additional benefits, such as annual leave, stipend, an allowance system, commercial medical insurance and health examinations. We are committed to establishing competitive and fair remuneration. In order to effectively motivate our employees, we continuously refine our remuneration and incentive policies through market research. We conduct performance evaluation for our employees quarterly to provide feedback on their performance.

We provide induction training to new joiners on our culture, business and industry, and their abilities to perform their duties. We also regularly provide tailor-made in-house training sessions to our employees that seek to improve their technical skills. In addition, we provide management skills training opportunities to certain employees to help them transition into a management role.

During the Track Record Period, we did not have any strikes, protests or other material labor conflicts that might materially impair our business and image. We have a labor union that is able to protect our employee's rights, assist us in attaining our economic objectives and encourages employees to participate in management decisions.

PROPERTIES

As of September 30, 2021, we owned one building with gross floor area of 243.2 square meters and land use right of one parcel of land in China with a site area of 67.2 square meters, and we leased 252 properties in the PRC, with an aggregate gross floor area of 86,569.6 square meters, used for non-property activities under Rule 5.01(2) of the Listing Rules. Our leased properties in the PRC are mainly used for office and storage purposes.

As of September 30, 2021, for ten of our leased properties, the lessors have not provided valid ownership certification documents, but have provided construction land planning permits, construction project planning permits, building construction permission certificates, project completion reports, housing purchase agreements or other documents for such leased properties. According to the opinion of our PRC legal advisor, the risk of relocation is low. The aforementioned issue of the lessors' failure to provide valid ownership certification documents will not have a material adverse effect on our business. Pursuant to the "Interpretation of the Supreme People's Court on Several Issues Concerning the Specific Application of Law in the Trial of Cases Involving Disputes over Urban House Lease Contracts", the lease contract concluded between a lessor and a lessee for a property that has not obtained the construction project planning permits or has not been constructed in accordance with the construction project planning permits shall be invalid. As the documents certifying the compliance of the construction of the aforementioned ten leased properties have been provided, according to the opinion of our PRC legal advisor, the aforementioned ten leasing contracts will not cause significant adverse impact on our business operation as the risks that the aforementioned leasing contracts would be deemed invalid and we are required to vacate the properties are low.

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As of September 30, 2021, for 34 of our leased properties, the lessors have not provided valid ownership certification/authorization documents for leased properties. According to the opinion of our PRC legal advisor, the lessor's failure to provide valid ownership certification documents may affect the validity of the relevant lease, if the lessors are not entitled to lease the properties to us and the owners of such properties decline to ratify the lease agreements between us and the respective lessors, and we may not be able to enforce our rights to lease such properties under the respective lease agreements. If lease agreements are claimed as void by the owners of such leased properties, we could be required to vacate the properties, but if the owners know or should have known that the lessors lease the relevant property to us and do not raise any objection within six months, such lease contract shall be legal and effective from the beginning. Once the relevant leasing contracts are revoked/invalid, we may be required to vacate the relevant properties and find comparable alternatives. We believe that the relevant properties are highly substitutable. As is confirmed by our PRC legal advisor, since the lease of us is mainly used for office and storage, since no specific locations or affiliated equipments are required, we would be able to find comparable properties as alternatives at commercially acceptable terms to us in the event we are unable to remain in such leased premises. Even if we are required to vacate the above-mentioned leased properties with ownership defects, it would be convenient to find comparable properties as alternatives. Therefore, these circumstances will not have a material adverse effect on our business operations.

As of September 30, 2021, our nine leased properties were located on allocated land (劃撥用地). Allocated land refers to the state land which land users procure through means other than transferred land. According to the Law of the People's Republic of China on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》), the land use right of the following development land use may be allocated with the approval of a relevant department: (i) land use by State authorities and military land use; (ii) urban infrastructure land use and land use for public welfare undertakings; (iii) land use for key energy, communications, water projects supported by the State; and (iv) any other land use stipulated by laws and administrative regulations. Among our nine leased properties located on allocated land, five were leased by us from the Jiangsu Academy of Agricultural Sciences. The Jiangsu Academy of Agricultural Sciences has been approved by the Xuanwu Branch of the Nanjing Municipal Bureau of Land and Resources to rent and has turned over the rent, in compliance with the "Provisional Regulations of the People's Republic of China on the Assignment and Transfer of the Right to the Use of State-owned Land in Urban Areas" and other laws. According to the regulations and the opinions of our PRC legal advisor, the lease agreement between us and the Jiangsu Academy of Agricultural Sciences are legal and valid. We have the right to occupy and use the leased properties in accordance with the lease agreements; for one leased property, the relevant territorial authority has issued a certificate of consent, permitting the lessor to lease the property to us for office use. According to the opinion of our PRC legal advisor, the risk of relocation of this leased property is low and will not have a material adverse effect on our business operations. According to the opinion of our PRC legal advisor, the aforementioned six leased properties comply with the "Provisional Regulations of the People's Republic of China on the Assignment and Transfer of the Right to the Use of State-owned Land in Urban Areas" and other laws and regulations, and the corresponding leasing contracts of the

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aforementioned six leased properties are legal and valid and we have the right to occupy and use the leased properties in accordance with the leasing contracts. For the other three leased properties for which no valid government approval document has been obtained, in accordance with the “Provisional Regulations of the People’s Republic of China on the Assignment and Transfer of the Right to the Use of State-owned Land in Urban Areas” and other laws and regulations, the land administration authorities at the municipal or county level shall confiscate the illegal income of any unit or individual that transfers, leases or mortgages the right to the use of allocated land without approval and impose a fine in light of the seriousness of the case. In view of the failure of providing the corresponding approval document for the lease issued by the competent authority, according to the opinion of our PRC legal advisor, these leases may be deemed to be in breach of the law and therefore be void, but since the administrative penalties of relevant laws and regulations are against the lessor rather than the lessee, we will not be penalized, but we may face the risk of relocation. However, we believe the aforementioned properties are highly substitutable. As confirmed by our PRC legal advisor, since the lease of us is mainly used for office and storage, we do not require specific locations or affiliated equipment. We would be able to find comparable properties as alternatives at commercially acceptable terms in the event we are unable to remain in such leased premises, and therefore will not cause significant adverse impact on our business operation.

As of September 30, 2021, among our 252 leased properties, 249 lease agreements have not yet been registered with the local housing authority in accordance with Chinese laws. This is mainly due to the lack of cooperation from the owners in registering relevant lease agreements, which is out of our control. According to our PRC legal advisor, the failure to register the lease agreement does not affect the validity of the relevant lease agreement. However, we may be required by the competent authority to rectify non-compliance, and if we fail to rectify within the prescribed time limit, we may be subject to a penalty of RMB1,000 to RMB10,000 per agreement due to the failure to register. The estimated total penalty for our failure to register the 249 lease agreements is approximately RMB249,000 to RMB2,490,000. During the track record period, we have not received any notice from any regulatory authority regarding potential administrative penalties resulting from our failure to register the aforementioned lease agreements. For further information, see “Risk Factors – Risks Relating to our Business and the Industry – Defects in title and documentation related to certain of our leased properties may adversely affect our ability to use such properties”.

As of September 30, 2021, none of our leased properties accounted for 15% or more of our consolidated total assets. Pursuant to Chapter 5 of the Hong Kong Listing Rules and Article 6(2) of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice, this prospectus is exempt from compliance with Section 342(1) of the Companies (Winding-up and Miscellaneous Provisions) Ordinance (b) section, which requires that all land or building interests be included in the valuation report described in paragraph 34(2) of Schedule III of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

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INSURANCE

Save for warehouse insurance, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain keyman life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. According to the Frost & Sullivan Report, the industry we operate in is not with evident risks, and no additional insurance is required under the PRC laws. Additionally, key market players in the industry generally carry the same insurance packages as us. As such, we consider our insurance coverage to be adequate and in line with general practice in the industry.

During the Track Record Period, we did not make any material insurance claims in relation to our business. For further information, see “Risk Factor – Risks Relating to our Business and the Industry – We are subject to risks of increased operational costs since our insurance may not sufficiently cover, or may not cover at all, losses and liabilities that we may encounter”.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to social responsibility and believe that Environmental, Social and Governance (“ESG”) is essential to our sustainable development. Our focus areas include economic responsibility, employee responsibility, customer responsibility, partner responsibility, environmental responsibility, and public responsibility. We plan to develop metrics and targets for these ESG issues and regularly review our key ESG performance. Our directors will actively participate in the design of our ESG strategy and goals, and will assess, determine and deal with our ESG-related risks.

We mainly engage in commerce and service businesses and do not operate any production facilities. Therefore, we are not subject to significant health, safety or environmental risks. We do not expect to incur any material liabilities or expenditures in these respects. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations. We are committed to carbon mitigation measures and will continue to explore ways to further improve energy efficiency. All our businesses are compliant with industry energy efficiency standards in China, and we intentionally choose partners with a commitment to carbon emission reduction in our collaboration with third-party partners. We ask our employees to be mindful of the environment when consuming office supplies.

We have been and will continue to be highly committed to sustainability and corporate social responsibility. We pay special attention to supporting the sales of produce. Through our platform, these produce can reach a wider range of market, so as to achieve the ultimate goal of vitalizing commerce for the rural communities so that they can enjoy consumption upgrades and live a prosperous life.

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To ensure compliance with applicable laws and regulations, our human resources center would, if necessary, and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. We have always striven to provide employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. We have invested significant resources in employee career development and training. We placed special emphasis on the building of a talent pipeline, especially for our client managers. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, such as financial reporting risk management, internal control risk management, information system risk management and human resources risk management. We evaluate the operation of our risk management and internal control systems routinely, and categorize the potential defects identified in the evaluation into high, medium and low levels, based on the impact of the defects, and determine the rectification time accordingly. We continuously improve our risk management and internal control systems, and conduct our business in compliance with our established internal control systems.

Financial reporting risk management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policy and treasury management policy. Our financial management center reviews our management accounts based on such policies. We also provide regular training to our financial management center staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Internal control risk management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control team works closely with our legal, finance and business departments to: (a) perform risk assessments and advise risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our Company.

We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our internal control team conduct regular reviews to monitor the status and effectiveness of those licenses and approvals.

Our in-house legal department works with relevant business departments to obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

Information System Risk Management

Our objectives for information system management are to identify, assess, monitor and control information technology risks by establishing an effective mechanism to operate our business in a safe, continuous, stable and compliant environment. We have implemented policies and procedures stipulating: (i) the operation of our platforms: we monitor certain key indicators and give an alarm if such indicators go beyond the security thresholds; (ii) the management of the authorities of our employees and customers to access certain functions of our platforms; (iii) the management of the network and hard drive capacities; and (iv) we categorize system malfunctions and accidents into three levels according to their seriousness and urgency, and implement different mechanisms to fix them.

We have been committed to promoting compliance culture, and will adopt policies and procedures on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal policies and procedures to ensure compliance of our business operations with relevant laws and regulations. In particular, our in-house legal department is responsible for ensuring ongoing compliance with the relevant data privacy and protection laws and regulations. We continuously improve our internal policies and procedures according to changes in laws, regulations and industry standards. In addition, we continually review our internal policies and procedures and the implementation of our measures to ensure that our policies and their implementation are effective and sufficient. Our Board will be collectively responsible for the management and operations, including the establishment, of such mechanisms. Our Directors will be involved in the formulation of the mechanisms and related policies.

Anti-bribery and corruption management

We have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our employees to report any bribery and corruption acts, and our employees can also make anonymous reports to our internal audit committee. Our internal audit committee is responsible for investigating the reported incidents and taking appropriate measures in response to the relevant incidents.

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THIRD-PARTY PAYMENT

Background

Certain of our customers (the “**Relevant Customers**”) have settled payments with us or our suppliers through Third-party Payment Arrangements.

According to the “Measures on Receipt of Payments” adopted by us, any third-party settlement in our revenue is not allowed, except for the following circumstances which are considered as permitted settlements: (a) settlement by the immediate family members of the small and medium-sized enterprises, the individual-run industrial and commercial households or individuals; (b) settlement by the legal representative or the actual controller of a company; (c) settlement by entities within the same group or designated finance companies; (d) settlement by governmental authorities pursuant to government procurement arrangements; and (e) settlement by financial institutions pursuant to factoring arrangements or supply chain finance arrangements (the “**Permitted Settlements**”). In 2018, 2019, 2020 and for the nine months ended September 30, 2021, the number of the Relevant Customers who made payments under the Permitted Settlements was 6,665, 6,022, 5,254 and 2,330, who were generally our member stores and wholesaler customers.

The following table below sets forth the breakdown of the approximate amount of the Permitted Settlements and the percentage to the total revenue during the Track Record Period:

Type of Permitted Settlement	Year ended December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	% of Total		% of Total		% of Total		% of Total	
	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue
Settlement by the immediate family members of the small and medium-sized enterprises or the individual-run industrial and commercial households	223,899	0.8	112,119	0.3	118,312	0.2	75,784	0.2

(RMB in thousands, except for percentage)

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Type of Permitted Settlement	Year ended December 31,						Nine months ended September 30,	
	2018		2019		2020		2021	
	% of		% of		% of		% of	
	Amount	Revenue	Amount	Revenue	Amount	Revenue	Amount	Revenue
<i>(RMB in thousands, expect for percentage)</i>								
Settlement by the legal representative or the actual controller of a company	2,312,126	7.8	2,524,086	5.8	1,872,331	3.8	1,476,087	3.2
Settlement by entities within the same group or designated finance companies	91,340	0.3	98,203	0.2	576,682	1.2	346,728	0.7
Settlement by governmental authorities pursuant to government procurement arrangements	11,175	0.0	22,173	0.1	8,389	0.0	9,596	0.0
Settlement by financial institutions pursuant to factoring arrangements or supply chain finance arrangements	557	0.0	131,257	0.3	271,729	0.6	183,895	0.4
Total	2,639,097	8.9	2,887,838	6.6	2,847,443	5.7	2,092,090	4.5

In addition, during the Track Record Period and in very limited circumstances, we adopted the “**Prepayment Arrangements**” where part of our payments to our suppliers were settled by our customers as depository prepayments during some onsite promotion events held by us at the request of our suppliers, who were mainly in the industry of household appliances. We hold these promotion events primarily to help our suppliers promote new merchandise while enhancing our branding among our customers. During these promotion events, our suppliers usually launched their new merchandise with promotion prices, and in order to secure the merchandise stock at promotion prices from these suppliers, our customers would pay depository prepayments directly to the suppliers as a prepayment during these onsite promotion events, and we would issue receipts (收款單) to the customers in our name accordingly. It is also preferred by the suppliers to directly receive such depository prepayments during the promotion events in the interest of their marketing goals.

Accounting Treatment regarding Prepayment Arrangements

- Accounting treatment regarding our purchases

After the promotion events, our suppliers are required to work with our finance department and issue third-party payment notes (代付款說明) for the depository prepayments made by our customers to the suppliers. Upon the issuance of third-party payment notes, we record such onsite payments as prepayments to our suppliers and contract liabilities from our customers. Once we have placed the purchase orders with the suppliers afterwards and they have delivered the products to us, we would then recognize the trade payables to our suppliers, net of the aforementioned prepayments.

- Accounting treatment regarding our sales

We would then generally sell these products to our customers in our name according to the sales orders placed by them, and recognize our sales revenue and cost of goods sold upon completion of the delivery to the customers. We simultaneously derecognize the contract liabilities, being the aggregated advances from the customers including the aforementioned contract liabilities, and if certain credit terms are granted, recognize the trade receivables from the customers.

- Reasons for recognizing sales and purchase separately

Under the transactions involved in the Prepayment Arrangements, we purchase merchandise from our suppliers with ownership fully transferred to us, and then sell the merchandise to our customers. We are the principal in such arrangement and control the specified good before that good is delivered to a customer because (i) the specified good purchased by our customers is the products we purchase from our suppliers. We are primarily responsible for delivering the specified good to our customers, and have the discretion in determining whether to accept the products from our suppliers and how to meet customer requirements by delivering the products to our customers; (ii) we are subject to inventory risk to the extent that with the products that we commit ourselves to purchase from our suppliers, and we must pay for these products regardless of whether we are able to obtain sales orders from our customers; and (iii) we have the advantage to bargain with our suppliers for favorable sourcing prices and to determine the competitive selling prices of the products. Therefore, we recognize revenue earned from our customers and the consideration paid to our suppliers related to these transactions separately in our accounting book.

In 2018, 2019, 2020 and for the nine months ended September 30, 2021, the number of payments made by the Relevant Customers under Prepayment Arrangements was 285, 411, 308 and 339, who were generally our member stores. In 2018, 2019, 2020 and for the nine months ended September 30, 2021, the aggregate amount of Prepayment Arrangements was approximately RMB35.2 million, RMB45 million, RMB40.4 million and RMB87.6 million, representing 0.1%, 0.1%, 0.1% and 0.2% of our cost of revenue for the same periods, respectively.

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During the Track Record Period and up to the Latest Practicable Date, we have not had any other forms of Third-party Payment Arrangements other than the Permitted Settlements and Prepayment Arrangements as disclosed above.

Reasons for Third-party Payment Arrangements

The Relevant Customers include, among others, many small and medium sized enterprises and individual-run industrial and commercial households (including both member store and wholesaler customers), many of which are in the lower-tier market. The main reasons that there exists Permitted Settlements and the Prepayment Arrangements in our business are as follows:

- many small and medium-sized enterprises and individual-run industrial and commercial households, and especially those in the lower-tier market, typically prefers not to open a separate business bank account but to settle payments through personal bank accounts of their legal representative or the actual controller, mainly due to the complexity of opening and using corporate bank accounts. These small and medium-sized enterprises and individual-run industrial and commercial households may also typically lack an adequate financial system;
- many small and medium-sized enterprises and individual-run industrial and commercial households, and especially those in the lower-tier market, would engage their family members as treasurers and finance managers, whose personal accounts are usually used to settle their payments;
- for group companies that control multiple subsidiaries, they typically prefer using Third-party Payment Arrangements to facilitate their centralized management and control of funds;
- for settlement pursuant to factoring arrangements or supply chain finance arrangements, we transfer our undue trade receivables from certain customers to financial institutions who would settle the payments directly with us first and then collect the receivables from our customers afterwards. According to the Frost & Sullivan Report, such factoring arrangements or supply chain finance arrangements are common in the commerce and service industry serving business customers in China's retail market which could help settle the payments of receivables from customers;
- in compliance with the relevant rules of the local governments in China, some of our government and enterprise cooperation programs are settled by government payment centers rather than by the specific cooperating governments agencies; and
- in order to secure the merchandise stock at promotion prices from our suppliers, our customers may arrange depository prepayments directly to the suppliers as a prepayment during onsite promotion events held by us.

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During the Track Record Period and up to the Latest Practicable Date, other than the Prepayment Arrangements and the Permitted Settlements with financial institutions under factoring arrangements or supply chain finance arrangements as mentioned above, for the rest of the Third-party Payment Arrangements, we have not proactively initiated any of those Third-party Payment Arrangements and merely accepted the third-party payments paid by the third-party payors on behalf of the Relevant Customers.

Our Know-Your-Customer Procedures

To safeguard our interest against the risks associated with Third-party Payment Arrangements, we have implemented “know-your-customer” procedures to mitigate the relevant risks.

Our strict “know-your-customer” procedures apply when we are acquiring customers, following various internal regulations such as the “Business Manual for Commodity Procurement and Sales Management”, “Procurement and Sales Management System for Self-operated Business of Huitongda Division and Branches”, “Customer Registration Audit Regulation” and “Notice on Strengthening the Management of Affiliated Transactions of Customers.” We have strict requirements for customer acquisition. Such measures are conducive to our knowledge to the newly acquired customers’ identities and backgrounds.

For the settlement of funds with customers regarding Third-party Payment Arrangements, we have also established a strict payment and settlement management system. For example, we have policies under “Compliance Operation Guidelines for Subsidiaries of Huitongda Platform” and “Rules for Receipt Management of Huitongda Business” that prohibit any payment made on behalf of customers by any third parties except for the five types of Permitted Settlements, which are compliant with the PRC laws and regulations (including relevant CSRC rules) as advised by our PRC legal advisor and considered as an industry norm according to the Frost & Sullivan Report. Under the Permitted Settlements, the third-party payor and our customer shared close relationships and to a certain extent can be deemed as the same entity. They were required to follow our relevant third-party payment procedures, which guaranteed the validity and legitimacy of the source of funds.

Our PRC Legal Advisor’s View Regarding the Third-party Payment Arrangements

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, the Third-party Payment Arrangements are legal and valid, and do not violate or circumvent the taxation, anti-money laundering and other relevant PRC laws and regulations (including relevant CSRC rules) for the following grounds.

- We have established relevant internal control policies of “Compliance Operation Guidelines for Subsidiaries of Huitongda Platform” and “Rules for Receipt Management of Huitongda Business”, which set out general principles and measures to avoid third-party payment and requirements on Permitted Settlements. Pursuant to such policies, for any customer intending to settle through third-party payment,

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the payor shall provide us with a third-party payment note (代付款說明) setting out details of the background of the settlement, the identity of the third-party payor, its relationship with the relevant customer, and other relevant information regarding the intended settlement arrangement. Also, an acknowledgement from the payor that any amount settled through such third-party payment will be deemed to be a payment from the customer for purchases shall be made in the third-party payment note. We will only recognize the relevant third-party payment in our accounting book upon receipt of such third-party payment note.

According to the Civil Code, a civil juristic act may be based on the unilateral or bilateral expression of intent and shall take effect at the time of its establishment, unless the law provides otherwise or the parties have agreed otherwise; a party that took a civil juristic act shall not alter or end the act without a law providing so or without consent of the other party.

Our PRC Legal Advisor is of the view that the third-party payment note from the third-party payor shall be concluded upon receipt by us and shall not be altered or terminated without our consent or as is required by the law; and thus the third-party payment note constitute legal and binding obligation on the third-party payor, and there is no legal ground for the payors to claim against us in relation to such third-party payment. During the Track Record Period and up to the Latest Practicable Date, we had not been required to return to third-party payors any amount paid to us (despite limited amount due to sales return during the ordinary course of business), and to the best knowledge of our Directors, there is no actual or pending dispute or disagreement arising from or as a result of any Third-party Payment Arrangements.

- During the Track Record Period, to safeguard our interest against the risks associated with third-party payment, we have implemented “know-your-customer” procedures to mitigate the relevant risks. Under the “know-your-customer” procedures, we will collect the business licenses and other information (including but not limited to the main business scope) of our customers to verify their legal existence.

According to Article 191 of the Criminal Law of the PRC (中華人民共和國刑法), the crime of money laundering is committed only if we (i) clearly know that the funds for the third-party payment are proceeds and/or gains obtained from drug-related crimes, crimes committed by criminal organizations, crimes of terrorism, smuggling, bribery and corruption, crimes undermining the financial order of society and financial fraud; and (ii) commit certain acts as referred to under Article 191 of the Criminal Law of the PRC for the purpose of covering up or concealing the source and nature of the above proceeds or gains. With our “know-your-customer” procedures, it has no grounds to believe that our customers are involved in the abovementioned crimes, nor would we have reason to believe

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that the relevant payment involves proceeds or gains from such crimes. We further confirm that we have never committed any acts for the purpose of covering up or concealing any source and nature of any proceeds or gains from crimes.

Based on the analysis above, our PRC Legal Advisor is of the view that the risk of money laundering related to our business operation and the Third-party Payment Arrangements is remote.

- According to the compliance letters issued by the competent market regulation authorities and tax authorities of us and our major subsidiaries and branches, the credit report issued by the credit reference center of the People's Bank of China and the public search by our PRC Legal Advisor, as of the Latest Practicable Date, we have not been subject to any punishment by the market regulation authorities, taxation authorities and the People's Bank of China due to the third-party payment or any criminal penalty for tax evasion, fraud, money laundering or other illegal activities.

Having considered our aforementioned internal control measures regarding third-party payment, our "know-your-customer" procedures, provisions of relevant laws and regulations including the Civil Code and the Criminal Law of the PRC and the compliance letters obtained by us and our major subsidiaries, our Directors are also of the view that, which concurs the view of our PRC legal advisor, our aforementioned Third-party Payment Arrangements are legal and valid, and do not violate or circumvent the taxation, anti-money laundering and other relevant PRC laws and regulations.

Our Directors believe that all relevant transactions concerning the Permitted Settlements and the Prepayment Arrangements were completely and accurately recorded in our historical financial information. The Reporting Accountants performed its works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole and its opinion on us for the Track Record Period as a whole is set out in the Accountants' Report in Appendix I to this prospectus.

Based on the independent due diligence work performed by the Joint Sponsors, the supporting documents provided by the Company and confirmations from certain Relevant Customers, and having considered the work and procedures performed by the Reporting Accountants and the view of the PRC legal advisor to the Company, nothing has come to the Joint Sponsors' attention that would reasonably cause them to cast material doubt on the views of the Directors and the PRC legal advisor to the Company in relation to the Third-party Payment Arrangements as set forth above, nor cause them to have concerns over the Third-party Payment Arrangements in any material respect.

Cessation of Third-party Payment

Since December 1, 2021, we have ceased all third-party payment. To mitigate third-party payment related risks, we have started to implement the following measures to prevent third-party payment since December 1, 2021:

- for the Permitted Settlements, we have required our headquarter and subsidiaries to cease all Permitted Settlements with immediate effect. Specifically, we have issued an internal notice within the Group to prohibit them from accepting any third-party payments. For all the payments made by third-party payors that we identify, irrespective of whether we have delivered the corresponding products to relevant customers or not, we shall initiate refunds to such third-party payors and ask relevant customers to re-arrange payments to us; and
- for the Prepayment Arrangements, we undertake to negotiate with relevant suppliers for an alternative settlement arrangement during our onsite promotion events. During such events, we shall promptly pay depository prepayments to our suppliers once we have received them from our customers, as opposed to having our customers directly pay such depository prepayments to the suppliers. We shall not hold relevant onsite promotion events unless our suppliers agree with the aforementioned settlement arrangement.

We have adopted the following additional internal control policies to eliminate third-party payment related risks:

- strictly implementing our “know-your-customer” procedures, having a better understanding of our customers’ bank accounts arrangement and their payment preference, educating customers regarding third-party payment issues, and providing guidance and necessary help to relevant customers on how to open and operate corporate bank accounts;
- verifying our customers’ contractual entities and paying entities before entering into agreements with them, and checking our customers’ payment information against their contractual entities on the record with our financial system and business system in order to keep the consistency of merchandise flow, funds flow and notes flow and to ensure no occurrence of third-party payment;
- requiring our sales departments and subsidiaries to assist our finance department in gathering and updating the relevant information from our customers in order to monitor the third-party payment issue through all stages of our business operations;
- reminding our customers to make payments directly through exactly the corporate bank accounts of their contractual entities, and including a clear clause in our sales agreements and sales invoices that all customers shall settle their payments to us directly and that any third-party payment will be rejected;

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- terminating all transactions where the customers cannot settle their payments with us in their own names, specifically (i) instead of transacting with financial institutions under factoring arrangements or supply chain finance arrangements, collecting payments of receivables from our customers directly, (ii) ceasing transactions with customers who are governmental authorities and have to follow relevant government procurement arrangements which lead to any third-party payment, and (iii) ceasing transactions with customers who refuse to settle payments with their own corporate bank accounts or cannot settle payments directly with us for other reasons; and
- our financial system would automatically compare the name of payors with our customers and help identify a third-party payment before we recording any settlement. For any payments made by third-party payors that we identify, initiating refunds to such third-party payors and requesting relevant customers to re-arrange payments to us in their own names; if those customers cannot meet our requests, we would not proceed further transactions with them.

Given the characteristics of our customers in the lower-tier market, we may lose some of our customers due to the cessation of third-party payment. For example, it may be difficult for governmental authorities who have to obey government procurement arrangements to follow our requirements, and it may also be difficult for the customers, who used to settle payments with us via entities within their same group or designated finance companies, legal representative, the actual controller of their companies or immediate family members of the small and medium-sized enterprises or the individual-run industrial and commercial households, to follow our requirements mainly due to market characteristics and industry norms. Considering that our revenue generated from these Third-party Payment Arrangements as a percentage of our total revenue has been decreasing overall during the Track Record Period, and that we shall provide relevant assistance to our customers to avoid third-party payment, our Directors confirm that the cessation of third-party payments does not have a material adverse impact on our business, financial conditions and results of operations.

We established an audit department consisting of persons from sales department, finance department and legal department to jointly supervise and monitor the implementation of the above internal control measures. For further information, see “Risk Factors – Risks Relating to Our Business and Industry – We are subject to various risks relating to third-party payment.”

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our quality management system. Based on the above internal control measures, our Directors are of the view that they are effective and adequate in preventing and detecting the occurrence of money laundering or any other illegal activities.

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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 (the “**Internal Control Review**”). The scope of the Internal Control Review performed by the Internal Control Consultant covered, among others, the Third-party Payment Arrangements. During the Internal Control Review undertaken for the Listing purpose, the Internal Control Consultant has reviewed the above internal control measures in relation to third-party payments adopted by us and did not identify any material deficiencies. Based on the above internal control policies and measures which have been adopted and started to be implemented by the Company to prevent third-party payments and the relevant supporting documents provided by the Company, and the discussion with and review of the Internal Control Consultant, the Joint Sponsors concur with the Directors’ view in relation to the internal control measures in preventing third-party payments as set forth above.

PERMITS, LICENSES AND APPROVALS

As of September 30, 2021, we and our major subsidiaries have obtained all necessary licenses, approvals and permits that are essential to our business in China from the relevant authorities. We update all such permits and licenses from time to time to comply with relevant laws and regulations. Our PRC legal advisor has informed us that there are no major legal obstacles to renewing such permits or licenses.

The following table sets out a list of material licenses, approvals and permits currently held by us:

Name of the License, Approval and Permit	Holder	Registered Number	Grant Date	Expiration Date
Value-added Telecommunications Business Operating Permit (增值電信業務經營許可證)	Huitongda (匯通達) Fuzhou Yiheda Network Technology Co., Ltd. (福州億和達網絡科技有限公司)	合字B2-20210051 閩B2-20190489	2021/2/18 2019/6/14	2026/2/18 2024/6/14
Pre-packaged Food Sales Filling Record (預包裝食品銷售備案表)	Huitongda (匯通達)	BZXS050014	2021/11/8	Permanent
Food Operation Permit (食品經營許可證)	Zhejiang Huitongda Network Co., Ltd. (匯通達浙江網絡有限公司)	JY13306930002411	2019/11/6	2024/11/5
	Zhejiang Huichao Network Technology Co., Ltd. (浙江匯超網絡科技有限公司)	JY13305220024074	2021/4/3	2026/3/28
	Huitong Datatech Smart Technology Co., Ltd. (匯通數科智能科技有限公司)	JY13201020123131	2021/3/18	2026/3/17
	Wuxi Huijuheng Trading Co., Ltd. (無錫匯聚恒商貿有限公司)	JY13202110177931	2021/1/5	2026/1/4
	Nanjing Huijubang Optoelectronics Technology Co., Ltd. (南京匯聚幫光電科技有限公司)	JY13201060071704	2019/8/29	2022/8/28

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Name of the License, Approval and Permit	Holder	Registered Number	Grant Date	Expiration Date
	Jiangsu Sanchuang Trading Co., Ltd. (江蘇三創商貿有限公司)	JY13201020056387	2020/3/1	2023/1/9
	Jiangsu Huiyiheng Network Technology Co., Ltd. (江蘇匯億恒網 絡科技有限公司)	JY13201020106009	2020/4/13	2025/4/12
	Jiangsu Xinglihui Network Technology Co., Ltd. (江蘇星立暉網絡科技有限 公司)	JY13201020105047	2020/9/23	2025/3/29
	Jiangsu Yunchang Network Technology Co., Ltd. (江蘇雲昌網絡 科技有限公司)	JY13201020101553	2019/12/16	2024/12/15
	Changzhou Xinmanyi Electric Appliance Sales Co., Ltd. (常州欣滿 意電器銷售有限公司)	JY13204110186441	2019/5/22	2024/5/21
	Jiangsu Jiange Network Technology Co., Ltd. (江蘇江格網絡科技有限公 司)	JY13201020087649	2019/5/17	2024/5/16
	Yuzhou Huicheng Electronic Commerce Co., Ltd. (禹州市匯城電 子商務有限公司)	JY14110810034065	2018/1/10	2023/1/9
	Hunan Cunda Network Co., Ltd. (湖南 村達網絡有限公司)	JY14301020284970	2017/6/20	2022/6/19
	Yinan Huihe Network Technology Co., Ltd. (沂南縣匯合網絡技術有限公司)	JY13713210100932	2021/3/1	2026/2/28
	Ningguo Huiyu Electronic Commerce Co., Ltd. (寧國市匯宇電子商務有限 公司)	JY13418810069141	2019/5/27	2024/5/26
	Longkou Huijulong Trading Co., Ltd. (龍口匯聚瀧經貿有限公司)	JY13706810052195	2020/9/21	2024/3/20
	Shanxi Huidatong Electronic Commerce Co., Ltd. (陝西匯達通電 子商務有限公司)	JY16101030136518	2020/6/5	2025/6/4
	Shanxi Huilongda Supply Chain Management Co., Ltd. (陝西匯隆達 供應鏈管理有限公司)	JY16101130967590	2020/6/8	2023/7/17
	Yantai Huisong Trading Co., Ltd. (煙 台匯松商貿有限公司)	JY13706020091053	2018/10/19	2023/10/18
	Changzhou Huirun Network Technology Co., Ltd. (常州匯潤網絡 科技有限公司)	JY13204020152247	2019/9/23	2024/9/22
	Zibo Huichuang Network Technology Co., Ltd. (淄博匯創網絡科技有限公 司)	JY13703260020699	2021/2/24	2023/12/10
	Xian Xiangzhida Network Technology Co., Ltd. (西安祥智達網絡科技有限 公司)	JY16101920269177	2020/10/30	2025/10/29

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Name of the License, Approval and Permit	Holder	Registered Number	Grant Date	Expiration Date
	Taizhou Huiwuqiang Network Technology Co., Ltd. (台州匯五強網絡科技有限公司)	JY13310010136594	2018/11/27	2023/11/26
	Shenzhen Chiminghuida Technology Development Co., Ltd. (深圳市馳銘匯達科技發展有限公司)	JY14403090265899	2019/3/28	2024/3/27
	Sichuan Dehonghui Trading Co., Ltd. (四川德鴻匯貿易有限公司)	JY15101050122305	2019/7/2	2024/7/1
	Ningde Huiminda Network Technology Co., Ltd. (寧德匯閩達網絡科技有限公司)	JY13509020069263	2019/5/31	2024/5/30
	Zhejiang Zhongyuan Wine Industry Co., Ltd. (浙江中圓酒業有限公司)	JY13303420006639	2019/12/20	2024/12/19
	Zibo Qianda Network Technology Co., Ltd. (淄博謙達網絡科技有限公司)	JY13703050069520	2019/12/25	2024/12/24
	Zhejiang Huixiangda Network Technology Co., Ltd. (浙江匯享達網絡科技有限公司)	JY13301040250490	2020/9/21	2025/9/20
	Shanxi Huitongda Network Technology Co., Ltd. (陝西匯通達網絡科技有限公司)	JY16101920269503	2020/12/16	2025/12/15
	Hefei Luofeng Electronic Commerce Co., Ltd. (合肥絡豐電子商務有限公司)	JY13401040115086	2019/5/22	2024/5/21
	Hangzhou Huimi Technology Co., Ltd. (杭州匯蜜科技有限公司)	JY13301050228488	2021/3/12	2026/3/11
	Tengzhou Huishunda Network Technology Co., Ltd. (滕州市匯順達網絡科技有限公司)	JY13704810232822	2021/4/20	2026/4/19
	Linyi Huiyi Network Technology Co., Ltd. (臨沂匯一網絡科技有限公司)	JY13713360002090	2021/3/29	2026/3/28
	Jiaxing Xinhuiding Network Technology Co., Ltd. (嘉興市新匯鼎網絡科技有限公司)	JY13304020227726	2021/3/12	2026/3/11
	Hubei Huijinhai Network Technology Co., Ltd. (湖北匯金海網絡科技有限公司)	JY14213030027622	2021/3/11	2024/9/5
	Zhangzhou Yifa Network Technology Co., Ltd. (漳州市易發網絡科技有限公司)	JY13506020118032	2019/12/16	2024/12/15
	Guizhou Bairunxinhongfa Technology Co., Ltd. (貴州佰潤鑫宏法科技有限公司)	JY15201110103898	2019/12/19	2024/11/18
	Hebei Jupinhui Network Technology Co., Ltd. (河北聚品匯網絡科技有限公司)	JY11305020011305	2017/10/11	2022/10/10

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Name of the License, Approval and Permit	Holder	Registered Number	Grant Date	Expiration Date
	Jinan Huimeng Trading Co., Ltd. (濟南匯盟商貿有限公司)	JY13701020075873	2018/4/4	2023/4/3
	Jinan Huiyutongda Co., Ltd. (濟南匯宇通達貿易有限公司)	JY13701020232414	2021/3/22	2026/3/21
	Anhui Huitongda Network Technology Co., Ltd. (安徽匯通達網絡科技有限公司)	JY13418021000811	2021/6/24	2026/6/23
	Nantong Sanchuang Trading Co., Ltd. (南通三創商貿有限公司)	JY13206020231200	2021/7/22	2026/7/21
Food and Drug Production and Operation Permit (食品藥品生產經營許可證)	Hubei Huitong Saipu Network Technology Co., Ltd. (湖北匯通賽普網絡科技有限公司)	襄L201905500	2019/4/10	2024/4/9
	Yicheng Huitong Dawei Trading Co., Ltd. (宜城市匯通大為商貿有限公司)	襄C202105652	2021/12/23	2026/12/22
Hubei Province Pesticide Business Permit (湖北省農藥經營許可證)	Yangxin Huitai Network Technology Co., Ltd. (陽新匯泰網絡科技有限公司)	鄂(陽農)農藥許字[2017]第(0001)號	2017/12/16	2022/12/15
Pesticide Business Permit (農藥經營許可證)	Qianyun Information Technology Co., Ltd. (阡耘信息科技有限責任公司)	農藥經許(蘇)32010020104	2021/3/16	2026/3/15
	Wuhan Huitong Qicai Network Technology Co., Ltd. (武漢匯通七彩網絡科技有限公司)	農藥經許(鄂)42011120035	2021/1/6	2026/1/6
Class 2 Medical Device Operation Filing Certificate ⁽¹⁾ (第二類醫療器械經營備案憑證)	Nanyang Huixuntong Network Technology Co., Ltd. (南陽匯訊通網絡科技有限公司)	豫宛市監械經營備20200721號	2020/12/22	Permanent
	Jilin Langgao Network Technology Co., Ltd. (吉林省朗高網絡科技有限公司)	吉長食藥監械經營備20202272號	2020/12/14	Permanent

Note:

- (1) According to the relevant provisions of Measures for the Supervision and Administration of Medical Devices (《醫療器械經營監督管理辦法》), the operation of Class 2 medical devices is subject to filing management. Therefore, the Class 2 Medical Device Operation Filing Certificate is valid upon its granting on December 22, 2020 and does not record the expiration date.

The licenses, approvals, and permits listed in the table above were valid and remain in effect as at the Latest Practicable Date and our PRC legal advisor has advised us that there is no material legal impediment to renewing them. In addition, we monitor our compliance with the relevant laws and regulations to ensure that we have the requisite licenses, approvals and permits for our operations.

COVID-19 IMPACTS

A novel strain of coronavirus, COVID-19, was detected and emerged globally in December 2019. In response to the COVID-19 outbreak, Chinese government has taken a number of actions, which included, among other things, compulsory quarantine, travel restrictions, closure of workplaces and facilities and public activity restrictions.

Our business was affected by the COVID-19 outbreak and relevant government policies in the first half of 2020, especially during February and March 2020. Subject to various travel restrictions imposed by local governments in an effort to curb the spread of the COVID-19 pandemic, logistics services to deliver our merchandise to customers were temporarily compromised in February and March 2020, especially in Hubei province. In addition, the delivery of products from our suppliers to us was also adversely affected during such period. In order to mitigate the adverse impact of the COVID-19 pandemic on our supply chain, on the one hand, we actively communicated with customers to agree with the postponement of delivery of relevant merchandise, and on the other hand, we proactively coordinated with suppliers to arrange delivery of the relevant products to us as soon as practicable. Starting from April 2020, the logistics service to deliver the merchandise to our customers and the delivery of products from our suppliers had generally resumed to normal.

Our sales of merchandise of household appliances, agricultural means of production, vehicle and auto parts, and liquor and beverages were most affected by the COVID-19 outbreak. In particular, market demand for household appliances decreased substantially during the first half of 2020, primarily because local governments, especially in towns and villages, imposed strict travel restrictions, which created certain difficulties for the transportation of merchandise, and our member stores became more prudent in sourcing merchandise from us during the COVID-19 outbreak. In our commerce business, our direct sales to member stores, principally household appliances, were adversely affected by the COVID-19 outbreak, and our transaction value with member stores decreased by 32.4% in the first half of 2020 compared to the same period in 2019. In terms of geographic regions, our sales in Hubei, Shandong, Jiangxi, Anhui, and Jiangsu provinces were most affected by the COVID-19 outbreak. In our services business, in order to help our member stores alleviate the financial burden caused by the COVID-19 outbreak, we made two lower-priced SaaS+ packages free during the COVID-19 outbreak, which adversely affected the growth of our revenue from SaaS+ subscription in 2020.

Despite the impact of the COVID-19 outbreak on our business, we did not suspend our business operations as a result of COVID-19 outbreak and still managed to achieve a revenue growth of 13.7% in 2020, which is largely due to the continued growth of our two business segments and our prompt measures to mitigate the impact of the COVID-19 outbreak. The measures we adopted during the COVID-19 outbreak to ensure the health and safety of our employees as well as our business operations included: regular increase of employee salaries, distribution of personal protective equipment such as masks to our employees, disinfection of working areas and extension of credit terms to certain high quality customers with long cooperation history with us. Therefore, our Directors believe that the outbreak of COVID-19 had no material adverse impact on the Group's business taken as whole during the Track Record Period. For further information, see “– Our Products and Services.”

Although conditions have substantially improved since the second half of 2020 in China, there is still a possible re-emergence and further spread of COVID-19 and the actions adopted by the government authorities to contain it. In response to the possibility of future outbreak of COVID-19 pandemic in China, we have adopted various precautionary measures and business

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contingency plan to mitigate the potential adverse impact on our business operations. We have formed a COVID-19 pandemic control and emergency committee comprising our management and officers. Our precautionary measures and contingency plan include, among others, (i) provision of personal protective equipment such as masks, disinfectant water, and gloves at workplaces; (ii) regular disinfection of working area and vehicles; (iii) prompt reporting of suspected cases of COVID-19 if any; (iv) in the case of identification of person with high temperature, the relevant person would be arranged to have COVID-19 test and the relevant premise where such person works would be disinfected immediately; (v) we regularly monitor the new cases of COVID-19 in the provinces where we have operations and we would recommend our customers to increase procurement and maintain an appropriate inventory level, as well as enhance our trainings and offer more digital solutions to customers to mitigate adverse impact of potential COVID-19 outbreak on their offline marketing and sales; and (vi) we would proactively collaborate with our suppliers and quality logistic service providers to optimize the supply chain management in order to reduce the negative effect brought by potential COVID-19 outbreak on the delivery of merchandise to us and our customers. For further information, see “Risk Factors – Risks relating to Our Business and the Industry – Our business, financial condition and results of operations may be materially and adversely affected by a number of force majeure events, including but not limited to natural disasters, acts of terrorism, acts of war, occurrence of pandemics, political transformations, financial tsunamis, global macroeconomic changes or epidemics, and other catastrophes in the PRC and globally.”

LEGAL PROCEEDINGS AND COMPLIANCE

We may be involved in litigation or claims arising from the ordinary course of our business from time to time, but we have not been involved in any litigation that could have a material adverse effect on our business, results of operations, financial condition or cash flows. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any pending litigation or arbitration as a defendant which had a material adverse effect on our financial condition, business and results and operations.

During the Track Record Period and up to the Latest Practicable Date, there was no pending administrative penalties that had a material adverse effect on our financial condition, business and results and operations. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any incidents of material non-compliance.

RECENT REGULATORY DEVELOPMENT IN THE PRC

The Anti-Monopoly Guidelines on the Platform Economy Sector (《關於平台經濟領域的反壟斷指南》)

The Anti-Monopoly Guidelines on the Platform Economy Sector (《關於平台經濟領域的反壟斷指南》) (the “**Anti-Monopoly Guidelines**”), which came into force on February 7, 2021, guides operators in the platform economy to operate in compliance with laws and regulations. It details and specifies the manifestations that may constitute monopolistic practices prohibited by laws, including but not limited to: forming monopoly agreements (including horizontal monopoly agreements, vertical monopoly agreements and axially verbose monopoly agreements) by means of data, technology or otherwise, and platform operators with a dominant market position requiring sellers to choose only one between two competing

platforms by means of data, technology or otherwise, or only making exclusive transactions with specific platforms, or platform operators with a dominant market position using data, technology or other means to sell goods at unfairly high prices or purchase goods at unfairly low prices to specific consumers. In the opinion of the PRC legal advisor, the Anti-Monopoly Guidelines would not materially and adversely affect our financial position and results of operations for the following reasons:

- according to the Frost & Sullivan Report, the retail industry in both the lower-tier market and the overall PRC market remains highly fragmented, and in terms of the transaction value of commerce business in the lower-tier market and in the overall PRC market in 2020, respectively, we have a market share of less than 1% in each market, which is well below the 50% stipulated in Article 19 of the Anti-monopoly Law of the People's Republic of China (《中華人民共和國反壟斷法》);
- we collect data through the platform instead of generating data by itself, and cannot preclude or restrict other platform operators from collecting and using data in the industry. Therefore, there is no preclusion or restriction of competition for the data collected by us; and
- there is no clause in the agreement between us and principal member store customers that precludes or restricts competition.

The Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》)

The Measures for the Supervision and Administration of Online Transactions (the “**Online Transactions Measures**”), which came into force in May 2021, have clarified the registration system for online business entities, defined the role of online service providers, provided more detailed requirements for service providers like us, including but not limited to: (1) we shall verify and register the information submitted by the operators in the platform, and submit the operator's identity information to the market regulation department twice a year; (2) we shall clearly distinguish between operators that have undergone market entity registration and operators that have not undergone market entity registration to ensure that consumers can clearly identify them; (3) we shall establish an inspection and monitoring system for the business activities within the platform, and timely handle and report relevant illegal acts to the relevant market regulation department; (4) if we take warning, suspension or termination of service and other measures against the operators in the platform, we shall publicize the relevant information within one working day upon the date of making the decision; and (5) we shall provide the information of the operators using our platform, information of goods or services and information of transaction in accordance with the requirements of the market regulation department in the supervision and law enforcement activities, and actively cooperate with the market regulation department in monitoring the illegal behavior of online transactions.

According to the Online Transactions Measures, these measures apply to the business activities of selling goods or services provided through information networks such as the internet within the territory of the PRC as well as apply to the supervision and management thereof by the market regulation administrations.

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We are a commerce and service platform dedicated to serving businesses operating in China's retail market. We directly sell and let merchants sell their products through our network platform, while under competent market regulation administration's supervision and management. Therefore, the "the Online Transactions Measures" applies to us. We have taken measures to ensure ongoing compliance with the Online Transactions Measures in the future, which mainly include the following:

- we have established a special leading group and have signed a commitment letter for platform compliance operation. We regularly submitted relevant data on platform to the regulatory authorities, established a meeting and communication mechanism to communicate with the regulatory authorities from time to time, joined a special e-commerce communication group of mainstream platforms in Nanjing, China, joined the online transaction social collaboration and co-governance system for users, and continued to abide by the regulatory requirements for platform service providers;
- we have established relevant necessary internal control systems, such as (i) the "Specification for Handling Customer Complaints of Huitongda Network Co., Ltd." (《匯通達網絡股份有限公司客戶投訴問題處理規範》), which specifies the handling time limit, handling process and competent department of the customer complaints in online transactions; (ii) the "Rules for Violation and Handling of Merchant's Violations" (《商家違規行為及處理規則》), which specifies the circumstances, handling process and consequences of merchant's violations on our network platform; (iii) the "Rules for Recall of Merchandise on the Huitongda Platform" (《匯通達平台商品召回規則》), which specifies the identification, recall process and violation handling of the sold merchandise with quality and safety risks or quality and safety problems in our network platform; (iv) the "Specification for Food Safety Management of Huitongda" (《匯通達食品安全管理規範》), which specifies the review and registration process, operation management and handling of violations of laws and regulations of food merchants selling on our network platform; (v) the "General Rules for Business Management" (《商家管理規範總則》), which is the overall management specification for transaction management, market management, violations and handling of settled merchants; (vi) the "Rules for the Quality Management of Goods on Merchants on the Huitongda Platform" (《匯通達平台商家商品品質管制規範》), which specifies the management of merchants qualification on our network platform, the management of purchase sources, the exposure of illegal merchants and cooperation with the regulatory authorities, etc.; (vii) the "Cooperation Agreement on Settlement of *HTD Mall*" (《匯通達商城入駐合作協定》), which specifies the cooperation mode of both parties, the qualification requirements for settled merchants, the rules for the listed goods, merchandise delivery and quality assurance, after-sales and customer service, settlement rules, and has formulated necessary agreements between us and merchants; and (viii) the "Service Agreement on Huitongda POP Open Platform" (《匯通達POP開放平台服務協定》), which specifies the cooperation mode of both parties, the qualification requirements for settled merchants, the rules for the listed goods, merchandise delivery and quality assurance, after-sales and customer service, settlement rules, etc., which continuously conform to the relevant requirements for platform service providers set out in the Online Transactions Measures; and

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- our PRC legal advisor has advised that, up to the Latest Practicable Date, we have not been subject to any punishment or investigation in violation of the Online Transaction Measures. Considering that (i) we organized the special group regarding the compliance operation, and have been informed of the latest laws and regulations since the communication mechanism was built with the regulatory authorities; (ii) we established the relevant internal control system which has been strictly implemented so that we would verify and register the information submitted by the operators, establish an inspection and monitoring system or engage in acts that are in compliance with the relevant law and regulation; (iii) since the Online Transactions Measures came into force, the market regulation department has issued compliance letters to the Company and major subsidiaries, and up to the Latest Practicable Date, we have not been subject to any punishment or investigation in violation of the Online Transaction Measures; and (iv) we had complied with the applicable PRC laws, rules and regulations relating to personal data in all material respects, up to the Latest Practicable Date, we had complied with the Online Transactions Measures in all material aspects.

As advised by our PRC legal advisor, based on the above, the Online Transactions Measures have no material and adverse impact on our financial performance and business operation. Our Directors believe that, based on the view of our PRC legal advisor, the Online Transactions Measures have no material and adverse impact on our results of business operations and financial performance. We will continue to comply with the relevant requirements of the Online Transactions Measures, which may increase our compliance costs.

Having considered the measures taken by the Company and the view of the Company's PRC legal advisor as stated above, and on the basis that the Joint Sponsors have obtained and reviewed relevant documents, internal policies and information provided by the Company in relation to their measures to ensure compliance with the Online Transactions Measures, and discussed with the PRC legal advisor to the Joint Sponsors to understand the relevant PRC laws, rules and regulations relating to Online Transactions Measures and its implications on the Group, the Joint Sponsors concurred with views of the Company's PRC legal advisor and the Directors in relation to the impact of the Online Transactions Measures on the Group's business operations and financial performance as set out above.

Regulations regarding personal information protection and data security

In terms of personal information protection and data security, the Chinese internet sector is undergoing intensive legislative regulation. For example, on June 10, 2021, the Standing Committee of the National People’s Congress promulgated the Data Security Law, which came into force on September 1, 2021; on August 20, 2021, the SCNPC promulgated the Personal Information Protection Law, which became effective on November 1, 2021.

On April 13, 2020, the CAC and 10 other government departments jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Measures**”). The Measures became effective on June 1, 2020. It stipulates that operators of critical information infrastructures who procure network products and services that affect or may affect national security shall submit to a cybersecurity review. On December 28, 2021, the CAC promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Measures II**”) which will be effective on February 15, 2022 and replace the Measures. On November 14, 2021, the CAC promulgated the “Network Data Security Management Regulations” (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft for Comments**”, together with the Measures II, the “**CAC Measures and Draft**”). For further information, see “Regulatory Overview.”

The data collected and processed by us mainly includes the customers’ names, addresses, contact information, etc., and is mainly used for the delivery of the products for our own business. Therefore, we do use the network to carry out data processing activities within the territory of the PRC in our business operation, making the CAC Measures and Draft applicable to us.

- We have been valuing the data and personal information protection issue, and have formulated corresponding internal control systems for data processing, such as “Huitongda data service and application management measures” (<匯通達資料服務與應用管理辦法>), “Huitongda confidentiality system” (<匯通達保密制度>), etc. After the promulgation of the CAC Measures and Draft, we organized relevant personnel of IT department to digest the CAC Measures and Draft, and actively required all departments to carry out business operation and data processing activities in accordance with relevant regulatory provisions to meet the latest regulatory requirements.
- According to the Draft for Comments, if the listing in Hong Kong of a data processor affects or may affect national security, the data processor shall apply for network security review in accordance to relevant regulations. Our PRC legal advisor has advised us that, as of the Latest Practicable Date, the definition of “affects or may affect national security” has not been clarified by any PRC regulatory authorities.

Our PRC legal advisor has advised us that the data collected and processed by us does not fall into the definition of important data which affects or may affect national security or public interest listed in article 73 of the Draft for Comments, which points out that important data refers to data that may endanger national security and public interests in the case it is tampered, damaged, leaked or illegally

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obtained or utilized. In addition, our PRC legal advisor has advised us that, “Reply to the Reporter’s Question of the ‘Measures for Cybersecurity Review’” (《網絡安全審查辦法》答記者問) from responsible officers of CAC specified that when purchasing network products and services, operators of important networks and information systems in the fields of telecommunications, radio and television, energy, finance, transportation, railway, civil aviation, postal, water conservancy, emergency management, health, social security, science and technology industry of national defense and other industries shall consider applying for network security review in accordance with the requirements of the Measures for Cybersecurity Review. Our PRC legal advisor has advised us that the data collected and processed by us does not fall into the situations which shall consider applying for network security reviews listed in the Reply to the Reporter’s Question of the “Measures for Cybersecurity Review”.

Our Directors and our PRC legal advisor take the view that the risk of giving rise to national security issues by our business operation is remote in accordance with the CAC Measures and Draft.

During the Track Record Period and up to the date of this prospectus, we have not experienced, neither were we involved in any material incident of data or personal information leakage, infringement of data protection or privacy laws and regulations or cybersecurity review, investigation or other legal proceeding, pending or threatened or initiated by relevant government authorities or third parties, or received any inquiry, notice, warning, punishment or sanctions, that may materially adversely affect our business. In addition, there is no punishment or investigation by relevant competent authorities or material data security incidents due to data processing or data protection as of the date of this prospectus.

We will continue to pay attention to the development of the CAC Measures and Draft and actively sustain communication with relevant competent authorities to ensure timely compliance with the latest regulatory requirements. Our PRC legal advisor has advised us that, if the CAC Measures and Draft come into effect, we may increase the compliance cost to meet the latest regulatory requirements, but they will not have a significant adverse impact on our business operation and financial performance. In view of the above, if the CAC Measures and Draft come into force, we will be able to comply with the CAC Measures and Draft in all material aspects and our Directors and our PRC legal advisor are of the view that the CAC Measures and Draft would not have any material adverse impact on our business operation and our proposed Listing.

Having considered the above and on the basis that the Joint Sponsors have (i) obtained and reviewed relevant documents, internal policies and information provided by the Company in relation to their data collection, management and protection practices; (ii) conducted due diligence with the Company in relation to, among others, the impact of the CAC Measures and Draft on the Group, and (iii) discussed with the PRC legal advisors to the Company and the Joint Sponsors to understand the relevant PRC laws, rules and regulations and implications of recent regulatory environment on cybersecurity in the PRC on the Group, the Joint Sponsors concur with the views of the Directors and the PRC legal advisor in this regard as disclosed above.

CONNECTED TRANSACTIONS

OVERVIEW

We have in the past conducted certain transactions with entities that will become our connected persons (as defined under Chapter 14A of the Hong Kong Listing Rules) upon Listing. Such transactions will continue after Listing and will therefore constitute our continuing connected transactions under the Hong Kong Listing Rules.

RELEVANT CONNECTED PERSONS

The following parties with whom we have entered into transactions will be regarded as our connected persons under the Listing Rules:

<u>Connected Persons</u>	<u>Connected Relationship</u>
Alibaba China	One of our Substantial Shareholders
Directors	Our Directors

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We expect to enter into connected transactions including i) the sales agreements of products between our Directors and/or their associates on the one hand and our Company on the other hand, pursuant to which our Company agrees to sell products to our Directors and/or their associates; and ii) the online platform services agreement between Alibaba China and our Company, pursuant to which Alibaba China agrees to provide the online platform services to our Company. As each of the transactions above are made in the ordinary and usual course of business and on normal commercial terms where, as our Directors currently expect, the highest applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis. Accordingly, each of such transactions will constitute a de minimis continuing connected transaction of our Company that will be fully exempt from reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

We also expect to continue certain guarantee arrangements with Mr. Wang and/or his associates, pursuant to which Mr. Wang and/or his associates agree to provide guarantees in favour of our Group for certain credit facilities we obtained from independent commercial banks. For further details of such guarantees, please see "Relationship with Single Largest Shareholder – Financial Independence". Our Directors are of the view that the guarantees, being financial assistance (as defined in the Listing Rules) provided by Mr. Wang and/or his close associates for our benefit, were made on normal commercial terms and no security over our assets was granted in respect of such financial assistance. Accordingly, the provision of guarantee by Mr. Wang and/or his associates are fully exempt from all announcements, circulars and annual reports, and independent shareholder approval requirements pursuant to Rule 14A.90 of the Listing Rules.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The transactions set out below are made in the ordinary and usual course of business and on normal commercial terms where, as our Directors currently expect, the highest applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Accordingly, such transactions will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but will be exempted from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. **Alibaba China Sales Framework Agreement**

On December 21, 2021, the Company entered into the sales framework agreement with an associate of Alibaba China ("**Alibaba China Sales Framework Agreement**"), pursuant to which, the Group agreed to provide Alibaba China and/or its associates with goods (including but not limited to household appliances and consumer electronics) for a term commencing on the Listing Date and ending on December 31, 2023. The Alibaba China Sales Framework Agreement may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Subject to the terms of the Alibaba China Sales Framework Agreement, Alibaba China and/or its associates will enter into specific agreements or place purchase orders with the Group to set out specific terms and conditions in respect of the supply of goods. The consideration payable by Alibaba China and/or its associates under the Alibaba China Sales Framework Agreement will be paid at the time and according to the method to be agreed in specific agreements or purchase orders.

Reasons and benefits for the transactions

Alibaba China has been purchasing certain goods from us during its ordinary course of business given the price advantage of the merchandise offered by our Group compared to other market players. Furthermore, the Group is authorized as designated agents or sellers of certain types and/or brands of goods in certain areas. Therefore, Alibaba China and/or its associates could only purchase such goods from us. The transaction contemplated under the Alibaba China Sales Framework Agreement is made in the ordinary and usual course of business of the Group and on normal commercial terms.

Pricing basis

The prices of transactions contemplated under the Alibaba China Sales Framework Agreement shall be determined on an arm's length basis.

CONNECTED TRANSACTIONS

The price for selling goods to Alibaba China and/or its associates by the Group shall be determined with reference to the price of the goods that the Group could sell to the Independent Third Parties and prevailing market price.

Pricing procedures

The selling price of the goods are to be separately negotiated for each sold by the parties based on the principles that the selling price to be paid shall be determined on normal commercial terms after arm's length negotiation, and shall be no less favourable than the prevailing market price and the price offered by Independent Third Parties. The parties will enter into separate sales order in respect of each sales in accordance with the terms of the Alibaba China Sales Framework Agreement.

To ensure the selling price to Alibaba China and/or its associates are fair and reasonable and comparable to those offered to Independent Third Parties, the Group will compare the price in relation to the similar product type and volume with at least two other independent companies prior to entering into sales order with Alibaba China and/or its associates so as to know the prevailing market price. The Directors consider that the above procedures can ensure that the transactions under the Alibaba China Sales Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders. We confirmed that such pricing procedures are in accordance with the Group's pricing policy.

Historical figures, annual caps and basis

We started to sell goods to Alibaba China and/or its associates in 2019. The historical amounts of the transactions contemplated under the Alibaba China Sales Framework Agreement were RMB298.7 million, RMB120.3 million and RMB56.9 million for the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2021, respectively.

Our proposed annual caps for the transactions contemplated under the Alibaba China Sales Framework Agreement for the years ending December 31, 2022 and 2023 are RMB80.0 million and RMB60.0 million, respectively.

In arriving at the above annual caps, the Directors have considered the anticipated sales volume based on the historical transaction amount and the fact that the Company decided to keep putting more effort on expanding Independent Third Party customer base after Listing.

CONNECTED TRANSACTIONS

2. Alibaba China Purchasing Framework Agreement

On December 21, 2021, the Company entered into the purchasing framework agreement with an associate of Alibaba China (“**Alibaba China Purchasing Framework Agreement**”), pursuant to which, the Group agreed to purchase goods (including but not limited to household appliances and consumer electronics) from Alibaba China and/or its associates for a term commencing on the Listing Date and ending on December 31, 2023. The Alibaba China Purchasing Framework Agreement may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Subject to the terms of the Alibaba China Purchasing Framework Agreement, the Group will enter into specific agreements or place purchase orders with the Alibaba China and/or its associates to set out specific terms and conditions in respect of the supply of goods. The consideration payable by the Group under the Alibaba China Purchasing Framework Agreement will be paid at the time and according to the method to be agreed in specific agreements or purchase orders.

Reasons and benefits for the transactions

The Group has been purchasing certain goods from Alibaba and/or its associates given the price advantage of such goods offered by Alibaba and/or its associates compared to other market players. The transaction contemplated under the Alibaba China Purchasing Framework Agreement is made in the ordinary and usual course of business of the Group and on normal commercial terms.

Pricing basis

The prices of transactions contemplated under the Alibaba China Purchasing Framework Agreement shall be determined on an arm’s length basis.

The price for purchasing certain goods from Alibaba China and/or its associates by the Group shall be determined with reference to the price of the goods that the Group could purchase from the Independent Third Parties and prevailing market prices.

Pricing procedures

The purchase price of the goods are to be separately negotiated for each purchase by the parties based on the principles that the purchase price payable shall be determined on normal commercial terms after arm’s length negotiation, and shall be no less favourable than the prevailing market price and the price offered by Independent Third Parties. The parties will enter into separate purchase order in respect of each purchase in accordance with the terms of the Alibaba China Purchasing Framework Agreement.

CONNECTED TRANSACTIONS

To ensure the purchase price offered by Alibaba China and/or its associates are fair and reasonable and comparable to those offered by Independent Third Parties, the Group will compare the price in relation to the similar product type and volume from at least two other independent companies prior to entering into purchase order with Alibaba China and/or its associates so as to know the prevailing market price. The Directors consider that the above procedures can ensure that the transactions under the Alibaba China Purchasing Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders. We confirmed that such pricing procedures are in accordance with the Group's pricing policy.

Historical figures, annual caps and basis

The historical amounts of the transactions contemplated under the Alibaba China Purchasing Framework Agreement were RMB1.3 million, RMB13.7 million and RMB108.9 million for the years ended December 31, 2018, 2019 and 2020, respectively. The Company did not purchase goods from Alibaba China and/or its associates during the nine months ended September 30, 2021.

Our proposed annual caps of the transactions contemplated under the Alibaba China Purchasing Framework Agreement for the years ending December 31, 2022 and 2023 are RMB50.0 million and RMB100.0 million, respectively.

In arriving at the above annual caps, the Directors have considered, among other things, the following factors:

- i. **Historical transaction amounts and trends for the purchasing of goods from Alibaba China and/or its associates by the Group:** the transaction amount of such purchasing increased significantly from 2018 to 2020 primarily due to (A) our purchase of Tmall Genie, a smart speaker developed by Alibaba, as the main product from Alibaba China and/or its associates since 2019; (B) fast-growing demand in Tmall Genie as a popular product among customers in 2020; and (C) our further deepened cooperation with Alibaba China and/or its associates in response to the expansion in the Group's business operation in 2020. The Company ceased to purchase Tmall Genie since January 2021, and therefore there was no purchase amount by our Group from Alibaba China and/or its associates during the nine months ended September 30, 2021; and
- ii. **Expected purchasing volume of the goods from Alibaba China and/or its associates:** as Alibaba China and/or its associates is improving their supply chain with the strategy of "from customer to factory" to achieve personalized production, we intend to leverage such supply chain advantage of Alibaba China and/or its associates and increase our procurement volume from Alibaba China and/or its associates to satisfy the diversified needs of member stores

CONNECTED TRANSACTIONS

and downstream customers. Accordingly, the annual cap for the transactions contemplated under the Alibaba China Purchasing Framework Agreement is expected to increase in the two years ending December 31, 2023.

TO SAFEGUARD THE INTERESTS OF OUR SHAREHOLDERS

To safeguard the interests of our Shareholders as a whole, including the minority Shareholders, we have put in place internal approval and monitoring procedures relating to our connected transactions, which include the following:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee of the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee under the Board, the Board and various other internal departments of the Company (including but not limited to the finance department and compliance and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;
- our independent non-executive Directors and external auditors will conduct an annual review on our continuing connected transactions and provide annual confirmations in accordance with the Hong Kong Listing Rules that the individual transactions are conducted in accordance with the terms of the relevant agreements, on normal commercial terms and in accordance with our pricing policy and in the interests of our Shareholders as a whole; and
- when considering any renewal or revisions to the framework agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings or Shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, and on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

CONNECTED TRANSACTIONS

WAIVER APPLICATION FOR NON-FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

The transactions abovementioned will constitute connected transactions which are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

As the above non-fully exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement requirements will be impractical, will incur unnecessary administrative costs for us, and will be unduly burdensome to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the reporting, annual review and announcement requirements in respect of the above non-fully exempt continuing connected transactions.

The waiver granted by the Hong Kong Stock Exchange for the non-fully exempt continuing connected transactions under the Alibaba China Sales Framework Agreement and Alibaba China Purchasing Framework Agreement will expire on December 31, 2023, respectively.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will be entered into in our ordinary course of business and on normal commercial terms or better, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The proposed annual caps for those transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the relevant data and information provided by the Company and the necessary representations and confirmations from the Company and Directors, having made reasonable inquiries and after due and careful consideration, the Joint Sponsors are of the view that the non-exempt continuing connected transactions as set out above have been and will be entered into in the ordinary course of business of the Company and on normal commercial terms, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

The Board currently consists of nine Directors, comprising two executive Directors, four Non-executive Directors and three Independent Non-executive Directors. The Board is responsible, and has the general authority for, the management and operation of our Company. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The Independent Non-executive Directors shall not hold office for more than six consecutive years.

Our Board of Supervisors currently consists of three Supervisors, including one Supervisor appointed by shareholders' general meetings and two employee Supervisors, elected at employee representative meetings. The Board of Supervisors is responsible for supervising the performance of duty of the Board and the senior management of the Company and overseeing the financial, internal control and risk conditions of the Company. Our Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our senior management is responsible for the management of day-to-day operations of our Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table shows the key information of our Directors as at the Latest Practicable Date. All of our Directors meet the qualification requirements under the Hong Kong Listing Rules and relevant PRC laws and regulations for their positions.

<u>Name</u>	<u>Age</u>	<u>Date of joining our Group</u>	<u>Date of appointment as a Director</u>	<u>Position</u>	<u>Key responsibilities</u>	<u>Relationship with Directors, Supervisors and senior management</u>
<i>Chairman of the Board</i>						
Mr. WANG Jianguo (汪建國)	61	December 6, 2010	November 16, 2015	Chairman of the Board and Non-Executive Director	Convening and chairing general meetings and Board meetings; Presiding over the decision-making of external affairs and strategic development of our Group	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as a Director	Position	Key responsibilities	Relationship with Directors, Supervisors and senior management
<i>Executive Directors</i>						
Mr. XU Xiuxian (徐秀賢)	58	December 6, 2010	November 16, 2015	Chief Executive Officer and Executive Director	Leading the business development of our Group; Presiding over the decision-making and execution of the major business, development and investment plans	None
Mr. ZHAO Liangsheng (趙亮生)	47	January 1, 2013	May 10, 2021	Executive Director, Chief Financial Officer, Secretary to the Board and Vice President	Overseeing our Group's financial affairs and corporate governance	None
<i>Non-executive Directors (other than the Chairman)</i>						
Mr. WANG Jian (王健)	58	November 16, 2015	November 16, 2015	Non-executive Director	Participating in evaluation and approval of business plans, strategies and major decisions of our Group through the Board	None
Mr. CAI Zhongqiu (蔡仲秋)	51	May 10, 2021	May 10, 2021	Non-executive Director	Participating in evaluation and approval of business plans, strategies and major decisions of our Group through the Board	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as a Director	Position	Key responsibilities	Relationship with Directors, Supervisors and senior management
Mr. WANG Yi (王軼)	44	May 10, 2021	May 10, 2021	Non-executive Director	Participating in evaluation and approval of business plans, strategies and major decisions of our Group through the Board	None
<i>Independent Non-executive Directors</i>						
Mr. LIU Xiangdong (劉向東)	55	May 10, 2021	May 10, 2021	Independent Non-executive Director	Supervising and providing independent advice to the Board	None
Mr. CHENG Zichuan (程子傳)	39	May 10, 2021	May 10, 2021	Independent Non-executive Director	Supervising and providing independent advice to the Board	None
Mr. HUANG Shun (黃順)	48	August 25, 2016	August 25, 2016	Independent Non-executive Director	Supervising and providing independent advice to the Board	None

DIRECTORS

Chairman of the Board

Mr. WANG Jianguo, aged 61, is the founder of our Group and has been the Chairman of the Board and a Non-Executive Director of our Company since November 2015. He is mainly responsible for convening and chairing general meetings and Board meetings and presiding over the decision-making of external affairs and strategic development of our Group.

Mr. Wang has over 20 years of experience in retail business and corporate management. He worked at the Department of Commerce of Jiangsu Province (江蘇省商業廳) from July 1981 to April 1993 and served as the general manager of Jiangsu Wujiaohua Corporation (江蘇省五金交電化工總公司), a state-owned company mainly engaged in the sales of home appliances, where he was primarily responsible for its overall management from April 1993 to June 2002. He served as the chairman and the president of Jiangsu Five Star Appliance Co., Ltd. (江蘇五星電器有限公司), a company engaged in the sales of household appliance, from December 1998 to February 2009 and Mr. Wang does not hold any direct or indirect equity interest in Five Star Appliance since February 2009. Mr. Wang has been the chairman of the board of Five Star Holdings since February 2009.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang concurrently serves as the chairman of Kidswant Children Products Co., Ltd. (孩子王兒童用品股份有限公司, a company engaged in the sales and service of maternal and children products which is listed on the ChiNext, stock code: 301078) since June 2012. He also serves as an independent non-executive director at Honma Golf Limited (本間高爾夫有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 6858), and Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2096), since September 2016 and November 2019, respectively.

Mr. Wang obtained a master's degree in Business Management from The Australian National University in Australia upon completion of the Executive Master of Business Administration (“EMBA”) programme in July 2004. He completed all the requirements prescribed by Shanghai Advanced Institute of Finance for the DBA (Doctor of Business Administration) in Global Finance Program (上海高級金融學院全球金融DBA項目) in July 2018. He also obtained a Ph.D. in Business Administration in Global Finance from Arizona State University, U.S.A. in May 2018.

Mr. Wang has been the vice chairman of Jiangsu General Chamber of Commerce since December 2014. He was awarded the Service Industry Professional Special Contribution Award (服務業專業人才特別貢獻獎) by Jiangsu Provincial People's Government in October 2014. He was also granted the Outstanding Achievement Award by the China Chain Store & Franchise Association (中國連鎖業成就獎) in November 2012. He was elected as the Model Worker of the National Business System (全國商務系統勞動模範) by the Ministry of Personnel and the Ministry of Commerce of the PRC in 2007.

Executive Directors

Mr. XU Xiuxian, aged 58, is the co-founder of our Group and has been an Executive Director and the Chief Executive Officer of our Company since its inception. He is mainly responsible for leading the business development of our Group and presiding over the decision-making and execution of the major business, development and investment plans.

Mr. Xu has more than 20 years of experience in retail business and corporate management. Mr. Xu served as the section chief of the Consumer Price Office of the Department of Commerce of Jiangsu Province (江蘇省商業廳物價處), the general manager of Jiangsu Wujiaohua Corporation, where he was responsible for the overall management from March 1993 to November 1998, the general manager of Jiangsu Xingpu Technology Trading Co., Ltd. (江蘇星普科技貿易有限公司), a home appliance trading company, where he was primarily responsible for its overall operation and management from November 1998 to December 2004, and an executive vice president of Jiangsu Five Star Appliance Co., Ltd. (江蘇五星電器有限公司) from December 2004 to March 2009.

Mr. Xu graduated from Hangzhou Business School (杭州商学院) (currently known as Zhejiang Gongshang University Hangzhou College of Commerce (浙江工商大學杭州商學院)) in the PRC with a bachelor's degree in Business and Enterprise Management in July 1983. He subsequently completed postgraduate courses in Global Economy at the School of Economics of Fudan University (復旦大學) in Shanghai, the PRC in June 2000 and obtained a master's degree in EMBA at Cheung Kong Graduate School of Business (長江商學院) in Beijing, the PRC in September 2011.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xu was recognized for his excellence in leadership and obtained the award of National Trade and Circulation Services Model Workers and Advanced Workers (全國商貿流通服務業勞動模範和先進工作者) in September 2015, and won the 2018 China Electronic Appliances Service Association Outstanding President Award (中國家電服務業省市同業行業協會優秀會長) in January 2019, and was also named one of the China Industrial Internet TOP10 Leaders 2019 (中國產業互聯網十大領軍人物) in July 2019 and obtained the China Electrical Appliances Industry Outstanding Leader Award 2019 (中國家電行業卓越領袖獎) in October 2019.

Mr. ZHAO Liangsheng, aged 47, has been an Executive Director of our Company since May 2021, and has been the Chief Financial Officer, the Secretary to the Board and a Vice President of our Company since January 2013. Mr. Zhao is primarily responsible for overseeing our Group's financial affairs and corporate governance.

Mr. Zhao has more than 20 years of experience in financial management. Mr. Zhao served as a project manager of Jiangsu Tianheng Certified Public Accountants Co., Ltd. (江蘇天衡會計師事務所有限公司) (Currently known as Tianheng Certified Public Accountants (Special General Partnership) (天衡會計師事務所(有限合夥)) from July 1998 to April 2004, a financial director in Zhejiang Yulong Industrial Co., Ltd. (浙江裕隆實業股份有限公司), where he was primarily responsible for the overall financial management, from May 2004 to September 2005, an audit manager in Zhengda Tianqing Pharmaceutical Group Co., Ltd. (正大天晴藥業集團股份有限公司), where he was primarily responsible for the internal auditing, from October 2005 to December 2007, a deputy general manager of Nanjing Shangde Investment Management Co., Ltd. (南京上德投資管理有限公司) from 2007 to 2009 and the chief financial officer of Five Star Holdings from 2009 to 2012.

Mr. Zhao has been a certified public accountant conferred by Certified Accounting Examination Committee of the Ministry of Finance (財政部註冊會計考試委員會) since June 2001. Mr. Zhao obtained his bachelor's degree in Business Management (Accounting) from Southeast University (東南大學) in Nanjing, the PRC in June 1998.

Non-executive Directors

Mr. WANG Jian, aged 58, has been a Non-executive Director of our Company since November 2015 and is responsible for participating in evaluation and approval of business plans, strategies and major decisions of our Group through the Board.

Mr. Wang Jian has extensive experience in corporate management, consulting and investment management. He currently serves as the president of Five Star Holdings since April 2013. Prior to his current position, Mr. Wang Jian worked at the Department of Commerce of Jiangsu Province (江蘇省商業廳) from July 1984 to November 1998 and worked in Jiangsu Wujiaohua Corporation, with his last position as the general manager where he was primarily responsible for its operation and management from November 1998 to December 2003. He served at Jiangsu Five Star Appliance Co., Ltd. (江蘇五星電器有限公司), and served in various positions including deputy manager, executive vice president and president from December 1998 to March 2013, senior vice president of Best Buy Co., Inc., an American multinational consumer electronics corporation which is listed on the New York Stock Exchange (stock code: BBY) from February 2009 to March 2013.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Jian graduated from the Party School of C.P.C. Jiangsu Committee (江蘇省委黨校) in the PRC with a bachelor's degree in Economics in July 1992. He subsequently completed a postgraduate course in Business Administration at the International Business School of Nanjing University (南京大學國際商學院) in the PRC in June 2000. He obtained a master's degree in Business Administration from the China Europe International Business School (中歐國際商學院) in Shanghai, the PRC and the Tsinghua University (清華大學) in Beijing, the PRC in September 2009 and June 2016, respectively. He also received the Third China Industry Achievement Award (第三屆中國連鎖業成就獎) in October 2012.

Mr. CAI Zhongqiu, aged 51, has been a Non-executive Director of our Company since May 2021 and is primarily responsible for participating in evaluation and approval of business plans, strategies and major decisions of our Group through the Board. Mr. Cai served as the investment director in SDIC Chuangyi Industry Fund Management Co., Ltd. (國投創益產業基金管理有限公司) from August 2016 to August 2018 and has been serving as the executive director since August 2018.

Mr. Cai has extensive experience in equity investment and corporate management. Mr. Cai obtained a doctoral degree in Management Engineering in June 2011 from the China University of Mining and Technology (Beijing) (中國礦業大學北京分校) in the PRC.

Mr. WANG Yi, aged 44, has been a Non-executive Director of our Company since May 2021 and is primarily responsible for participating in evaluation and approval of business plans, strategies and major decisions of our Group through the Board. Mr. Wang Yi currently also serves as a senior director at the consumer electronics department of Alibaba Group Holding Limited, a company listed on the Hong Kong Stock Exchange (stock code: 9988) and the New York Stock Exchange (stock code: BABA), since March 2020.

From September 2013 to February 2020, Mr. Wang Yi served as a vice president, the chief financial officer, an executive director, and the general manager of the China business division of TCL Electronics Holdings Limited (TCL電子控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1070).

Mr. Wang Yi graduated from Jiangxi University of Finance and Economics (江西財經大學) in the PRC with a bachelor's degree in Accounting in July 1998, and obtained an EMBA degree from the China Europe International Business School (中歐國際工商學院) in Shanghai, the PRC in September 2008.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. LIU Xiangdong, aged 55, has been an Independent Non-executive Director of our Company since May 2021. He is responsible for supervising and providing independent advice to the Board.

Mr. Liu has been working in Renmin University of China (中國人民大學) with his current position as a professor. Currently he is also an independent non-executive director of Shanghai Laiyifen Co., Ltd. (上海來伊份股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603777), since November 2016.

Mr. Liu obtained his bachelor's degree, master's degree and doctoral degree in Economics from Renmin University of China in the PRC in July 1988, July 1991 and June 2002, respectively.

Mr. HUANG Shun, aged 48, has been an Independent Non-executive Director of our Company since August 2016 and is responsible for supervising and providing independent advice to the Board.

Mr. Huang has over 20 years of experience in accounting and financial management. He currently serves as the chief accountant since October 2003 at Jiangsu Verti-Hor Certified Public Accountants Co., Ltd. (江蘇縱橫會計師事務所有限公司). Mr. Huang has been an independent non-executive director of Fullshare Holdings Limited, a company listed on the Stock Exchange (stock code: 0607) since December 2021.

Mr. Huang obtained a bachelor's degree in Economic Management in June 1998 and a bachelor's degree in Law in June 2003 from Nanjing University in the PRC. He was accredited as a Certified Public Accountant by the Jiangsu Institute of Certified Public Accountants (江蘇省註冊會計師協會) in May 1997.

Mr. CHENG Zichuan, aged 39, has been an Independent Non-executive Director of our Company since May 2021 and is responsible for supervising and providing independent advice to the Board. Mr. Cheng currently serves as an assistant president of Leading Hong Kong Holdings Limited (領地香港有限公司), a real estate company, where he has been primarily responsible for the overseas investment and financing business and investor relations, since January 2021.

Mr. Cheng successively served as a manager of China Business Division of ORIX Group, an investment company, from December 2009 to May 2016; a vice president in the investment banking department at ORIX Asia Capital Limited, an investment company, from June 2016 to October 2017 where he was primarily responsible for the business development in China, the execution of equity investment projects and the management of post-investment companies; and a president of the investment and financing department of Hong Yang Group Company Limited (弘陽集團有限公司), a real estate company, where he was primarily responsible for the investment and financing, from November 2017 to December 2018.

Mr. Cheng graduated from Wuhan University of Technology (武漢理工大學) in the PRC with a bachelor's degree in Automation in June 2004, and obtained a Master of Business Administration at Waseda University in Tokyo, Japan in March 2010.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed in this section above, as at the Latest Practicable Date, (i) none of our Directors held any directorships 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 prospectus; (ii) 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 the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

SUPERVISORS

The following table shows the key information of our Supervisors. All of our Supervisors meet the qualification requirements under relevant PRC laws and regulations for their positions.

<u>Name</u>	<u>Age</u>	<u>Date of joining our Group</u>	<u>Date of appointment as a Supervisor</u>	<u>Position</u>	<u>Key responsibilities</u>	<u>Relationship with Directors, Supervisors and senior management</u>
Mr. WANG Xinghua (王興華)	41	January 1, 2012	November 16, 2015	Chairman of the Board of Supervisors	Supervising the Board and overseeing our operations	None
Mr. LI Wei (李煒)	45	December 6, 2010	June 29, 2020	Supervisor	Supervising the Board and overseeing our operations	None
Mr. MAO Yijun (毛宜軍)	39	April 13, 2015	May 10, 2021	Supervisor	Supervising the Board and overseeing our operations	None

Mr. WANG Xinghua, aged 41, has been the chairman of Board of Supervisors of our Company since November 2015 and is primarily responsible for supervising the Board and overseeing our operations. He also serves as the director of president office of our Company since February 2018, where he is primarily responsible for our Company's strategic management, public affairs, public relations, administration and non-operational supply chain planning. He also concurrently serves as a supervisor of Jiangsu Dachuang Electric Co., Ltd. (江蘇達創電器有限公司), one of our Group's subsidiaries, since January 2013.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Xinghua has extensive experience in human resources management and administrative management. He worked at the human resources centers in Jiangsu Five Star Appliance Co., Ltd. (江蘇五星電器有限公司) from July 2003 to February 2009, served as a director assistant at the human resources center of Five Star Holdings from March 2009 to December 2011, and served as the director of the human resources center of our Company from January 2012 to February 2018.

Mr. Wang Xinghua obtained a bachelor's degree in Human Resources Management from Nanjing University of Science and Technology (南京理工大學) in the PRC in June 2003. He obtained the Economics Professional Qualification (Intermediate Level) in January 2013 from Nanjing Professional and Technical Qualification Assessment Center (南京市專業技術人員職稱評介中心).

Mr. LI Wei, aged 45, has been a Supervisor of our Company since June 2020 and is primarily responsible for supervising the Board and overseeing our operations. He also serves as the assistant to the president and CEO of business division of our Company since March 2019.

Mr. Li has over 25 years of experience in retail and distribution business. Mr. Li successively served as the head of the air conditioner business division of Jiangsu Five Star Appliance Co., Ltd. (江蘇五星電器有限公司); a deputy general manager of Jiangsu Xingpu Science and Technology Trading Co., Ltd. (江蘇星普科貿有限公司), a home appliance trading company, where he was primarily responsible for assisting the general manager for the internal management and the sales of air conditioner from October 2002 to February 2009; a general manager of Jiangsu Sanchuang Trading Co., Ltd. (江蘇三創商貿有限公司), a home appliance trading company, where he was primarily responsible for the sales management of air conditioners and washing machines, from March 2009 to September 2014; a general manager of the Sunan branch of our Company from December 2014 to December 2018; and a director of the platform support center of our Company from December 2018 to December 2019.

Mr. Li obtained an associate degree in Marketing from the Central Party School of the Chinese Communist Party (中共中央黨校) in the PRC in October 1998.

Mr. MAO Yijun, aged 39, has been a Supervisor of our Company since May 2021 and is primarily responsible for supervising the Board and overseeing our operations. He joined our Group in April 2015 and currently serves as the director of the human resources center of our Company since November 2019 and is responsible for the organization, talent acquisition and management, work incentive and cultural affairs of our Company.

Mr. Mao worked in Suning Electric Co., Ltd. (蘇寧電器股份有限公司), a company principally operating franchised retail shops of electronics appliances in China, where he was primarily responsible for the production and marketing from October 2009 to August 2012; and the manager of key customer division of Nanjing Skyworth Household Appliances Co., Ltd. (南京創維家用電器有限公司), a company principally engaged in the R&D and production of household appliances, where he was primarily responsible for the domestic e-commerce business of refrigerators and washing machines of Skyworth, from September 2012 to March 2015.

Mr. Mao graduated from the Northwestern Polytechnical University (西北工業大學) in Xi'an, the PRC with a bachelor's degree in Software Engineering in July 2004.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table shows the key information of our senior management:

Name	Age	Date of joining our Group	Date of appointment as a senior management	Position	Key responsibilities	Relationship with Directors, Supervisors and senior management
Mr. XU Xiuxian (徐秀賢)	58	December 6, 2010	December 6, 2010	Chief Executive Officer and Executive Director	Leading the business development of our Group; Presiding over the decision-making and execution of the major business, development and investment plans	None
Mr. ZHAO Liangsheng (趙亮生)	47	January 1, 2013	January 1, 2013	Executive Director, Chief Financial Officer, Secretary to the Board and Vice President	Overseeing our Group's financing activities and corporate governance	None
Mr. XING Jianhong (邢健虹)	51	January 4, 2015	January 4, 2015	Vice President	Assisting the President of our Company with operation and management of our Group and the consumer electronics business	None
Mr. SUN Chao (孫超)	34	July 15, 2015	July 15, 2015	Vice President	Assisting the President of our Company with operation and management of our Group and the member stores	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. XU Xiuxian. See “– Directors, Supervisors and Senior Management – Executive Directors”.

Mr. ZHAO Liangsheng. See “– Directors, Supervisors and Senior Management – Executive Directors”.

Mr. XING Jianhong, aged 51, has been a Vice President of our Company since January 2015 and is primarily responsible for assisting the President of our Company with operation and management of our Group and the consumer electronics business. Mr. Xing currently holds directorship or managerial positions at several subsidiaries within our Group, including a director of Wanhulian New Energy Technology Co., Ltd. (萬戶聯新能源科技有限公司) since July 2017, a general manager of Yifantong Network Technology Co., Ltd. (億凡通網絡科技有限責任公司) since October 2019, a general manager of Jiangsu Xinglihui Network Technology Co., Ltd. (江蘇星立輝網絡科技有限公司) since December 2019, an executive director of Tianjin Huayifan Network Technology Co., Ltd. (天津華億凡網絡科技有限公司) since December 2019 and an executive director of Jiangsu Yiyuntong Digital Technology Co., Ltd. (江蘇億雲通數碼科技有限公司) since December 2020.

Mr. Xing served as a deputy director of the procurement division, a branch general manager and the director of the development division of Jiangsu Five Star Appliance Co., Ltd. (江蘇五星電器有限公司) from December 1998 to December 2012 and a regional general manager of Shanghai Red Star Macalline Enterprise Development Co., Ltd. (上海紅星美凱龍企業發展有限公司), a homebuilding and renovation materials sales company, where he was primarily responsible for the development and operation of commercial properties from January 2013 to December 2014.

Mr. Xing completed postgraduate courses in corporate planning and corporate development at Nanjing University, the PRC in September 2004.

Mr. SUN Chao, aged 34, has been a Vice President of our Company since July 2015 and is primarily responsible for assisting the President of our Company with operation and management of our Group and the member stores. Mr. Sun currently holds directorship or managerial positions at several subsidiaries within our Group, including the chairman of the board of directors of Jiangsu Wokewang Information Technology Co., Ltd (江蘇我可網信息科技有限公司) since April 2018, a general manager of Huitong Datatech Smart Technology Co., Ltd. (匯通數科智能科技有限公司) since September 2019 and an executive director and a general manager of Nanjing Shumei Network Technology Co., Ltd. (南京市數美網絡科技有限公司) since January 2020. Prior to joining our Group, he served as a project team member and a general manager of Haier mall of Haier Group E-commerce Co., Ltd. (海爾集團電子商務有限公司), a company principally engaged in the sales of Haier products, where he was primarily responsible for the operation of Haier e-commerce platform from May 2009 to November 2010 and from November 2010 to July 2015, respectively.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Sun obtained a bachelor's degree in management in E-commerce from Shandong University of Science and Technology (山東科技大學) in the PRC in June 2010, and is currently pursuing a master's degree in Business Administration at Fudan University (復旦大學) in Shanghai, the PRC since September 2017. Mr. Sun received the Prize of CTOA Most Influential Technological Leadership (CTOA最具領導力技術領袖獎); nominated for the Nanjing High-level Talents 2019 (南京市高層次人才) in January 2019; awarded the Prize of CTDC Internet Industry Technological Leadership Outstanding Figures 2018 (CTDC 互聯網行業技術領導力風雲人物獎); and won the first place in National Internet Commerce Innovative Application Competition 2009 (全國網絡商務創新應用大賽) in May 2009.

JOINT COMPANY SECRETARIES

Ms. TANG Min (唐敏), aged 42, is one of the joint company secretaries of our Company and was appointed on April 20, 2021. Ms. Tang currently is the deputy office director of the secretary of the Board. She joined our Group in April 2013 and is primarily responsible for capital financing of the Company. She served as a financial accountant of Jiangsu Shangfa Home Appliances Co., Ltd. (江蘇商發家電有限公司) from June 1997 to November 2001 and a senior financial supervisor of Pentagon Freight Services (Singapore) Private Limited (新加坡五角貨運有限公司) from October 2009 to January 2011.

Ms. Tang obtained a bachelor's degree of science in Applied Accounting from Oxford Brookes Business School in the UK in July 2009. She completed Fundamentals Level of the ACCA examinations in December 2008.

Ms. AU Wai Ching (區慧晶) is one of the joint company secretaries of our Company and was appointed on April 20, 2021. Ms. Au joined SWCS Corporate Services Group (Hong Kong) Limited ("SWCS") in January 2016 and currently serves as an assistant manager. She is a member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute. She obtained her bachelor's degree in business administration and her master's degree in corporate governance from the City University of Hong Kong in July 2012 and July 2016, respectively.

Save as disclosed above, as of the Latest Practicable Date, none of our Directors, or their respective close associates, was engaged in or had any interest in a business, apart from business of our Group, which competes or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules after the Listing.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

In accordance with relevant PRC laws, regulations, the Articles and the corporate governance practice prescribed in the Hong Kong Listing Rules, we have formed four board committees, namely the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Assessment Committee.

Strategy Committee

The Strategy Committee of our Company consists of three Directors, namely Mr. WANG, Mr. XU Xiuxian and Mr. WANG Yi. Mr. WANG serves as the chairman of the committee. The primary duties of the Strategy Committee of our Company include (but are not limited to):

- Studying and regularly advising on our business objectives and medium- to long-term development strategy in accordance with operation and the changes in the market;
- reviewing annual business plans and any material change or adjustment in implementation and advise the Board accordingly;
- regularly assessing and inspecting the implementation of the above issues after they have been approved by the Board and report back to the Board; and
- handling other matters required by laws, regulations, rules, normative documents, regulatory rules of the jurisdictions where the Shares of our Company are listed, the Articles of Association or as authorised by the Board.

Audit Committee

The Audit Committee of our Company consists of three Directors, namely Mr. WANG Yi, Mr. LIU Xiangdong and Mr. HUANG Shun. Mr. HUANG Shun serves as the chairman of the committee. The primary duties of the Audit Committee of our Company include (but are not limited to):

- supervising the annual audit work, making judgement on the authenticity, accuracy and completeness of the information in the audited financial reports before submitting to the Board for review;
- providing recommendations on engaging or changing external auditors, and supervising the performance of external auditors;
- responsible for the communication between internal auditors and external auditors; and

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- handling other matters required by laws, regulations, rules, normative documents, regulatory rules of the jurisdictions where the Shares of our Company are listed, the Articles of Association or as authorised by the Board.

Nomination Committee

The Nomination Committee of our Company consists of three Directors, namely Mr. WANG Yi, Mr. CHENG Zichuan, and Mr. LIU Xiangdong. Mr. CHENG Zichuan serves as the chairman of the committee. The primary duties of the Nomination Committee of our Company include (but are not limited to):

- formulating procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;
- making recommendations to the Board on the nomination of candidates for Directors, General Manager and secretary to the Board;
- preliminarily examining the eligibility of candidates for Directors and senior management;
- making recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and
- handling other matters required by laws, regulations, rules, normative documents, regulatory rules of the jurisdictions where the Shares of our Company are listed, the Articles of Association or as authorised by the Board.

Remuneration and Assessment Committee

The Remuneration and Assessment Committee of our Company consists of three Directors, namely Mr. XU Xiuxian, Mr. LIU Xiangdong, and Mr. HUANG Shun. Mr. LIU Xiangdong serves as the chairman of the committee. The primary duties of the Remuneration and Assessment Committee of our Company include (but are not limited to):

- reviewing and making recommendations on the assessment and remuneration management system for Directors and senior management;
- assessing the Directors and senior management and making recommendations; and
- handling other matters required by laws, regulations, rules, normative documents, regulatory rules of the jurisdictions where the Shares of our Company are listed, the Articles of Association or as authorised by the Board.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve and maintain diversity in our Board. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contribution that the candidates will bring to our Board.

With regards to gender diversity on the Board, our board diversity policy further provides that our Board shall take opportunities to increase the proportion of female members over time when selecting and making recommendations on suitable candidates for Board appointments. Our Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing our Board to gender parity. Going forward and with a view to developing a pipeline of potential successors to our Board that may meet the targeted gender diversity ratio set out below, we will (i) continue to make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff of different gender; (iii) consider the possibility of nominating female management staff who has the necessary skills and experience to our Board; and (iv) provide career development opportunities and more resources in training female staff with the aim of promoting them to the senior management or board of our Company so that we will have a pipeline of female senior management and potential successors to our Board in a few years' time. We undertake to identify and appoint at least one female Director, with appropriate qualification and experience, in our Board within one year from the Listing Date. Our Directors will exercise fiduciary duties in the process, acting in the best interests of our Company and the Shareholders as a whole when making the relevant appointments.

Our nomination committee is responsible for ensuring diversity within our Board members and will use its best efforts to identify and recommend suitable candidates, including female candidates, for the Board's consideration. We also welcome candidates of different genders to apply for our mid to senior level positions. The ultimate decision of the appointment will be based on merits and the contribution the selected candidates could bring to our Board and management team. Our Board believes that such merit-based selection criteria will best enable our Company to serve our Shareholders and other stakeholders going forward. After Listing, our nomination committee will review our board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management members who receive emolument from our Company are remunerated in forms of salaries, allowances, contribution to pension schemes, discretionary bonuses and others.

For each of the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, the total remuneration paid to our Directors amounted to RMB2.54 million, RMB2.68 million, RMB2.56 million and RMB2.15 million, respectively.

For each of the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, the total remuneration paid to our Supervisors amounted to RMB1.82 million, RMB1.70 million, RMB2.46 million and RMB1.37 million, respectively.

For each of the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, the total remuneration paid to our key management personnel amounted to RMB8.35 million, RMB8.29 million, RMB8.95 million and RMB4.97 million, respectively.

For each of the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, the total emoluments paid to the five highest paid individuals (excluding Directors and Supervisors) by our Group amounted to RMB5.23 million, RMB5.13 million, RMB4.28 million and RMB1.54 million, respectively.

Under the arrangement currently in force, our Company expects that the total remuneration (excluding year-end bonuses) to be paid to our Directors and Supervisors by our Company for the year ended December 31, 2021 will be approximately RMB2.87 million and RMB1.83 million, respectively.

During the Track Record Period, no fees were paid by our Group to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. None of the Directors or Supervisors waived any remuneration during the relevant period.

The remuneration of our Directors, Supervisors and senior management is determined with reference to the remuneration paid by comparable companies and the achievement of major operating indicators of our Company. Fixed remuneration is determined with reference to the remuneration data provided by the professional management consultation company and position of our Company among its major competitors.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have agreed to appoint Altus Capital Limited as our compliance advisor upon the Listing in compliance with Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules. The material terms of the compliance advisor's agreement are as follows:

- (i) Altus Capital Limited shall act as our compliance advisor for the purpose of Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- (ii) the compliance advisor will provide us with certain services including proper guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, rules, codes and guidelines;
- (iii) the compliance advisor will, as soon as reasonably practicable, inform us of any amendment or supplement to the Hong Kong Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws and guidelines; and
- (iv) the compliance advisor will act as one of the key channels of communication of our Company with the Hong Kong Stock Exchange.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

THE SINGLE LARGEST SHAREHOLDER

As of the Latest Practicable Date, Mr. Wang held an aggregate of approximately 32.56% interest in our share capital, including approximately 30.27% direct interest and approximately 2.29% indirect interest through Nanjing Yuanbai, and was the single largest Shareholder of our Company. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the Conversion of Domestic Shares into H Shares, Mr. Wang will hold an aggregate of approximately 29.56% interest in our share capital, including approximately 27.48% direct interest and 2.08% indirect interest through Nanjing Yuanbai. Accordingly, Mr. Wang will remain as our single largest Shareholder, and our Company will not have any controlling shareholder upon completion of the Global Offering.

For details of the shareholding of Mr. Wang immediately prior to and following the completion of the Global Offering, see “History, Development and Corporate Structure” in this prospectus.

OTHER BUSINESS OR INTERESTS OF MR. WANG

As of the Latest Practicable Date, Mr. Wang was entitled to exercise approximately 68.43% voting rights in Five Star Holdings, which in turn is also entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of certain companies which have been engaged in the sales of electrical appliance. Details of such companies are set out below:

<u>Entity name</u>	<u>Principal activities</u>	<u>Total interests held</u>	<u>Other positions held by Directors/senior management of our Company</u>
Hosjoy Comfortable Smart Home Co., Ltd. (好享家舒適智能家居股份有限公司) (“Hosjoy”)	With the mission of “making home more comfortable and healthier”, Hosjoy endeavors to provide one-stop comfortable smart home solutions through four major sectors: cooling and heating system, fresh air system, water purification system and smart system for purpose of improving the environment of city families.	Approximately 39.4% by Five Star Holdings Approximately 19% by Mr. Wang and his family member	Mr. Wang and Mr. Wang Jian, our non-executive Directors, served as directors at Hosjoy

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

Entity name	Principal activities	Total interests held	Other positions held by Directors/senior management of our Company
Suzhou Xinhongda Electrical Appliances Co., Ltd. (蘇州市新宏達電器有限公司) (“ Suzhou Xinhongda ”)	Sales of electrical appliances	10% by Five Star Holdings	N/A
Taizhou Fuling Electrical Appliances Sales Co., Ltd. (泰州市富菱電器銷售有限公司) (“ Taizhou Fuling ”, a wholly owned subsidiary of Suzhou Xinhongda)	Sales of electrical appliances	100% by Suzhou Xinhongda	N/A
Yancheng Chengling Electrical Appliances Sales Co., Ltd. (鹽城市誠菱電器銷售有限公司) (“ Yancheng Chengling ”, a wholly owned subsidiary of Suzhou Xinhongda)	Sales of electrical appliances	100% by Suzhou Xinhongda	N/A

Hosjoy mainly operates in four major segments, the water purification system, the cooling and heating system, the fresh air system, and the smart system. The following table sets forth Hosjoy’s revenue by business segments for the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021:

	Year ended		Year ended		Year ended		Nine months ended	
	December 31, 2018		December 31, 2019		December 31, 2020		September 30, 2021	
	<i>(RMB in million)</i>	%	<i>(RMB in million)</i>	%	<i>(RMB in million)</i>	%	<i>(RMB in million)</i>	%
Water purification system . . .	45.67	1.8%	147.71	3.7%	155.74	3.2%	106.29	2.7%
Cooling and heating system . .	2,189.00	84.1%	3,094.38	76.8%	3,264.30	67.9%	2,524.80	63.8%
Fresh air system	202.65	7.8%	184.11	4.6%	222.63	4.6%	168.48	4.3%
Smart system	84.52	3.2%	268.01	6.7%	574.62	12.0%	619.56	15.7%
Others	82.55	3.2%	335.21	8.3%	589.25	12.3%	538.73	13.6%
Total	2,604.39	100%	4,029.42	100%	4,806.54	100%	3,957.86	100%

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

There is certain overlap between the respective product categories of Hosjoy and the Group, namely, commercial air conditioners, air purifiers, water purifiers and security equipments, which we believe are not material and would not pose competitive threat to our Group for the grounds set out in “– Business Delineation” below. The aggregate revenue of the abovementioned four major business segments (including all revenues of the overlapping products) of Hosjoy is less than 10% of the revenue of our Group for each year or period of the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, respectively. Accordingly, the total revenue generated from the overlapping products of Hosjoy as stated above is much less than 10% of that of our Group for each year or period of the Track Record Period. In particular, the overlapping business between our Group and Hosjoy is the sales of products including commercial air conditioners, air purifiers, water purifiers and security equipment. Our revenue from the sale of these products, on an aggregate basis, only amounted to approximately RMB2,496.4 million, RMB2,400.8 million, RMB1,932.0 million and RMB1,477.9 million, and represented approximately 8.3%, 5.5%, 3.9% and 3.2% of the Group’s total revenue for the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, respectively. Moreover, the total aggregate revenue of Hosjoy only represented 8.7%, 9.2%, 9.7% and 8.5% of our Group’s total revenue for the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, respectively.

The revenue of Suzhou Xinhongda, Taizhou Fuling and Yancheng Chengling for the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 is set forth below:

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
	<i>(RMB in million)</i>			
Suzhou				
Xinhongda	24.76	19.57	11.76	14.45
Taizhou Fuling . . .	17.40	13.41	9.97	9.11
Yancheng				
Chengling	5.43	4.91	2.71	0.67

The total revenue of Suzhou Xinhongda, Taizhou Fuling and Yancheng Chengling (collectively the “**Suzhou Xinhongda Group**”) is less than 0.2% of that of our Group for each year or period of the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, respectively.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

Business Delineation

The table below sets forth the business delineation between our Group and each of Hosjoy and Suzhou Xinhongda Group, respectively:

	<u>Our Group</u>	<u>Hosjoy</u>	<u>Suzhou Xinhongda Group</u>
<i>Principal business</i>	As a commerce and service platform serving businesses in China's retail market, Huitongda engages in (1) sales of finished products to business customers (retail stores and wholesalers) in China's retail market, covering six categories including household appliances, consumer electronics, agricultural means of production, vehicles and auto parts, and homebuilding and renovation materials, as well as liquor and beverages; and (2) provision of SaaS+ and merchant solutions to retail stores and wholesalers	Providing one-stop smart home solutions, mainly with large-scale system construction projects in four major sectors: cooling and heating system, fresh air system, water purification system and smart system for purpose of improving the environment of city families to end customers such as families in urban areas, property owners, facility managers and construction clients	Sales of electrical appliances to offline customers mainly in local areas of Jiangsu Province
<i>Key services offered by sales team</i>	Promotion of business and facilitating sales Provision of training, planning and execution of marketing campaigns and activities to retail stores	Promotion of business and facilitating sales Provision of initial inspection, project design for various systems (cooling and heating system, fresh air system, water purification system, and smart system) and equipment installation services	Promotion of business and facilitating sales

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

	<u>Our Group</u>	<u>Hosjoy</u>	<u>Suzhou Xinhongda Group</u>
<i>Business scale</i>	The revenue of each of Hosjoy, Suzhou Xinhongda, Taizhou Fuling and Yancheng Chengling is less than 10% of that of our Group for each year or period of the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021.		
<i>Overlapping business (“Overlapping Business”)</i>	<p>(i) The overlapping business between our Group and Hosjoy is the sales of commercial air conditioners, air purifiers, water purifiers and security equipments; our revenue from Overlapping Business with Hosjoy, on an aggregate basis, only amounted to approximately 8.3%, 5.5%, 3.9% and 3.2% of the Group’s total revenue for the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021.</p> <p>(ii) The overlapping business between our Group and Suzhou Xinhongda Group is the sales of electrical appliances.</p>		
<i>Target customers and markets</i>	Mainly retail stores and wholesalers in China’s retail industry, especially those in the lower-tier market	Mainly end customers, including families in urban areas, property owners, facility managers and construction clients, mainly in China’s tier-one and -two market	Offline customers mainly in local areas of Jiangsu Province
<i>Overlapping customers relating to the overlapping business</i>	<p>(i) our revenue from overlapping customers relating to Overlapping Business with Hosjoy only accounted for 0.67%, 0.68%, 0.47% and 0.17% of the revenue of our Group for the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021;</p> <p>(ii) our revenue from overlapping customers relating to Overlapping Business with the Suzhou Xinhongda Group only accounted for 0.24%, 0.13%, 0.15% and 0.26% of the revenue in our Group for the three years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021.</p>		

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

As demonstrated in the above table, our Group is mainly engaged in the sales of finished products and the provision of SaaS+ and merchant solutions to business customers (retail stores and wholesalers) in China's retail market and especially those in the lower-tier market. Meanwhile for the Other Businesses, Hosjoy provides one-stop smart home solutions mainly with large-scale system construction projects to end customers including families in the urban areas, property owners, facility managers and construction clients mainly in the tier-one and -two market; and Suzhou Xinhongda Group provides sales of electrical appliances to offline customers mainly in local areas of Jiangsu Province. Therefore, our Group and the Other Businesses differ in their business models, services offered, target customers and markets, company strategies, and share very few synergy for the Group to include the Other Businesses. Given the different business model and nature of the business operated by our Group and the companies controlled or held equity interest by our single largest Shareholder (excluding our Group), our Directors are of the view that there is no substantial competition between our business and the business operated by Hosjoy and Suzhou Xinhongda Group.

Save as disclosed above, to ensure that competition does not develop between us and other business and/or interest of our single largest Shareholder, Mr. Wang has signed the non-competition undertaking on January 25, 2022 in favor of our Group (the “**Non-Competition Undertaking**”) to the effect that he will not and will procure each of his respective close associates (excluding our Group) not to, directly or indirectly engage in, or hold any right or interest, or otherwise be involved in any business which may be in substantial competition with our business, see “– Non-Competition Undertaking” below for details.

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDER

Taking into consideration the following factors, our Directors are of the view that we are capable of carrying on our business independently from Mr. Wang and his close associates after completion of the Global Offering.

Management Independence

Our Board consists of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. We are of the view that our Company is able to carry on our business independently from Mr. Wang and his close associates from a management perspective for the following reasons:

- (a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of the Group. For details of the industry experience of our senior management team, see “Directors, Supervisors and Senior Management” in this prospectus;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and Mr. Wang which would support our independent management. For details, see “– Corporate Governance” in this section.

Based on the above, the Directors believe that the Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from Mr. Wang and his close associates after the Global Offering.

Operational Independence

We do not rely on Mr. Wang and his close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from Mr. Wang and his close associates.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of Mr. Wang and his close associates.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We do not expect to rely on Mr. Wang and his close associates for financing after the Listing as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the proceeds from the Global Offering.

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by Mr. Wang and/or his associates. As of the Latest Practicable Date, Mr. Wang and/or his associates provided guarantee in favour of our Group for certain credit facilities we obtained from banks in the total amount of approximately RMB9.9 billion. We have obtained letters from independent third party commercial banks who confirmed that, they are willing to provide our Group with credits facilities equal to a total amount of approximately RMB14.0 billion, without any guarantee, security or financial support granted by Mr. Wang and/or his close associates to the Group, subject to regulatory requirements and the customary credit policies of such banks, and our Group will be able to obtain financing from independent third party commercial banks after the release of personal guarantee granted by Mr. Wang and/or his close associates to the Group by May 2022. In addition, during the Track Record Period and as of the Latest Practicable Date, we had received a series of Pre-IPO Investments from third party investors independently. For details of the Pre-IPO Investments, see "History, Development and Corporate Structure" in this prospectus. Furthermore, as of September 30, 2021, we had cash and cash equivalent amounted to RMB2.3 billion.

Based on the above, our Directors believe that we could have access to adequate financing independently from Mr. Wang and/or his close associates. Save as disclosed in the section headed "Directors, Supervisors and Senior Management" in this prospectus, none of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with our business and which requires disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

Our single largest Shareholder and non-executive Director, Mr. Wang, has irrevocably and unconditionally undertaken to us in the Non-Competition Undertaking that he will not, and will procure his close associates (other than members of our Group) not to (i) directly or indirectly be involved in any business (other than our business) that directly or indirectly competes, or may compete, with our business, which includes commerce and service platform serving businesses in China's retail market (collectively referred to as the "**Restricted Businesses**"); or (ii) hold shares or interest in any companies or businesses that compete directly or indirectly with the business engaged by our Group from time to time, or conduct any Restricted Businesses, except where our single largest Shareholder and his close associates hold less than 30% of the total share capital of any company which is engaged in any business that is or may

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

be in competition with business engaged in by any member of our Group, and they do not control the composition of the board of directors of such company (the “**Non-controlling Interest**”). The above restrictions do not apply when our Group engages in a new business that is not a Restricted Business and at the time of such new business, our single largest Shareholder had already been conducting or been involved in, or otherwise been interested in, the relevant business. For the avoidance of doubt, having 39.4% indirect equity interest and 19% direct equity interest in Hosjoy, 10% indirect equity interest in Suzhou Xinhongda and its wholly-owned subsidiaries, Taizhou Fuling and Yancheng Chengling, does not constitute a breach of the Non-Competition Undertaking as such equity interest was made before the execution of the Non-Competition Undertaking and provided that the Overlapping Business account for less than 10% of the total revenue, assets and gross profits of the Group for the most recent financial year at all time.

Furthermore, our single largest Shareholder has undertaken that if any new business investment/other business opportunity relating to the Restricted Businesses (the “**Competing Business Opportunity**”) is identified by/made available to him or any of his close associates, he shall, and shall procure his close associates to, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the “**Offer Notice**”) within 30 business days of identifying the target company (if relevant), the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, our Company shall decide whether to pursue or decline the Competing Business Opportunity. Our Company shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. Our Company, within 30 business days of receipt of the written notice referred to above, shall inform our single largest Shareholder in writing in its decision whether to pursue or decline the Competing Business Opportunity.

Our single largest Shareholder shall be entitled but not obliged to pursue such Competing Business Opportunity if he has received a notice from our Company declining such Competing Business Opportunity or if our Company fails to respond within the 30 business days’ period as mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the single largest Shareholder, he will refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Non-Competition Undertaking will lapse automatically if our single largest Shareholder and his close associates, individually or collectively hold less than 10% voting rights of our Company or cease to be our single largest Shareholder or our Shares cease to be listed on the Stock Exchange.

RELATIONSHIP WITH OUR SINGLE LARGEST SHAREHOLDER

Our single largest Shareholder has further undertaken to us that he will provide and procure his close associates to provide, on a best endeavour basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Non-Competition Undertaking. He will make an annual declaration in our annual report on the compliance with the Non-Competition Undertaking in accordance with the principle of voluntary disclosure in the corporate governance report.

Based on the information provided and confirmed by our Company, our Directors are of the view and the Joint Sponsors concur, that the Non-Competition Undertaking will be effective in managing any potential competition in the future between the single largest Shareholder and his close associates on the one hand, and our Group on the other hand.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and Mr. Wang:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which Mr. Wang or any of his associates has a material interest, Mr. Wang will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with Mr. Wang or any of his associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between the Group and Mr. Wang (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) the single largest Shareholder will undertake to provide all information necessary as required by the independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses; and
- (g) we have appointed Altus Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and Mr. Wang, and to protect minority Shareholders’ interests after the Listing.

SHARE CAPITAL

SHARE CAPITAL

Immediately before the Global Offering

As of the Latest Practicable Date, the registered capital of our Company was RMB508,658,037, comprising 508,658,037 Domestic Shares of nominal value of RMB1.00 per Share. The particulars of the shareholding of our Company were as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Percentage of the issued share capital</u>
Domestic Shares in issue	508,658,037	100%

Upon Completion of the Global Offering

Immediately following completion of the Global Offering and the Conversion of Domestic Shares into H Shares, assuming that the Over-allotment Option is not exercised, our share capital is as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate % of the enlarged issued share capital after the Global Offering</u>
Domestic Shares in issue.	382,303,498	68.24%
H Shares to be converted from Domestic Shares ^{Note 1}	126,354,539	22.55%
H Shares issued pursuant to the Global Offering	51,606,200	9.21%
Total	<u>560,264,237</u>	<u>100%</u>

Note: See “Our Structure immediately following the Completion of the Global Offering” in “History, Development and Corporate Structure” for details of the relevant Shareholders whose Shares will be converted into H Shares upon Listing.

The Conversion of Domestic Shares into H Shares will involve an aggregate of 126,354,539 Domestic Shares held by 26 out of 27 existing Shareholders, representing approximately 22.55% of total issued Shares of the Company upon completion of the Conversion of Domestic Shares into H Shares and the Global Offering (assuming the Over-allotment Option is not exercised). Set out below are such Shares held by our existing Shareholders and their respective shareholding upon completion of the Conversion of Domestic Shares into H Shares and the Global Offering (assuming the Over-allotment Option is not exercised).

SHARE CAPITAL

Shares immediately after Global Offering (assuming the Over-allotment Option is not exercised) and the Conversion of Domestic Shares into H Shares					
Shareholders	Number of Converted H Shares	H Shares	Approximate Percentage (%)	Domestic Shares	Approximate Percentage (%)
Mr. Wang	39,516,334	39,516,334	7.05	114,439,526	20.43
Alibaba China	24,915,812	24,915,812	4.45	72,156,332	12.88
Mr. Xu Xiuxian	18,295,661	18,295,661	3.27	52,984,339	9.46
Mr. Wang Jian	7,455,912	7,455,912	1.33	21,592,364	3.85
SOE IIF	6,921,056	6,921,056	1.24	20,043,418	3.58
Huaxia Life	0	0	0.00	16,380,000	2.92
Nanjing Yuanbai	2,991,759	2,991,759	0.53	8,664,152	1.55
China Structural Reform Fund	3,488,213	3,488,213	0.62	10,101,887	1.80
Ms. Bian Huimin	2,867,658	2,867,658	0.51	8,304,756	1.48
Shenzhen Huasheng	2,865,566	2,865,566	0.51	8,298,697	1.48
Zhongmei Green	2,504,765	2,504,765	0.45	7,253,816	1.29
Jiangsu Coastal Fund	2,122,822	2,122,822	0.38	6,147,706	1.10
Zhihan (Shanghai)	2,109,272	2,109,272	0.38	6,108,465	1.09
Tianjin New Vision	2,106,918	2,106,918	0.38	6,101,650	1.09
Changxing Xiangrong	1,107,369	1,107,369	0.20	3,206,949	0.57
Jiangsu Venture Capital	1,016,790	1,016,790	0.18	2,944,631	0.53
Huatai Zijin	823,387	823,387	0.15	2,384,534	0.43
Mr. Li Yonghua	745,591	745,591	0.13	2,159,237	0.39
Mr. Wang Qilin	745,591	745,591	0.13	2,159,237	0.39
Mr. Li Wei	745,591	745,591	0.13	2,159,237	0.39
Ms. Qian Zhengming	653,460	653,460	0.12	1,892,424	0.34
Mr. Cai Jingzhong	573,531	573,531	0.10	1,660,952	0.30
Suzhou Shunwei	554,413	554,413	0.10	1,605,587	0.29
Beijing Yuhui	554,413	554,413	0.10	1,605,587	0.29
Minsheng Investment	553,684	553,684	0.10	1,603,474	0.29
Miner Consulting	110,737	110,737	0.02	320,695	0.06
Nanjing Daoning	8,234	8,234	0.00	23,846	0.00
Total	126,354,539	126,354,539	22.55	382,303,498	68.24

SHARE CAPITAL

Immediately following completion of the Global Offering and the Conversion of Domestic Shares into H Shares, and assuming that the Over-allotment Option is fully exercised, our share capital is as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Domestic Shares in issue.	382,303,498	67.31%
H Shares to be converted from Domestic Shares ^{Note 1&2}	126,354,539	22.25%
H Shares issued pursuant to the Global Offering	59,347,100	10.45%
Total	568,005,137	100%

Notes:

1. See “Our Structure immediately following the Completion of the Global Offering” in “History, Development and Corporate Structure” for details of the relevant Shareholders whose Shares will be converted into H Shares upon Listing.
2. Since the Negative List allows foreign investors to hold no more than 50% equity interests in value-added telecommunications service provider (like us), we adopted partial conversion after which foreign investors would hold no more than 50% equity interests in our Company assuming that the Over-allotment Option is fully exercised which is in compliance with the above restriction on foreign shareholding.

MINIMUM PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer’s listed securities to be maintained. This normally means that at least 25% of the issuer’s total issued share capital must at all times be held by the public. Our Company has applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has exercised, its discretion under Rule 8.08(1)(d) of the Listing Rules to allow a reduced public float for the Shares of the Company equivalent to the highest of (1) approximately 15% of the total issued share capital of the Company; (2) such percentage of H Shares to be held by the public immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised) and the Conversion of Domestic Shares into H Shares; and (3) such percentage of H Shares to be held by the public immediately after the completion of the Global Offering (as increased by the H Shares to be issued upon exercise of the Over-allotment Option) and the Conversion of Domestic Shares into H Shares as described in “Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance” of this prospectus.

SHARE CAPITAL

CLASS OF SHARES

Upon the completion of the Global Offering and the Conversion of Domestic Shares into H Shares, the Shares will consist of Domestic Shares and H Shares. Domestic Shares and H Shares are all ordinary Shares in the share capital of our Company.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the Domestic Shares held by whom will be converted into H Shares according to the approval of the CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic Shares and H Shares are regarded as different classes of Shares. The differences between the two classes of Shares, provisions on class rights, dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the procedure of transfer of Shares and appointment of dividend receiving agents as contained in the Articles of Association are summarized in “Appendix VI – Summary of the Articles of Association.”

Furthermore, any change or abrogation of the rights of class Shareholders shall be approved by way of a special resolution of the general meeting of Shareholders and by a separate class shareholders meeting of class Shareholders convened by the affected class of Shareholders. The circumstances under which a general meeting and/or a class meeting is required are summarized in “Appendix VI – Summary of Articles of Association of the Company.” However, the special approval process of separate classes of Shareholders is not required under the following circumstances:

- I. issue of Domestic Shares or H Shares of not more than 20% of existing Domestic Shares or H Shares, respectively, either separately or concurrently in a period of 12 months, pursuant to an approval by a special resolution of the general meeting;
- II. proposal to issue of Domestic Shares and H Shares of the Company upon its establishment pursuant to approval of the securities regulatory authority under the State Council, provided that such proposal is carried out within 15 months after such approval; or
- III. transfer of Domestic Shares by domestic shareholder to foreign investors, or conversion of Domestic Shares by domestic shareholder to foreign Shares in part or in full, and such transferred or converted Shares are listed on overseas stock exchange as approved by the securities regulatory authority under the State Council and with the consent of the Hong Kong Stock Exchange.

SHARE CAPITAL

Save as disclosed above, Domestic Shares and H Shares shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF DOMESTIC SHARES INTO H SHARES

If any of the Domestic Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

Listing Review and Approval by the CSRC

In accordance with the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請「全流通」業務指引》) announced by the CSRC, H-share listed companies which apply for the conversion of domestic shares into H shares for listing and circulation on the Hong Kong Stock Exchange shall file the application with the CSRC according to the administrative licensing procedures necessary for the “examination and approval of public issuance and listing (including additional issuance) of overseas shares by a joint stock company”. An H-share listed company may apply for a “Full Circulation” separately or when applying for refinancing overseas. An unlisted domestic joint stock company may apply for “Full Circulation” when applying for an overseas initial public offering.

The Company applied for a “Full Circulation” when applying for an overseas listing with the CSRC on May 30, 2021, and submitted the application reports, authorization documents of the shareholders of domestic unlisted shares for which an H-share “full circulation” were applied, explanation about the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

The Company has received the reply from the CSRC dated September 30, 2021 in relation to the approval of the overseas listing and “Full Circulation”, pursuant to which, (1) the Company was approved to issue no more than 103,227,600 H Shares with a nominal value of RMB1.0 each, which are all ordinary shares, and upon this issuance the Company may be listed on the Main Board of the Hong Kong Stock Exchange; (2) a total of 126,354,539 domestic unlisted shares (with a nominal value of RMB1.0 each) held by 26 existing Shareholders of the Company (the “**Domestic Participating Shareholders**”) were approved to be converted into H Shares, and the relevant Shares may be listed on the Hong Kong Stock Exchange upon completion of the conversion. This reply shall remain effective within 12 months from the date of approval.

SHARE CAPITAL

Listing Approval by the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from 126,354,539 Domestic Shares on the Main Board of the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the follow procedures for the conversion of domestic unlisted shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS. The Domestic Participating Shareholders may only deal in the Shares upon completion of following domestic procedures.

Domestic Procedures

The Domestic Participating Shareholders may only deal in the Shares upon completion of the below arrangement procedures for the registration, deposit and transaction settlement in relation to the conversion and listing:

- (a) We will appoint CSDC as the nominal holder to deposit the relevant securities at CSDC (Hong Kong), which will then deposit the securities at HKSCC in its own name. CSDC, as the nominal holder of the Domestic Participating Shareholders, shall handle all custody, maintenance of detailed records, cross-broader settlement and corporate actions, etc. relating to the converted H Shares for the Domestic Participating Shareholders;
- (b) We will engage a domestic securities company (the “**Domestic Securities Company**”) to provide services such as the transmission of sell orders and trading messages in respect of the converted H Shares. The Domestic Securities Company will engage a Hong Kong securities company (the “**Hong Kong Securities Company**”) for settlement of share transactions. We will make an application to CSDC, Shenzhen Branch for the maintenance of a detailed record of the initial holding of the converted H Shares held by our Shareholders. Meanwhile, we will submit applications for a domestic transaction commission code and abbreviation, which shall be confirmed by CSDC, Shenzhen Branch as authorized by SZSE;
- (c) The SZSE shall authorize Shenzhen Securities Communication Co., Ltd. to provide services relating to transmission of trading orders and trading messages in respect of the Converted H Shares between the Domestic Securities Company and the Hong Kong Securities Company, and the real-time market forwarding services of the H Shares;

SHARE CAPITAL

- (d) According to the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), the Domestic Participating Shareholders shall complete the overseas shareholding registration with the local foreign exchange administration bureau before the Shares are sold, and after the overseas shareholding registration, open a specified bank account for the holding of overseas shares by domestic investors at a domestic bank with relevant qualifications and open a fund account for the H Share “Full Circulation” at the Domestic Securities Company. The Domestic Securities Company shall open a securities trading account for the H Share “Full Circulation” at the Hong Kong Securities Company; and
- (e) The Domestic Participating Shareholders shall submit trading orders of the Converted H Shares through the Domestic Securities Company. Trading orders of the Domestic Participating Shareholders for the relevant Shares will be submitted to the Hong Kong Stock Exchange through the securities trading account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Domestic Participating Shareholders, will all be conducted separately.

As a result of the conversion, the shareholding of the relevant Domestic Participating Shareholders in our Domestic Share capital registered shall be reduced by the number of Domestic Shares converted and the number of H Shares shall be increased by the number of converted H Shares.

A Domestic Shareholders can work with the Company according to the Articles of Association and follow the procedures set out in this prospectus to convert the Domestic Shares into H Shares after the Listing if they want, provided that such conversion of Domestic Shares into and listing and trading of H Shares will be subject to the approval of the relevant PRC regulatory authorities, including the CSRC, the approval of the Hong Kong Stock Exchange and the satisfaction of the public float requirement under the Listing Rules by the Company.

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

According to the Company Law, the Shares issued by the Company prior to the Global Offering (including a total of 126,354,539 H Shares to be converted from Domestic Shares held by 26 existing Shareholders of the Company) are restricted from trading within one year from the Listing Date.

The Company will work with the Domestic Securities Company to be engaged by the Company to restrict the trading of the H Shares converted from Domestic Shares technically within one year after the Listing. In the unlikely event that any Participating Domestic Shareholders trades their H Shares during such restriction period, as advised by the PRC Legal

SHARE CAPITAL

Advisor, there will be no administrative penalty on the Company under the PRC laws and regulations but there is risk that the underlying agreement for the transfer of such H Shares may be declared void pursuant to PRC Civil Code.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, the Company is required to register the Domestic Shares with the CSDC within 15 business days upon the Listing and provide a written report to the CSRC regarding the results of centralized registration and deposit of the Domestic Shares as well as the offering and listing of the H Shares.

SHAREHOLDERS' APPROVAL FOR THE GLOBAL OFFERING

Approval from holders of the Shares is required for the Company to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. The Company has obtained such approval at the Shareholders' general meeting held on May 10, 2021.

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, the following persons directly or indirectly held, or are entitled to exercise the control of 5% or more of our share capital:

Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares Held or Interested	Approximate Percentage
Mr. Wang ⁽¹⁾	Beneficial owner Interest in a controlled corporation	Domestic Shares	153,955,860	30.27%
		Domestic Shares	11,655,911	2.29%
Alibaba China	Beneficial owner	Domestic Shares	97,072,144	19.08%
Mr. Xu Xiuxian	Beneficial owner	Domestic Shares	71,280,000	14.01%
Mr. Wang Jian	Beneficial owner	Domestic Shares	29,048,276	5.71%
SOE IIF	Beneficial owner	Domestic Shares	26,964,474	5.30%

Note:

- As of the Latest Practicable Date, Mr. Wang indirectly controlled 100% equity interest in Nanjing Yuanbai through Five Star Holdings (a company in which Mr. Wang was entitled to exercise approximately 68.43% voting rights). Therefore, Mr. Wang was deemed to be interested in the Shares held by Nanjing Yuanbai.

To the best of our Directors' knowledge and information, immediately following the completion of the Global Offering and the Conversion of Domestic Shares into H Shares, and assuming the Over-allotment Option is not exercised, the following persons will have interests or short positions as applicable in our Shares or underlying Shares of our Company which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the Shares, once the Shares are listed on the Stock Exchange:

Name of Shareholder	Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding in the Relevant Class of Shares after the Global Offering	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering
Mr. Wang ⁽¹⁾	Beneficial owner	39,516,334 H Shares	22.21%	7.05%
		114,439,526 Domestic Shares	29.93%	20.43%
	Interest in a controlled corporation	2,991,759 H Shares	1.68%	0.53%
		8,664,152 Domestic Shares	2.27%	1.55%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of Interest	Number and Class of Shares	Approximate Percentage of Shareholding in the Relevant Class of Shares after the Global Offering	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering
Alibaba China	Beneficial owner	24,915,812 H Shares	14.00%	4.45%
		72,156,332 Domestic Shares	18.87%	12.88%
Mr. Xu Xiuxian	Beneficial owner	18,295,661 H Shares	10.28%	3.27%
		52,984,339 Domestic Shares	13.86%	9.46%
Mr. Wang Jian	Beneficial owner	7,455,912 H Shares	4.19%	1.33%
		21,592,364 Domestic Shares	5.65%	3.85%
SOE IIF	Beneficial owner	6,921,056 H Shares	3.89%	1.24%
		20,043,418 Domestic Shares	5.24%	3.58%

Note:

- As of the Latest Practicable Date, Mr. Wang indirectly controlled 100% equity interest in Nanjing Yuanbai through Five Star Holdings (a company in which Mr. Wang was entitled to exercise approximately 68.43% voting rights). Therefore, Mr. Wang was deemed to be interested in the Shares held by Nanjing Yuanbai.

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, see “Appendix VII – Statutory and General Information – 4. Disclosure of Interest – B. Disclosure of Interests of Substantial Shareholders”.

Save as disclosed herein, the Directors are not aware of any other person who will, immediately following the Global Offering (and the offering of any additional H Shares pursuant to the Over-allotment Option), have an interest or short position in Shares or underlying Shares of the Company, which would be required 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 will, 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 meeting of the Company.

As at the Latest Practicable Date, our Company is not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

CORNERSTONE INVESTORS

THE CORNERSTONE INVESTMENT

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 at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be purchased for an aggregate amount of US\$150 million (or approximately HK\$1,168.31 million, calculated based on an exchange rate of US\$1.00 to HK\$7.78871) (the “**Cornerstone Investment**”).

Assuming an Offer Price of HK\$43.00, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 27,169,700 Offer Shares, (a) representing approximately 52.65% of the Offer Shares pursuant to the Global Offering and approximately 4.85% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (b) approximately 45.78% of the Offer Shares pursuant to the Global Offering and approximately 4.78% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full).

Assuming an Offer Price of HK\$45.50, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 25,677,000 Offer Shares, representing (a) approximately 49.76% of the Offer Shares pursuant to the Global Offering and approximately 4.58% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (b) approximately 43.27% of the Offer Shares pursuant to the Global Offering and approximately 4.52% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full).

Assuming an Offer Price of HK\$48.00, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 24,339,300 Offer Shares, representing (a) approximately 47.16% of the Offer Shares pursuant to the Global Offering and approximately 4.34% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (b) approximately 41.01% of the Offer Shares pursuant to the Global Offering and approximately 4.29% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is exercised in full).

CORNERSTONE INVESTORS

Our Company is of the view that the Cornerstone Investment will help raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Further, we believe that we will benefit from the Cornerstone Investment, taking into account the business sectors they primarily focus on, and the potential business synergies between our Cornerstone Investors and us. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through the Group's business network or through introduction by the Company's existing shareholders or business partners.

The Cornerstone Investment will form part of the International Offering and the Cornerstone Investors will not subscribe for 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 respect with the fully paid Shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of our Company. The Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

To the best knowledge of our Company, (i) each of the Cornerstone Investors is independent from our Company, its connected persons (as defined under the Listing Rules) and their respective associates; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, our subsidiaries, the Directors, chief executive, our single largest Shareholder, substantial Shareholders, existing Shareholders or their respective close associates in relation to the acquisition, disposal, voting, or other disposition of H Shares registered in its name or otherwise held by it; (iii) none of the Cornerstone Investors is financed by our Company, the Directors, chief executives, our single largest Shareholder, substantial Shareholders, existing Shareholders or any of our subsidiaries or their respective close associates for the purpose of subscription of the Offer Shares; and (iv) each of the Cornerstone Investors is independent from each other.

As confirmed by each Cornerstone Investor, its subscription under the Cornerstone Investment Agreements would be financed by their own internal financial resources, including but not limited to (a) subscription monies from its fund investors in the accounts managed by them and returns on other investments through fund entities; and/or (b) self-owned funds (as the case may be) and that they have sufficient funds to settle their respective investments under the Cornerstone Investment. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to its cornerstone investment in the Company and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment as each of them has general authority to invest. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Investment, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

CORNERSTONE INVESTORS

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's H Shares commence on the Stock Exchange.

Pursuant to Rule 8.08(3) of the Listing Rules, no more than 50% of the H Shares in public hands on the Listing Date can be beneficially owned by the three largest public shareholders of H Shares. In the event that the Offer price is set at the low-end of the indicative Offer Price range set out in this prospectus, the total investment amount invested by and the total number of H Shares to be allocated to Skyworth Overseas Investment Holdings Limited, Golden Feather Corporation and either one of Windfall T&L SPC or Heilan Group Co., Limited (each of whom agreed to invest US\$20 million as a cornerstone investor), being the top three Cornerstone Investors (in terms of investment amount), will be US\$110 million and 19,924,500 H Shares, respectively, representing approximately 38.61% of the Offer Shares (assuming the Over-allotment Option is not exercised) and approximately 3.56% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), and therefore satisfying the requirement under Rule 8.08(3) of the Listing Rules.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and Clawback". Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around Thursday, February 17, 2022.

If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by all Cornerstone Investors. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares before date of commencement of dealings in the H Shares on the Stock Exchange. If there is no over-allocation in the International Offering, delayed delivery will not take place. There will be no deferred payment for the Offer Shares to be subscribed by the Cornerstone Investors. For details of the Over-allotment Option, see "Structure of the Global Offering – The International Offering – Over-allotment Option."

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investors in connection with the Cornerstone Investment.

CORNERSTONE INVESTORS

Skyworth Overseas Investment Holdings Limited

Skyworth Overseas Investment Holdings Limited (“**Skyworth**”) is an investment holding company incorporated in Hong Kong in 2016, which is wholly owned by Shenzhen Chuangwei – RGB Electronics Co., Ltd. (深圳創維 – RGB 電子有限公司), which is in turn ultimately controlled and owned by Skyworth Group Limited (“**Skyworth Group**”). Skyworth Group is a company listed on the Stock Exchange (stock code: 0751.HK) and principally engaged in the manufacture and sales of smart TV system, home access systems, smart white appliances, internet value-added services, property development, property holding, modern services and trading of other products, and is one of our existing suppliers. It is held by Mr. Wong Wang Sang, Stephen and his close associates as to approximately 46.77% interest as of December 31, 2021. We believe that the investment from Skyworth will further strengthen our supply chain resources. No approval from the shareholders of Skyworth Group or the Stock Exchange is required for Skyworth’s investment to our Company as described in this section.

Golden Feather Corporation

Golden Feather Corporation is an investment holding company incorporated in the BVI and is wholly and beneficially owned by Mr. Zhu Xing Liang (“**Mr. Zhu**”). Mr. Zhu is the founder and controlling shareholder of Suzhou Gold Mantis Construction Decoration Co., Ltd. (蘇州金螳螂建築裝飾股份有限公司, “**Gold Mantis Construction**”) (stock code: 002081.SZ), a company listed on the Shenzhen Stock Exchange primarily engaged in building construction and decoration industries, in which Golden Feather Corporation holds approximately 23.77% interest. In light of the principal business of Gold Mantis Construction and one of our major merchandise offerings being homebuilding and renovation materials, we believe that the cornerstone investment made by Golden Feather Corporation will create organic business synergy between Gold Mantis Construction and our Group, and further enhance our supply chain resources.

Windfall T&L SPC

Windfall T&L SPC (“**Windfall**”) is an exempted company registered as a segregated portfolio company under the laws of the Cayman Islands with limited liability. Windfall has entered into a cornerstone investment agreement with our Company and the Joint Representatives, on behalf of and for the account of SANDS CAPITAL T&L SPC SP2, a segregated portfolio of Windfall, which principally invests in companies engaged in logistics or technology industries. Windfall is managed by its shareholder, Sands Talk Capital, which is an exempted company incorporated in the Cayman Islands with limited liability ultimately controlled and beneficially owned by Mr. Qu Tian. Mr. Qu is a sophisticated investor with extensive investment experience in consumer and e-commerce sectors. The investor of Windfall is a rapid-growing international logistics service provider. Leveraging the investment insights and focus of Windfall on logistics and technology industries, our Company may enhance and optimize our logistics network and IT infrastructure, laying foundation for further business development and operation. As of January 20, 2022, the assets under management of Windfall contributed by the investor is nearly US\$40 million.

CORNERSTONE INVESTORS

Heilan Group Co., Limited

Heilan Group Co., Limited (“**Heilan Group**”) is a company incorporated in Hong Kong ultimately controlled and beneficially owned by Mr. Zhou Jianping through Jiangyin Heilan Investment holding Co., Ltd. (江陰市海瀾投資控股有限公司) (“**Heilan Investment**”), which is principally engaged in general trading and investment holding. Heilan Investment is a holding group, whose core industry is clothing retail, coordinating development of cultural tourism, commercial management, intelligent energy and financial investment. Our Company believe that Heilan Group’s experience in retail sector may also bring business insights to our development strategies and industry chain planning.

SensePower Management Limited

SensePower Management Limited (“**SensePower**”) is a company incorporated in the BVI and is principally engaged in investment holding. SensePower is an indirect wholly-owned subsidiary of SenseTime Group Inc. (“**SenseTime**”), a company listed on the Main Board of the Stock Exchange (stock code: 0020.HK), the ultimate beneficial owner of which is Dr. Tang Xiao’ou (湯曉鷗), a professor at the Department of Information Engineering of the Chinese University of Hong Kong. SenseTime is a leading AI software company with a focus on computer vision technologies, serving a broad range of industries in smart business, smart city, smart life and smart auto. In light of its leading market position, we will benefit from the technology empowerment brought by SenseTime, further optimize our IT infrastructure and enhance our SaaS+ business. No approval from the shareholders of SenseTime or the Stock Exchange is required for SensePower’s investment to our Company as described in this section.

Greenwoods Asset Management Hong Kong Limited

Greenwoods Asset Management Hong Kong Limited (“**Greenwoods**”) is a private fund management company incorporated in Hong Kong with limited liability, and is a licensed corporation under the SFO for type 9 (asset management) of the regulated activities as defined under the SFO. Established in 2005, Greenwoods is one of the earliest China-focused asset managers mainly specializing in investing into companies in the Greater China region. Greenwoods is the manager/advisor of funds such as Golden China Master Fund. Greenwoods focuses on fundamental research, value investments, and local due diligence. Investors of funds and accounts managed by Greenwoods mainly consist of global institutional investors such as sovereign wealth funds, university endowments, financial institutions, and family offices. As confirmed by Greenwoods, the subscription of the Offer Shares as a cornerstone investor will be made by Greenwoods in its capacity as the discretionary investment manager, and is not conducted in accordance with instructions from any specific underlying client.

CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Investment:

Based on the Offer Price of HK\$43.00 (being the low-end of the indicative Offer Price range)

Cornerstone Investor	Total investment Amount	Number of Offer Shares to be acquired ⁽¹⁾⁽²⁾	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of ownership	Approximate % of the Offer Shares	Approximate % of ownership
	<i>(US\$ in million)</i>					
Skyworth	50	9,056,600	17.55%	1.62%	15.26%	1.59%
Golden Feather	40	7,245,300	14.04%	1.29%	12.21%	1.28%
Windfall	20	3,622,600	7.02%	0.65%	6.10%	0.64%
Heilan Group	20	3,622,600	7.02%	0.65%	6.10%	0.64%
SensePower	10	1,811,300	3.51%	0.32%	3.05%	0.32%
Greenwoods	10	1,811,300	3.51%	0.32%	3.05%	0.32%
Total	150	27,169,700	52.65%	4.85%	45.78%	4.78%

Based on the Offer Price of HK\$45.50 (being the mid-point of the indicative Offer Price range)

Cornerstone Investor	Total investment Amount	Number of Offer Shares to be acquired ⁽¹⁾⁽²⁾	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of ownership	Approximate % of the Offer Shares	Approximate % of ownership
	<i>(US\$ in million)</i>					
Skyworth	50	8,559,000	16.59%	1.53%	14.42%	1.51%
Golden Feather	40	6,847,200	13.27%	1.22%	11.54%	1.21%
Windfall	20	3,423,600	6.63%	0.61%	5.77%	0.60%
Heilan Group	20	3,423,600	6.63%	0.61%	5.77%	0.60%
SensePower	10	1,711,800	3.32%	0.31%	2.88%	0.30%
Greenwoods	10	1,711,800	3.32%	0.31%	2.88%	0.30%
Total	150	25,677,000	49.76%	4.58%	43.27%	4.52%

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$48.00 (being the high-end of the indicative Offer Price range)

Cornerstone Investor	Total investment Amount <i>(US\$ in million)</i>	Number of Offer Shares to be acquired ⁽¹⁾⁽²⁾	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of ownership	Approximate % of the Offer Shares	Approximate % of ownership
Skyworth.	50	8,113,200	15.72%	1.45%	13.67%	1.43%
Golden Feather	40	6,490,500	12.58%	1.16%	10.94%	1.14%
Windfall	20	3,245,200	6.29%	0.58%	5.47%	0.57%
Heilan Group	20	3,245,200	6.29%	0.58%	5.47%	0.57%
SensePower	10	1,622,600	3.14%	0.29%	2.73%	0.29%
Greenwoods	10	1,622,600	3.14%	0.29%	2.73%	0.29%
Total	150	24,339,300	47.16%	4.34%	41.01%	4.29%

Notes:

(1) Calculated based on an exchange rate of US\$1.00 to HK\$7.78871.

(2) Subject to rounding down to the nearest whole board lot of 100 H Shares.

CLOSING CONDITIONS

The obligation of each of the Cornerstone Investors to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement 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 Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (ii) the Offer Price having been agreed upon between the Company and the Joint Representatives (on behalf of the underwriters of the Global Offering);

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- (iii) the Listing Committee having granted the listing of, and permission to deal in, the H Shares (including the H Shares under the Cornerstone Investment) 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 H Shares on the Stock Exchange;
- (iv) no laws shall have been enacted or promulgated by any government authority which prohibits the consummation of the transactions contemplated in Hong Kong Public Offering, the International Offering or the 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
- (v) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTOR

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, 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.

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in “Appendix I – Accountants’ 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 “Forward-Looking Statements” and elsewhere in this prospectus.

OVERVIEW

We are a fast growing commerce and service platform dedicated to serving business customers in China’s retail market, with majority of our revenue generated from wholesaler customers with a delivery address and retail stores registered in the lower-tier market. We are a pioneer in the retail industry that established a membership-based business model in 2015, since when we started to serve local family-run retail stores in China’s towns and villages as our member stores and to provide them with stable one-stop supply chains. To strengthen our interactions with member stores, we built a team of localized client managers, who have a deep understanding of the lower-tier market and provide in-person training and marketing services to the proprietors of our member stores. During the Track Record Period, we have accumulatively connected over 160,000 member stores, 10,000 suppliers and 20,000 wholesaler customers, and, as of September 30, 2021, we have developed a retail ecosystem covering 21 provinces and over 20,000 towns and villages across China.

We facilitate commerce transactions and offer SaaS+ and merchant solutions for participants along the industry value chain, including retail stores and wholesalers. During the Track Record Period, we generated substantially all of our revenue from our commerce business, principally direct sales.

During the Track Record Period, our revenue increased by 46.4% from RMB29,801.7 million in 2018 to RMB43,633.2 million in 2019, and further increased by 13.7% to RMB49,629.1 million in 2020. Our total revenue increased by 35.1% from RMB34,418.5 million for the nine months ended September 30, 2020 to RMB46,495.9 million for the nine months ended September 30, 2021. Our adjusted net profit (non-IFRS measure) for the year increased by 100.7% from RMB124.3 million in 2018 to RMB249.5 million in 2019, and further increased by 29.1% to RMB322.1 million in 2020, and our adjusted net profit margin (non-IFRS measure) was 0.4%, 0.6% and 0.6% in 2018, 2019 and 2020, respectively. Our

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adjusted net profit (non-IFRS measure) increased by 149.2% from RMB138.9 million for the nine months ended September 30, 2020 to RMB346.2 million for the nine months ended September 30, 2021, and our adjusted net profit margin (non-IFRS measure) was 0.4% and 0.7% for the nine months ended September 30, 2020 and 2021, respectively. As of December 31, 2018, 2019, 2020 and as of September 30, 2021, we had accumulated losses of RMB311.7 million, RMB727.0 million, RMB1,132.3 million and RMB1,412.1 million, respectively, primarily due to the net losses incurred as a result of the significant amounts of interest expenses arising from redeemable capital contributions during the Track Record Period.

RECENT DEVELOPMENTS

In the nine months ended September 30, 2021, our commerce and service businesses continued to expand, and our revenue increased significantly from the same period in 2020, which were mainly because (i) our sales of consumer electronics and agricultural means of production increased substantially, since the adverse impact of COVID-19 outbreak has gradually subsided in China and market demand for such merchandise has substantially increased; and (ii) we strengthened our cooperation with suppliers so that we can offer a more diverse range of popular merchandise with strengthened supply chain capabilities.

Based on the unaudited management accounts, our net loss for the year ended December 31, 2021 is estimated to decrease, compared to the year ended December 31, 2020, primarily due to our profitability improvement in 2021. This prospectus has disclosed a loss estimate in the section headed “Financial Information,” however, excluding the impact of the interest expenses arising from redeemable capital contributions, we are expected to have an adjusted net profit for the year ended December 31, 2021.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since September 30, 2021, being the end date of the periods reported on in the Accountants’ Report in Appendix I to this prospectus, and there is no event since September 30, 2021, that would materially affect the information as set out in the Accountants’ Report in Appendix I to this prospectus.

BASIS OF PRESENTATION

Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board.

The preparation of our consolidated financial information in conformity with IFRS requires the use of certain critical judgements, estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are disclosed in note 3 to the Historical Financial Information included in the Accountants’ Report in Appendix I to this prospectus.

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MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are beyond our control, including the following:

Our Ability to Attract Customers and Increase Customer Activity

Growth in the number of our customers and our transaction value is a key driver of our revenue growth. We have a large and growing customer base. During the Track Record Period, we accumulated over 160,000 member stores and over 20,000 wholesaler customers, the two main types of our customers. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, we had 34,968, 34,225, 32,715, 24,961 and 57,074 active member stores and 12,955, 19,425, 18,807, 14,543 and 13,653 active wholesaler customers. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, our revenue generated from member stores amounted to RMB14,492.3 million, RMB17,130.1 million, RMB13,470.4 million, RMB10,153.9 million and RMB11,500.5 million, respectively, and our revenue generated from wholesaler customers amounted to RMB14,756.2 million, RMB25,366.9 million, RMB35,010.2 million, RMB23,582.7 million and RMB33,534.4 million, respectively. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, revenue from our commerce business was RMB29,660.6 million, RMB43,378.6 million, RMB49,302.0 million, RMB34,211.0 million and RMB46,143.5 million, respectively. The growth in the number of our customers and our transaction value in the past was mainly driven by a combination of factors, such as our expansion into more geographic regions, increase in merchandise categories and better client services.

Our ability to continue to attract new customers and increase customer purchases depends on the supply of high-quality and attractive merchandise brought by the improvement of supply chain capabilities, the continuous professional and satisfying customer services, and the continuous improvement of our infrastructures and service capabilities.

Our Ability to Establish and Maintain Relationships with Merchandise Suppliers

We procure merchandise from suppliers, including brand manufacturers and distributors, and sell them to our customers. Our ability to provide a broad selection of merchandise on our commerce platform at competitive prices depends on our ability to develop mutually beneficial relationships with our suppliers. During the Track Record Period, we maintained a stable supplier network for each of our six major merchandise categories. As of the Latest Practicable Date, we had more than 5,000 suppliers under the direct sales model of our commerce business. We have also established strategic cooperation with the leading product manufacturers and have established cooperative subsidiaries, which has enhanced our supply chain capabilities.

Our Ability to Manage Our Merchandise Portfolio and Service Offerings

Our ability to continue to expand our customer base, revenue and profit margin is predicated upon our ability to manage and diversify our merchandise portfolio and service offerings. In our commerce business, we offer six major merchandise categories as of

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September 30, 2021, namely household appliances, consumer electronics, agricultural means of production, vehicles and auto parts, homebuilding and renovation materials and liquor and beverages. In 2017, we launched our SaaS+ business to provide our member stores with comprehensive business solutions to digitalize their operations. Our client managers who work closely with our member stores and have a deep understanding of the lower-tier retail market provide localized marketing and other value-added services to our member stores. Our revenue is affected by our product and service portfolio, the macro trends of the industries of the merchandise we sell, as well as our own strategic choices for product and service portfolio. Meanwhile, our product and service portfolio also affects our gross margin. For example, our gross margin of SaaS+ subscription is significantly higher than that of direct sales, and among the merchandise we sell, household appliances and liquor and beverages generally have relatively higher gross margins. Our gross margin may vary in the future, depending on our merchandise portfolio and service offerings.

Our Ability to Meet the Lower-tier Market's Demand

Our commerce business relies on the lower-tier market's demand for the merchandise we offer, primarily household appliances, consumer electronics, agricultural means of production, vehicles and auto parts, and homebuilding and renovation materials, as well as liquor and beverages. This depends on factors such as local consumer preferences and needs, consumer spending patterns, consumer income, diversity of our merchandise offerings on our platform and consumer perceptions of and confidence in our product quality. Driven by consumption upgrade and increasing disposable income in the lower-tier market, the demands for consumer electronics and agricultural means of production have been growing in recent years. Changes in any of the above at any time could result in decline in the market demand for the merchandise we offer. Our business growth will depend partly on our ability to accurately anticipate changes in market demand and consumer preferences in the lower-tier market, introduce new attractive merchandise in a timely manner, differentiate our products and services from those of our competitors and develop appropriate and effective marketing and sales strategies accordingly.

Our Ability to Increase Monetization of SaaS+ Subscription Business

Since the inception of our SaaS+ business, we have been offering the standard SaaS products for free to keep the active interactions with our member stores. Currently, our standard SaaS products include order intake, merchandise display and customer relationship management and other basic functions. In the process, we have accumulated a large user base and developed the paid SaaS+ for monetization. Since 2017, we have launched our SaaS+ products, such as membership management, transaction data analytics, online multi-shops and smart cashier, to enhance customer experience and increase monetization. Depending on our service offerings, the prices of the paid SaaS+ range from RMB1,999 to RMB30,888 per year. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, our revenue from SaaS+ subscription was RMB23.7 million, RMB49.4 million, RMB119.1 million, RMB93.7 million and RMB163.2 million, respectively. The willingness of a customer to pay for our SaaS+ depends on the revenue and sales volume the customer expects to generate

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through the services provided. As a result, our ability to increase monetization is mainly driven by our ability to provide more effective services to our customers, and to broaden and deepen the service offerings to capture more monetization opportunities. In addition, our monetization ability may also be affected by the intensity of market competition and the development of SaaS products for enterprise customers in the lower-tier retail market. SaaS products have developed rapidly in China and worldwide in recent years, and there is still headroom for further growth of SaaS products in the lower-tier market.

Our Ability to Manage Our Costs and Expenses by Leveraging Our Scale of Business

Our results of operations depend on our ability to manage our costs and expenses. While we expect our costs and expenses to continue to increase as we grow our business and attract more customers and suppliers, we expect to leverage our increased scale to reduce redundant costs and negotiate for more favorable terms with suppliers. We also intend to increase the effectiveness of our sales and marketing activities, which is critical to our revenue growth. With our scale of business and accumulated industry experience, we would develop a comprehensive internal knowledge base to help our client managers to provide on-site marketing and trainings for our member stores more effectively and more efficiently. Furthermore, benefiting from the accumulated experience of our management team, we expect to further streamline our internal management and organization systems to further control our business operation expenses.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies and estimates, which we consider significant in the preparation of our financial statements in accordance with IFRS. These significant accounting policies are set forth in note 2 to the Historical Financial Information included in the Accountants' Report in Appendix I to this prospectus, which are important for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in note 3 to the Historical Financial Information included in the Accountants' 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 revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these 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

Income is classified by us as revenue when it arises from the sale of goods, the provision of services or the use by others of our assets under leases in the ordinary course of our business.

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Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from our commerce business

We directly sell and lease self-owned products, and also enable merchants to sell their products to transaction users through business-to-business commerce platforms. Revenue from our commerce business primarily comprises revenue from merchandise sales, commission income and merchandise operating leases.

Revenue from merchandise sales and related costs is recognized on a gross basis when we act as a principal. Revenue from merchandise sales is recognized at the point in time when the control of the merchandise has been delivered, being when the goods are delivered and accepted.

Commission income is recognized for transactions where we are not the primary obligor, not subject to inventory risk and do not have latitude in establishing prices and selecting suppliers. Commission income is recognized on a net basis which is based on a fixed percentage of the sales amount.

Determining whether we are acting as a principal or as an agent in the sales of goods on our platform requires judgement and consideration of all relevant facts and circumstances. When evaluating our acting as a principal or an agent, we consider, individually or in combination whether we are primarily responsible for fulfilling the contract, are subject to the inventory risk, and have discretion to establish prices. Having considered the relevant facts and circumstances, our Directors consider that we obtain control of those goods sold in the commerce business before the goods are transferred to the customers. Accordingly, we are acting as a principal for the merchandise sales and the related revenue is presented on a gross basis.

Revenue from our service business and other services

We provide back-end operation services to merchants, including diversified digital solutions such as digital retail management, marketing tools designed for social media platforms, data analytics and marketing materials, and we also provide retail stores with customized offline marketing services.

We offer SaaS+ to subscribing merchants. Revenue of SaaS+ subscription includes fixed subscription fees and additional online service fees. When the receipts of fixed subscription fees are for services to be delivered over a period of time, the receipts are initially recorded as contract liabilities and revenue is recognized on a ratable basis, which is generally on a straight-line basis, over the subscription period beginning on the date that the service is made available to the customer as the relevant services are rendered. Revenue of variable online service fees is recognized at the point in time when the performance obligations for the services performed are completed.

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Our revenue is generated by offering the merchant solutions and other related services including various value-added services to address paying merchants or marketers' online and offline operation needs, including marketing digitalization, targeted advertisement and other relevant services. Revenue of merchant solutions and other related services is generally recognized at the point in time when the performance obligations for the services performed are completed.

Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the first-in-first-out formula and comprises all costs of purchase of goods after deducting discounts from suppliers and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

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Loss Allowance for Expected Credit Loss

We estimate the amount of loss allowance for expected credit losses on trade and other receivables that are measured at amortized cost based on the credit risk of the relevant financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Level 3 of Fair Value Measurement

In respect of the valuation of the financial assets categorized within level 3 at fair value through other comprehensive income (the “**Level 3 Financial Assets**”), with reference to the guidance under the “Guidance Note on Directors’ Duties in the Context of Valuations in Corporate Transactions” issued by the SFC in May 2017 (the “**Guidance**”) applicable to directors of companies listed on the Stock Exchange, our investment and wealth management committee adopted the following procedures: (i) selected qualified persons with adequate knowledge and conducted valuation and selection on the financial assets without readily determinable fair value; (ii) carefully considered available information in assessing the financial data and assumptions including but not limited to rates of return, terms, risks and conditions; and (iii) appraised the fair value of certain financial assets on a quarterly basis. Based on the above procedures, our Directors are of the view that the valuation analysis performed by our investment and wealth management committee is fair and reasonable and our financial statements are properly prepared.

The details on the fair value measurement of the financial assets at fair value through other comprehensive income, particularly the fair value hierarchy, the valuation techniques and key assumptions, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in note 34 (e) to the Historical Financial Information included in the Accountants’ Report in Appendix I to this prospectus. The Reporting Accountants performed its works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKSIR 200**”) for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole and its opinion on the Group for the Track Record Period as a whole is set out in the Accountants’ Report in Appendix I to this prospectus. In relation to the valuation of the Level 3 Financial Assets, the Joint Sponsors have conducted relevant due diligence work, including but not limited to (i) reviewing relevant notes in the Accountants’ Report as contained in Appendix I and relevant documents of the Level 3 Financial Assets provided by the Company, (ii) conducting due diligence with the Company to understand the relevant policies, procedures and key basis and assumptions for the valuation of these Level 3 Financial Assets, and (iii) discussing with the Reporting Accountants to understand the work they have performed in this regard. Having considered the above, nothing has come to the Joint Sponsors’ attention that would cause them to question the relevant valuation work performed for the Company’s Level 3 Financial Assets during the Track Record Period.

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PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table summarizes our results of operations for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Revenue	29,801,661	43,633,230	49,629,135	34,418,543	46,495,876
Cost of revenue	(28,794,677)	(42,354,142)	(48,284,624)	(33,598,674)	(45,267,019)
Gross profit	1,006,984	1,279,088	1,344,511	819,869	1,228,857
Other revenue	12,456	14,516	23,496	13,663	33,227
Other net gain	101,690	131,590	121,646	87,313	115,857
Research and development costs	(34,678)	(49,283)	(58,276)	(35,603)	(54,930)
Selling and marketing expenses	(428,030)	(563,650)	(609,585)	(367,361)	(526,678)
Administrative and other operating expenses	(451,337)	(478,056)	(415,033)	(321,472)	(357,292)
Profit from operations	207,085	334,205	406,759	196,409	439,041
Finance income	35,952	52,730	101,006	62,269	101,003
Finance costs	(436,420)	(633,467)	(704,878)	(528,412)	(621,854)
Net finance costs	(400,468)	(580,737)	(603,872)	(466,143)	(520,851)
Share of losses of associates	–	–	(1,408)	(583)	(1,048)
Loss before taxation	(193,383)	(246,532)	(198,521)	(270,317)	(82,858)
Income tax	(82,230)	(58,291)	(81,471)	(35,835)	(75,032)
Loss for the year/period	(275,613)	(304,823)	(279,992)	(306,152)	(157,890)
Attributable to:					
Equity shareholders of the Company	(295,749)	(415,333)	(405,287)	(381,199)	(279,815)
Non-controlling interests	20,136	110,510	125,295	75,047	121,925
Loss for the year/period	(275,613)	(304,823)	(279,992)	(306,152)	(157,890)

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NON-IFRS MEASURES

The following table reconciles our adjusted net profit (non-IFRS measure) to the most directly comparable financial measures in accordance with IFRS, loss before taxation, for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Loss for the year/period	(275,613)	(304,823)	(279,992)	(306,152)	(157,890)
Add: interest expenses arising from redeemable capital contributions ⁽¹⁾	399,900	554,317	602,140	445,069	504,060
Adjusted net profit (non-IFRS measures)⁽²⁾	124,287	249,494	322,148	138,917	346,170

Notes:

- (1) Interest expenses arising from redeemable capital contribution represents interest on our Series A, Series A+, Series B, Series C, Series D and Series E investments. We recorded interest expenses arising from redeemable capital contribution in each year throughout the Track Record Period. Upon completion of the Global Offering, the redeemable capital contribution in connection with such investments would be converted into equity of the Company and subsequently no interest expenses would incur. In addition, the interest expenses arising from redeemable capital contribution is a non-cash and non-operational item, which is not directly correlated with our business performance in a particular year. Therefore, the adjustment item is non-cash and does not result in cash outflow, which complies with guidance letter HKEX-GL103-19 issued by the Stock Exchange.
- (2) We believe that the presentation of such non-IFRS measures when shown in conjunction with the corresponding IFRS measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain item that does not reflect our ongoing operating performance, namely, interest expenses arising from redeemable capital contributions. The use of the non-IFRS measures have limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for or superior to, the analysis of our results of operations or financial condition as reported under the IFRS. In addition, the non-IFRS measures may be defined differently from similar terms used by other companies.

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Revenue

During the Track Record Period, we generated revenue mainly from our commerce business and services business. Our commerce business consists of direct sales and online marketplace, and our services business consists of SaaS+ subscription and merchant solutions. Other revenue includes revenue from non-core business such as sales planning services, maintenance and installation services and others.

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

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Commerce business	29,660,600	99.5	43,378,563	99.4	49,302,000	99.3	34,210,985	99.4	46,143,517	99.2
Direct sales	29,660,600	99.5	43,378,563	99.4	49,299,968	99.3	34,210,281	99.4	46,141,311	99.2
Consumer electronics	5,838,766	19.6	11,782,677	27.0	17,371,629	35.0	12,234,332	35.6	18,054,756	38.8
Household appliances	17,021,402	57.1	16,428,714	37.7	12,173,644	24.5	8,835,117	25.7	8,793,140	18.9
Agricultural means of production	5,219,437	17.5	9,540,558	21.9	10,937,047	22.0	7,330,863	21.3	10,376,235	22.3
Vehicles and auto parts	439,946	1.5	3,817,360	8.7	5,414,057	10.9	3,626,235	10.5	4,946,105	10.6
Homebuilding and renovation materials	280,072	0.9	1,025,871	2.4	2,501,784	5.0	1,627,348	4.7	3,010,832	6.5
Liquor and beverages	495,635	1.7	704,163	1.6	756,126	1.5	457,656	1.3	777,269	1.7
Others ⁽¹⁾	365,342	1.2	79,220	0.1	145,681	0.4	98,730	0.3	182,974	0.4
Online marketplace	-	-	-	-	2,032	0.0	704	0.0	2,206	0.0
Service business	25,264	0.1	55,448	0.1	242,722	0.5	154,330	0.4	277,765	0.6
SaaS+ subscription	23,711	0.1	49,358	0.1	119,087	0.2	93,709	0.2	163,206	0.4
Merchant solutions	1,553	0.0	6,090	0.0	123,635	0.3	60,621	0.2	114,559	0.2
Others	115,797	0.4	199,219	0.5	84,413	0.2	53,228	0.2	74,594	0.2
Total	29,801,661	100.0	43,633,230	100.0	49,629,135	100.0	34,418,543	100.0	46,495,876	100.0

(1) Others mainly comprise solar panels and various FMCG, such as snack food products.

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During the Track Record Period, our revenue from direct sales increased by 46.2% from RMB29,660.6 million in 2018 to RMB43,378.6 million in 2019, and further by 13.7% to RMB49,300.0 million in 2020. Our revenue from direct sales increased by 34.9% from RMB34,210.3 million for the nine months ended September 30, 2020 to RMB46,141.3 million for the nine months ended September 30, 2021. During the Track Record Period, the majority of our direct sales business revenue came from the sales of consumer electronics, household appliances, agricultural means of production and vehicles and auto parts.

Our revenue from the sales of consumer electronics increased by 101.8% from RMB5,838.8 million in 2018 to RMB11,782.7 million in 2019, and further increased by 47.4% to RMB17,371.6 million in 2020, and our revenue from the sales of consumer electronics increased by 47.6% from RMB12,234.3 million for the nine months ended September 30, 2020 to RMB18,054.8 million for the nine months ended September 30, 2021, primarily because during the Track Record Period, we actively enhanced our sales efforts, diversified our merchandise portfolio, and expanded our network of customers, while at the same time the market demand for consumer electronics increased substantially in 2019, a trend which was further promoted by travel restrictions during the COVID-19 outbreak in 2020, and we rapidly expanded our business in communications products for the nine months ended September 30, 2021.

Our revenue from the sales of household appliances decreased by 3.5% from RMB17,021.4 million in 2018 to RMB16,428.7 million in 2019, and further decreased by 25.9% to RMB12,173.6 million in 2020, primarily due to (i) decreased sales in the traditional household appliance industry, such as air conditioners and refrigerators, and (ii) decreased market demand during the first half of 2020, as a result of both the strict travel restrictions imposed by local governments, especially in towns and villages, which created certain difficulties for the transportation of merchandise, and that our member stores became more prudent in sourcing merchandise from us during the COVID-19 outbreak. Our revenue from the sales of household appliances decreased by 0.5% from RMB8,835.1 million for the nine months ended September 30, 2020 to RMB8,793.1 million for the nine months ended September 30, 2021, primarily because we optimized our merchandise portfolio and focused more on SKUs with relatively high gross margin. During the Track Record Period, in order to weather the decreasing market demand for traditional household appliances, we optimized our merchandise portfolio in this category and actively promoted the sale of small household appliances, such as kitchen appliances.

Our revenue from the sales of agricultural means of production increased by 82.8% from RMB5,219.4 million in 2018 to RMB9,540.6 million in 2019, and further increased by 14.6% to RMB10,937.0 million in 2020, and our revenue from the sales of agricultural means of production increased by 41.5% from RMB7,330.9 million for the nine months ended September 30, 2020 to RMB10,376.2 million for the nine months ended September 30, 2021, primarily because we actively enhanced our sales efforts of agricultural means of production merchandise, diversified our merchandise portfolio and expanded our network of customers during the Track Record Period.

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Our revenue from vehicles and auto parts merchandise increased significantly from RMB439.9 million in 2018 to RMB3,817.4 million in 2019, and further increased by 41.8% to RMB5,414.1 million in 2020, and our revenue from vehicles and auto parts merchandise increased by 36.4% from RMB3,626.2 million for the nine months ended September 30, 2020 to RMB4,946.1 million for the nine months ended September 30, 2021, primarily due to the substantial increase in our sales of electric bicycle batteries in 2019, our expansion into new merchandise in this category, such as electric vehicles, in 2020, and our increased sales of auto parts in the nine months ended September 30, 2021, driven by our enhanced sales effort.

Our revenue from the sales of homebuilding and renovation materials increased by 266.3% from RMB280.1 million in 2018 to RMB1,025.9 million in 2019, and further increased by 143.9% to RMB2,501.8 million in 2020, primarily because we increased our sales and marketing efforts for this merchandise category. Our revenue from the sales of homebuilding and renovation materials increased by 85.0% from RMB1,627.3 million for the nine months ended September 30, 2020 to RMB3,010.8 million for the nine months ended September 30, 2021, primarily because our sales volume of glass and cables grew rapidly.

During the Track Record Period, our revenue from the sales of liquor and beverages also recorded continued growth, and it as a percentage of our total revenue remained relatively stable during the Track Record Period.

In 2020, we launched an online marketplace business through *HTD Mall* to further meet the merchandise procurement needs of member stores. In the same year, our revenue from online marketplace business was RMB2.0 million. For the nine months ended September 30, 2021, our revenue from online marketplace business was RMB2.2 million.

During the Track Record Period, our revenue from the service business was mainly composed of SaaS+ subscription and merchant solutions, and both achieved substantial growth.

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

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	Amount	Amount	Amount	Amount	Amount
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Member stores	14,492,316	17,130,069	13,470,374	10,153,881	11,500,513
Wholesaler customers . . .	14,756,230	25,366,870	35,010,152	23,582,672	33,534,416
Consumers	553,115	1,136,291	1,148,609	681,990	1,460,947
Total	<u>29,801,661</u>	<u>43,633,230</u>	<u>49,629,135</u>	<u>34,418,543</u>	<u>46,495,876</u>

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During the Track Record Period, our revenue from member stores as a percentage of our total revenue decreased, and revenue from wholesaler customers as a percentage of our total revenue increased, primarily because (i) with strengthened cooperation with our suppliers, we further expanded our core market from towns and villages to counties and low-tier cities in China, where the main customers were wholesaler customers; (ii) we adopted the strategy of enhancing our sales to wholesaler customers to strengthen our supply chain capabilities and expand sales channels; and (iii) during the Track Record Period, our sales of consumer electronics and agricultural means of production and machineries experienced rapid growth, and these merchandise were mainly sold to wholesaler customers. The revenue from our member stores decreased in 2020, primarily because our member stores became more prudent in sourcing merchandise from us during the COVID-19 outbreak and our household appliances products, the sales of which decreased substantially in 2020, were mainly sold to member stores, while the sales of some other categories of merchandise to member stores, such as homebuilding and renovation materials, increased substantially during the Track Record Period. For the nine months ended September 30, 2021, the revenue from our member stores increased compared to the revenue from the same period in 2020, resulting from the market rebound in light of the decline of COVID-19 impact, our optimizing our SaaS+ subscription service and diversifying offline services provided to our member stores onsite to enhance their engagement of our member stores.

Cost of Revenue

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

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Commerce business	28,723,863	99.8	42,218,923	99.7	48,138,378	99.7	33,523,798	99.8	45,138,844	99.8
Direct Sales	28,723,863	99.8	42,218,923	99.7	48,138,358	99.7	33,523,779	99.8	45,138,833	99.8
Consumer electronics	5,723,759	19.9	11,537,013	27.2	17,115,928	35.4	12,061,355	35.9	17,845,420	39.5
Household appliances	16,333,651	56.7	15,770,076	37.2	11,604,481	24.0	8,521,844	25.4	8,322,908	18.4
Agricultural means of production	5,124,978	17.8	9,403,237	22.2	10,811,478	22.4	7,244,755	21.6	10,250,550	22.6
Vehicles and auto parts	426,741	1.5	3,772,351	8.9	5,332,333	11.0	3,571,279	10.6	4,878,481	10.8
Homebuilding and renovation materials	271,806	0.9	994,387	2.3	2,444,138	5.1	1,595,133	4.7	2,947,069	6.5
Liquor and beverages	480,789	1.7	667,561	1.6	701,049	1.5	435,195	1.3	716,206	1.6
Others ⁽¹⁾	362,139	1.3	74,298	0.3	128,951	0.3	94,218	0.3	178,199	0.4
Online Marketplace	-	-	-	-	20	0.0	19	0.0	11	0.0
Service business	2,700	0.0	10,528	0.0	120,305	0.2	60,043	0.2	112,132	0.2
SaaS+ subscription	2,347	0.0	5,385	0.0	3,843	0.0	2,605	0.0	3,741	0.0
Merchant solutions	353	0.0	5,143	0.0	116,462	0.2	57,438	0.2	108,391	0.2
Others	68,114	0.2	124,691	0.3	25,941	0.1	14,833	0.0	16,043	0.0
Total	28,794,677	100.0	42,354,142	100.0	48,284,624	100.0	33,598,674	100.0	45,267,019	100.0

(1) Others mainly comprise solar panels and various FMCG, such as snack food products.

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The following table sets forth a breakdown of our cost of revenue by customer type for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	Amount	Amount	Amount	Amount	Amount
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Member stores	13,936,063	16,532,750	12,978,298	9,816,959	11,072,527
Wholesaler customers . . .	14,350,965	24,733,842	34,216,636	23,127,736	32,791,612
Consumers	507,649	1,087,550	1,089,690	653,979	1,402,880
Total	<u>28,794,677</u>	<u>42,354,142</u>	<u>48,284,624</u>	<u>33,598,674</u>	<u>45,267,019</u>

The changes in the cost of revenue of sub-items during the Track Record Period primarily reflected the changes in our revenue.

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

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	Amount	Amount	Amount	Amount	Amount
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Merchandise procurement cost	28,552,079	41,974,779	47,852,070	33,318,530	44,995,276
Transportation cost	94,911	170,775	214,894	138,273	127,985
Provision for write-down of inventories	71,415	55,643	54,191	58,306	3,321
Taxes and surcharges . . .	17,052	17,726	17,203	8,670	12,251
Staff cost	2,700	5,632	3,843	2,606	3,741
Outsourcing service fee . .	54,005	97,285	120,486	61,789	109,787
Others	2,515	32,302	21,937	10,500	14,658
Total	<u>28,794,677</u>	<u>42,354,142</u>	<u>48,284,624</u>	<u>33,598,674</u>	<u>45,267,019</u>

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Gross Profit and Gross Margin

The following table sets forth our gross profit in absolute amounts and as a percentage of revenue, or gross margins, by business segment, for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	<i>(RMB in thousands, except percentages)</i>									
	<i>(unaudited)</i>									
Commerce business	936,737	3.2%	1,159,640	2.7%	1,163,622	2.4%	687,187	2.0%	1,004,673	2.2%
Direct Sales	936,737	3.2%	1,159,640	2.7%	1,161,610	2.4%	686,502	2.0%	1,002,478	2.2%
Consumer electronics . . .	115,007	2.0%	245,664	2.1%	255,701	1.5%	172,977	1.4%	209,336	1.2%
Household appliances . . .	687,751	4.0%	658,638	4.0%	569,163	4.7%	313,273	3.5%	470,232	5.3%
Agricultural means of production	94,459	1.8%	137,321	1.4%	125,569	1.1%	86,108	1.2%	125,685	1.2%
Vehicles and auto parts	13,205	3.0%	45,009	1.2%	81,724	1.5%	54,956	1.5%	67,624	1.4%
Homebuilding and renovation materials . . .	8,266	3.0%	31,484	3.1%	57,646	2.3%	32,215	2.0%	63,763	2.1%
Liquor and beverages . . .	14,846	3.0%	36,602	5.2%	55,077	7.3%	22,461	4.9%	61,063	7.9%
Others ⁽¹⁾	3,203	0.9%	4,922	6.2%	16,730	11.5%	4,512	4.6%	4,775	2.6%
Online Marketplace	-	-	-	-	2,012	99.0%	685	97.3%	2,195	99.5%
Service business	22,564	89.3%	44,920	81.0%	122,417	50.4%	94,287	61.1%	165,633	59.6%
SaaS+ subscription	21,364	90.1%	43,973	89.1%	115,244	96.8%	91,104	97.2%	159,465	97.7%
Merchant solutions	1,200	77.3%	947	15.6%	7,173	5.8%	3,183	5.3%	6,168	5.4%
Others	47,683	41.2%	74,528	37.4%	58,472	69.3%	38,395	72.1%	58,551	78.5%
Total	1,006,984	3.4%	1,279,088	2.9%	1,344,511	2.7%	819,869	2.4%	1,228,857	2.6%

(1) Others mainly comprise solar panels and various FMCG, such as snack food products.

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In our commerce business, the changes in gross margin by segment during the Track Record Period were mainly affected by our merchandise mix. For further information, see “–Results of Operations.”

In our service business, the gross margin of our SaaS+ subscription increased in 2020, primarily due to increased economies of scale. The gross margin of our SaaS+ subscription remained relatively stable in the nine months ended September 30, 2021 compared to the same period in 2020. The gross margin of our merchant solutions decreased in 2018, 2019 and 2020, primarily because we (i) adopted the strategy of increasing market share and expanding sales channel at a low gross margin; and (ii) increased outsourcing certain merchant solutions to third-party providers to facilitate the delivery of our services, incurring higher outsourcing costs. The gross margin of our merchant solutions remained relatively stable for the nine months ended September 30, 2021 compared to the same period in 2020.

The following table sets forth our gross profit in absolute amounts and as a percentage of revenue, or gross margins, by customer type for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Member stores	556,253	3.8%	597,319	3.5%	492,076	3.6%	336,922	3.3%	427,986	3.7%
Wholesaler customers	405,265	2.7%	633,028	2.5%	793,516	2.3%	454,936	1.9%	742,804	2.2%
Consumers	45,466	8.2%	48,741	4.3%	58,919	5.1%	28,011	4.1%	58,067	4.0%
Total	<u>1,006,984</u>	3.4%	<u>1,279,088</u>	2.9%	<u>1,344,511</u>	2.7%	<u>819,869</u>	2.4%	<u>1,228,857</u>	2.6%

The changes in our gross margin by sales channel during the Track Record Period were also mainly affected by our merchandise mix and our market expansion strategy. For example, the gross margin of sales to member stores declined in 2019, primarily due to a decline in the proportion of revenue from higher margin merchandise, such as household appliances, out of the total revenue of merchandise sold through this channel. The increase in gross margin in 2020 was primarily due to growth of higher margin service products such as SaaS+ subscription. In 2018, 2019 and 2020, the proportion of revenue from higher margin merchandise such as household appliances that were mainly sold through wholesaler customers out of the total revenue from merchandise sold through this channel has declined, while the proportion of revenue from lower margin merchandise such as consumer electronics and agricultural means of production out of the total revenue from merchandise sold through this channel has increased, resulting in a decline in the overall gross margin of sales to wholesaler customers.

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Other Revenue

Our other revenue primarily consists of government grants. The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Government grants	11,215	13,690	22,575	13,222	32,735
Other	1,241	826	921	441	492
Total	12,456	14,516	23,496	13,663	33,227

During the Track Record Period, we received multiple subsidies from different levels of governments relating to our contributions to local economies. The government grants were non-recurring in nature. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, we received unconditional government grants of RMB9.6 million, RMB12.0 million, RMB21.9 million, RMB12.7 million and RMB32.7 million, respectively, as rewards of the Group's contribution to technology innovation and regional economic development. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, we received conditional government grants of nil, RMB17.0 million, nil, nil and nil, respectively, to support development and enhancement of our commerce and service platform. The government grant of RMB17.0 million was subject to the assessment and acceptance of the results of the development and enhancement of our commerce and service platform. In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, we recognized such type of grants of RMB1.6 million, RMB1.6 million, RMB0.7 million, RMB0.6 million and nil, respectively, in the consolidated statements of profit or loss when related conditions were satisfied.

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Other Net Gain

Our other net gain primarily consists of net realized and unrealized gain from investments in structured deposits and wealth management products. The following table sets forth a breakdown of our other net gain for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Net realized and unrealized gain on financial assets at fair value through profit or loss	91,531	106,068	113,238	87,024	104,406
Net gain/(loss) on disposal of interests in subsidiaries	9,963	23,581	6,971	(1,736)	7,985
Net gain on disposal of interests in an associate	—	—	—	—	79
Net (loss)/gain on disposal of property, plant and equipment . .	(44)	2,083	(396)	227	139
Others	240	(142)	1,833	1,798	3,248
Total	<u>101,690</u>	<u>131,590</u>	<u>121,646</u>	<u>87,313</u>	<u>115,857</u>

During the Track Record Period, most of our other net gain came from net realized and unrealized gain on financial assets at fair value through profit or loss, relating to structured deposits and wealth management products. We purchase structured deposits and wealth management products mainly to improve the return from our cash balances. For further information, see “– Certain Components of Our Consolidated Statements of Financial Position – Financial Assets at Fair Value through Profit or Loss.”

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Research and Development Costs

Our research and development costs primarily consist of salaries of research and development personnel. The following table sets forth a breakdown of our research and development costs for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Labor costs	24,850	71.7	34,809	70.6	44,089	75.7	28,709	80.6	43,630	79.4
Depreciation	3,654	10.5	3,162	6.4	2,654	4.6	2,020	5.7	2,598	4.7
Others	6,174	17.8	11,312	23.0	11,533	19.7	4,874	13.7	8,702	15.9
Total	34,678	100.0	49,283	100.0	58,276	100.0	35,603	100.0	54,930	100.0

Our research and development costs increased during the Track Record Period. As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, the number of our research and development personnel was 131, 176, 182 and 192, respectively. During the Track Record Period, our research and development projects included platform development and digitalized services and operating support system upgrading.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of employee salaries, business advertising expenses, promotion service fee and storage fees. The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentages)</i>										
<i>(unaudited)</i>										
Employee salaries . . .	219,092	51.3	283,178	50.2	269,109	44.1	175,459	47.8	215,520	41.0
Promotion service fee .	18,319	4.3	66,641	11.8	107,680	17.6	61,827	16.8	88,201	16.7
Business advertising expenses	64,400	15.0	66,781	11.8	103,398	17.0	34,551	9.4	118,138	22.4
Storage fees	41,569	9.7	45,296	8.0	42,496	7.0	39,341	10.7	44,147	8.4
Traveling expenses . .	34,255	8.0	34,322	6.1	27,984	4.6	16,330	4.4	21,843	4.1
Depreciation	16,321	3.8	25,793	4.6	24,992	4.1	19,435	5.3	16,558	3.1

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	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Business hospitality expenses	16,870	3.9	22,267	4.0	21,714	3.6	11,435	3.1	16,762	3.2
Office expenses	4,421	1.0	4,171	0.7	4,195	0.7	2,442	0.7	2,962	0.6
Conference fees	8,715	2.0	7,123	1.3	3,535	0.6	2,206	0.6	1,884	0.4
Others	4,068	1.0	8,078	1.5	4,482	0.7	4,335	1.2	663	0.1
Total	428,030	100.0	563,650	100.0	609,585	100.0	367,361	100.0	526,678	100.0

During the Track Record Period, most of our selling and marketing expenses arose from salaries paid to the selling and marketing personnel.

Administrative and Other Operating Expenses

Our administrative and other operating expenses primarily consist of employee salaries and expected credit loss on receivables. The following table sets forth a breakdown of our administrative and other operating expenses for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2018		2019		2020		2020		2021	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Employee salaries	162,229	35.9	165,715	34.5	175,103	42.2	123,242	38.4	145,298	40.8
Expected credit losses on receivables	151,030	33.5	135,242	28.3	78,100	18.8	79,421	24.7	66,729	18.7
Depreciation	34,199	7.6	46,037	9.6	52,169	12.6	38,304	11.9	39,217	11.0
Listing expenses	-	0.0	-	0.0	-	0.0	0	0.0	22,952	6.4
Professional consulting fees	22,115	4.9	38,510	8.1	43,339	10.4	33,046	10.3	34,467	9.6
Stamp duty	8,842	2.0	11,047	2.3	13,125	3.2	8,528	2.7	12,661	3.5
Business development expenses	9,220	2.0	15,108	3.2	11,196	2.7	6,247	1.9	8,302	2.3
Travelling expenses	13,539	3.0	14,743	3.1	10,581	2.5	6,813	2.1	6,238	1.7
Office expenses	9,653	2.1	12,293	2.6	9,511	2.3	7,191	2.2	6,412	1.8
Transaction fees	5,969	1.3	6,034	1.3	5,764	1.4	6,257	1.9	8,605	2.4
Leasing expenses	11,704	2.6	9,433	2.0	3,781	0.9	4,186	1.3	1,186	0.3
Others	22,837	5.1	23,894	5.0	12,364	3.0	8,237	2.6	5,225	1.5
Total	451,337	100.0	478,056	100.0	415,033	100.0	321,472	100.0	357,292	100.0

FINANCIAL INFORMATION

Finance Income and Costs

Finance income mainly represents interest income, and finance costs primarily consist of interest expenses arising from redeemable capital contributions. The following table sets forth a breakdown of our finance income and costs for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Finance income					
Interest income from bank deposits	35,952	52,730	101,006	62,269	101,003
Finance costs					
Interest expenses on discounted bills and bank loans	(29,823)	(67,567)	(94,734)	(77,240)	(111,267)
Interest expenses on loans from non-controlling shareholders of subsidiaries	(2,465)	(6,089)	(1,983)	(1,510)	(2,529)
Interest expenses on lease liabilities	(4,232)	(5,494)	(6,021)	(4,593)	(3,998)
Interest expenses arising from redeemable capital contributions	(399,900)	(554,317)	(602,140)	(445,069)	(504,060)
Net finance costs	(400,468)	(580,737)	(603,872)	(466,143)	(520,851)

During the Track Record Period, our interest expenses arising from redeemable capital contributions, primarily attributable to the interest expenses arising from the special rights and terms of the shareholder investors included in some of our financing arrangements, were recorded as finance costs during the Track Record Period as redeemable capital contributions were ineligible to be accounted for as equity. Such special rights and terms would be unconditionally terminated upon the Listing and the redeemable capital contributions would then be transferred from liabilities to equity. For further information, see note 30 to the Historical Financial Information included in the Accountants' Report in Appendix I to this prospectus.

During the Track Record Period, we have increased the use of discounted bills and short-term bank loans to manage our working capital reasonably, resulting in a continuous increase in our interest expenses on discounted bills and bank loans.

During the Track Record Period, our interest income from bank deposits derives from interest of our various bank deposits.

FINANCIAL INFORMATION

Share of Losses of Associates

Our share of losses of associates mainly represents losses incurred on our investments in associates. For further information, see note 15 to the Historical Financial Information included in the Accountants' Report in Appendix I to this prospectus.

The table below sets forth our share of losses of associates for the years indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Share of losses of associates	–	–	(1,408)	(583)	(1,048)

Income Tax

In 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, our income tax expense was RMB82.2 million, RMB58.3 million, RMB81.5 million, RMB35.8 million and RMB75.0 million, respectively. During the same periods, our adjusted effective income tax rate (calculated as income tax expense divided by adjusted profit before tax (non-IFRS measure)) was 39.8%, 18.9%, 20.2%, 20.5% and 17.8%, respectively.

Our income tax provision in respect of our operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the Track Record Period. Our effective income tax rate was significantly higher than 25% in 2018, primarily because we did not recognize deferred tax assets for the relevant deductible losses and temporary tax differences of some subsidiaries taking into account the possibility of taxable income in the future. As of the Latest Practicable Date, we did not have any material disputes with tax authorities.

During the Track Record Period, certain of our subsidiaries, such as Shanxi Meichuang E-commerce Co., Ltd. (山西美創電子商務有限公司), Yuncheng Linxun E-commerce Co., Ltd. (運城鄰訊電子商務有限公司) and Shaanxi Huiwenqing E-commerce Co., Ltd. (陝西匯文清電子商務有限公司) are enterprises that qualify as “Small and Micro Enterprises” and therefore were entitled to preferential tax rates. During the Track Record Period, our Company was qualified for “High and Innovative Technology Enterprise” and entitled for a preferential tax rate of 15%. We expect to renew such preferential tax status in the second half of 2021.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

Comparisons between the nine months ended September 30, 2021 and the nine months ended September 30, 2020

Revenue

Our revenue increased by 35.1% to RMB46,495.9 million in the nine months ended September 30, 2021 from RMB34,418.5 million in the nine months ended September 30, 2020 due to the continued growth of our two business segments.

Commerce business: Revenue from our commerce business increased by 34.9% to RMB46,143.5 million in the nine months ended September 30, 2021 from RMB34,211.0 million in the nine months ended September 30, 2020, primarily due to the increased sales of merchandise, principally consumer electronics, agricultural means of production, vehicles and auto parts and homebuilding and renovation materials. In particular:

- Our revenue from the sales of consumer electronics increased by 47.6% to RMB18,054.8 million in the nine months ended September 30, 2021 from RMB12,234.3 million in the same period of 2020, primarily because we actively enhanced our sales efforts of consumer electronics, expanded our active trading customers, and our key products, such as communications products, achieved significant increase in sales volume.
- Our revenue from the sales of household appliances decreased by 0.5% to RMB8,793.1 million in the nine months ended September 30, 2021 from RMB8,835.1 million in the nine months ended September 30, 2020, primarily because we optimized our merchandise portfolio and focused more on SKUs with relatively high gross margin.
- Our revenue from the sales of agricultural means of production increased by 41.5% to RMB10,376.2 million in the nine months ended September 30, 2021 from RMB7,330.9 million in the nine months ended September 30, 2020, primarily because the market demand increased as the impact of COVID-19 subsided, as well as we actively enhanced the sales of key products, such as fertilizer and animal feed.
- Our revenue from the sales of vehicles and auto parts products increased by 36.4% to RMB4,946.1 million in the nine months ended September 30, 2021 from RMB3,626.2 million in the nine months ended September 30, 2020, primarily because market demand rebounded as the impact of COVID-19 subsided, and we enhanced the sales of key products, such as auto parts.

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- Our revenue from the sales of homebuilding and renovation materials increased by 85.0% to RMB3,010.8 million in the nine months ended September 30, 2021 from RMB1,627.3 million in the nine months ended September 30, 2020, primarily because our sales volume of glass and cables grew rapidly.
- In 2020, we launched an online marketplace business through *HTD Mall* to further meet the merchandise procurement needs of member stores. Our revenue from online marketplace business increased by 213.4% to RMB2.2 million in the nine months ended September 30, 2021 from RMB0.7 million in the nine months ended September 30, 2020, primarily because the business operations gradually matured and the impact of COVID-19 subsided.

Service business: Revenue from our service business increased by 80.0% to RMB277.8 million in the nine months ended September 30, 2021 from RMB154.3 million in the nine months ended September 30, 2020.

- Our revenue from SaaS+ subscription increased by 74.2% to RMB163.2 million in the nine months ended September 30, 2021 from RMB93.7 million in the nine months ended September 30, 2020, primarily because we enhanced the sales of SaaS+ subscription. The growth rate of our revenue from SaaS+ subscription was relatively modest because it was recognized over time on a ratable basis over the contract term or at the point in time when the performance obligations for the services performed were completed.
- Our revenue from merchant solutions increased to RMB114.6 million in the nine months ended September 30, 2021 from RMB60.6 million in the nine months ended September 30, 2020, primarily due to the increasing customer demand of digitalization provoked by the COVID-19 outbreak, which brought to customers' awareness the advantages of digital transformation. We took this opportunity to take on software development business and expanded our business scale of our merchant solutions.

Cost of revenue

Our cost of revenue increased by 34.7% to RMB45,267.0 million in the nine months ended September 30, 2021 from RMB33,598.7 million in the nine months ended September 30, 2020, due to similar factors affecting our revenue increase.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 49.9% to RMB1,228.9 million in the nine months ended September 30, 2021 from RMB819.9 million in the nine months ended September 30, 2020. Our gross margin increased to 2.6% in the nine months ended

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September 30, 2021 from 2.4% in the nine months ended September 30, 2020, primarily due to the increase in our gross margin from the commerce business and increasing revenue contribution from the service business. In particular:

Commerce business: The gross profit of our commerce business increased by 46.2% to RMB1,004.7 million in the nine months ended September 30, 2021 from RMB687.2 million in the nine months ended September 30, 2020, and the gross margin of our commerce business increased to 2.2% in the nine months ended September 30, 2021 from 2.0% in the nine months ended September 30, 2020. In particular:

In our direct sales business, the gross margin of consumer electronics decreased, primarily because we adopted the strategy of enhancing our cooperation with brand manufacturers at a low gross margin to increase market share and expand sales channel. The gross margin of household appliances increased, primarily due to the increase in the proportion of sales of smart household appliances with higher gross margin. The gross margin of liquor and beverages increased, primarily due to (i) the increase in the selling price driven by the high market demand for Chinese liquor; and (ii) our enhanced Chinese liquor supply chain capabilities. The gross margin of homebuilding and renovation materials, agricultural means of production and vehicles and auto parts products remained relatively stable.

Service business: The gross profit of our service business increased by 75.7% to RMB165.6 million in the nine months ended September 30, 2021 from RMB94.3 million in the nine months ended September 30, 2020. The gross margin of our service business decreased from 61.1% in the nine months ended September 30, 2020 to 59.6% in the nine months ended September 30, 2021, primarily because the revenue from the sales of merchant solutions, which was of lower gross margin strategically to increase our market share, as a percentage of our total revenue from service business increased.

Other revenue

Our other revenue increased significantly to RMB33.2 million in the nine months ended September 30, 2021 from RMB13.7 million in the nine months ended September 30, 2020, primarily due to an increase in governmental grants as rewards for our contribution to regional economic development, as an encouragement of project development and to support our introducing talents.

Other net gain

Our other net gain increased by 32.7% to RMB115.9 million in the nine months ended September 30, 2021 from RMB87.3 million in the nine months ended September 30, 2020, primarily due to an increase in net realized and unrealized gain on financial assets at fair value through profit or loss, relating to structured deposits and wealth management products.

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Research and development costs

Our research and development costs increased by 54.3% to RMB54.9 million in the nine months ended September 30, 2021 from RMB35.6 million in the nine months ended September 30, 2020, primarily due to an increase in our R&D personnel and an increase in R&D labor costs compared to that of the same period in 2020, which was due to social insurance relief from the relevant government authorities in 2020.

Selling and marketing expenses

Our selling and marketing expenses increased by 43.4% to RMB526.7 million in the nine months ended September 30, 2021 from RMB367.4 million in the nine months ended September 30, 2020, primarily due to (i) an increase in employee salaries compared to that of the same period in 2020, which was due to social insurance relief from the relevant government authorities in 2020 and the increase in the average salary per employee; (ii) an increase in business advertising expenses as a result of our business expansion; (iii) an increase in promotion service fee, resulting from our enhanced promotions efforts through third-party online platforms that we cooperate with; and (iv) an increase in travel expenses compared to the same period in 2020, when travel ban triggered by COVID-19 restricted business travels.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 11.1% to RMB357.3 million in the nine months ended September 30, 2021 from RMB321.5 million in the nine months ended September 30, 2020, primarily due to (i) an increase in employee salaries compared to the same period of 2020, which was due to social insurance relief from the relevant government authorities in 2020; and (ii) an increase in our listing expenses.

Net finance costs

Our net finance costs increased slightly to RMB520.9 million in the nine months ended September 30, 2021 from RMB466.1 million in the nine months ended September 30, 2020, primarily due to an increase in interest expenses arising from redeemable capital contributions.

Share of losses of associates

Our share of losses of associates was RMB1.0 million in the nine months ended September 30, 2021 compared to RMB0.6 million in the nine months ended September 30, 2020, primarily because we made investments in associates in 2020, some of which incurred net losses in both periods.

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Income tax

Our income tax increased significantly to RMB75.0 million in the nine months ended September 30, 2021 from RMB35.8 million in the nine months ended September 30, 2020, primarily due to the increase in profit before tax. Our adjusted effective income tax rate (calculated as income tax expense divided by adjusted profit before income tax (non-IFRS measure)) decreased to at 17.8% in the nine months ended September 30, 2021 from 20.5% in the nine months ended September 30, 2020 primarily because we benefited from increased tax incentives.

Loss for the period

As a result of the foregoing, our loss for the period decreased by 48.4% to RMB157.9 million in the nine months ended September 30, 2021 from RMB306.2 million in the nine months ended September 30, 2020. Our adjusted net profit (non-IFRS measure) was RMB138.9 million and RMB346.2 million in the nine months ended September 30, 2020 and 2021, respectively.

Comparisons between 2020 and 2019

Revenue

Our revenue increased by 13.7% to RMB49,629.1 million in 2020 from RMB43,633.2 million in 2019 due to the continued growth of our two business segments.

Commerce business: Revenue from our commerce business increased by 13.7% to RMB49,302.0 million in 2020 from RMB43,378.6 million in 2019 primarily due to the increased sales of merchandise, principally consumer electronics, agricultural means of production, vehicles and auto parts and homebuilding and renovation materials. In particular:

- Our revenue from the sales of consumer electronics increased by 47.4% to RMB17,371.6 million in 2020 from RMB11,782.7 million in 2019, primarily because we actively enhanced our sales efforts of consumer electronics, diversified our merchandise portfolio, and expanded our network of customers, while at the same time the increasing market demand for consumer electronic was further promoted by travel restrictions during the COVID-19 outbreak in 2020.
- Our revenue from the sales of household appliances decreased by 25.9% to RMB12,173.6 million in 2020 from RMB16,428.7 million in 2019, and revenue from such category as a percentage of total revenue has also decreased from 37.7% in 2019 to 24.5% in 2020, primarily due to the impact of the COVID-19 outbreak and decreased sales in the traditional household appliances in China, such as air conditioners and refrigerators.

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- Our revenue from the sales of agricultural means of production increased by 14.6% to RMB10,937.0 million in 2020 from RMB9,540.6 million in 2019, primarily because we actively enhanced our sales efforts of our agricultural means of production products, diversified our merchandise portfolio and expanded our network of customers, while such growth trend was partially affected by the COVID-19 outbreak in the first half of 2020.
- Our revenue from vehicles and auto parts products increased by 41.8% to RMB5,414.1 million in 2020 from RMB3,817.4 million in 2019, primarily due to our expansion into new merchandise in this category, such as electric vehicles.
- Our revenue from the sales of homebuilding and renovation materials increased significantly to RMB2,501.8 million in 2020 from RMB1,025.9 million in 2019, primarily because we increased our sales and marketing efforts for this merchandise category.
- In 2020, we launched an online marketplace business through *HTD Mall* to further meet the merchandise procurement needs of member stores. In the year, our revenue from online marketplace business was RMB2.0 million.

Service business: Revenue from our service business increased by 337.7% to RMB242.7 million in 2020 from RMB55.4 million in 2019.

- Our revenue from SaaS+ subscription increased by 141.3% to RMB119.1 million in 2020 from RMB49.4 million in 2019, primarily because we expanded our paid user base in late 2019, which increased our revenue recognized from SaaS+ subscription in 2020. Our ARPU increased from approximately RMB21,900 in 2019 to approximately RMB31,200 in 2020, primarily because after the COVID-19 outbreak in early 2020, in order to help our member stores alleviate the financial burden caused by the COVID-19 outbreak, we made two lower-priced SaaS+ packages free during the COVID-19 outbreak and therefore the proportion of revenue from higher-priced service packages increased. These paying users of lower-priced SaaS+ packages were classified as free users in 2020 and the number of our paying users decreased to 2,571 in 2020 from 4,156 in 2019.
- Our revenue from merchant solutions increased to RMB123.6 million in 2020 from RMB6.1 million in 2019, primarily due to increasing customer demand.

Cost of revenue

Our cost of revenue increased by 14.0% to RMB48,284.6 million in 2020 from RMB42,354.1 million in 2019, due to similar factors affecting our revenue increase.

FINANCIAL INFORMATION

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 5.1% to RMB1,344.5 million in 2020 from RMB1,279.1 million in 2019. Our gross margin decreased to 2.7% in 2020 from 2.9% in 2019, primarily due to a decrease in our gross margin from the commerce business. In particular:

Commerce business: The gross profit of our commerce business increased by 0.3% to RMB1,163.6 million in 2020 from RMB1,159.6 million in 2019 and the gross margin of our commerce business decreased to 2.4% in 2020 from 2.7% in 2019. In particular:

In our direct sales business, the gross margin of consumer electronics decreased, primarily because we increased our sales efforts for certain electronic products with lower profit margin but popular in the lower-tier market to meet the consumer demand. The gross margin of household appliances increased, primarily due to the increase in the proportion of sales of small household appliances with higher gross margin. The gross margin of homebuilding and renovation materials decreased in 2020, primarily due to the introduction of new merchandise in this merchandise category, which led to an increase in the proportion of sales of merchandise with lower gross margins. The gross margin of agricultural means of production decreased, primarily due to the increased sales of certain merchandise with lower gross margin such as fertilizer. The gross margin of vehicles and auto parts products increased in 2020 primarily due to the economies of scale as a result of our increase sales of battery products. The gross margin of liquor and beverages increased, primarily due to the upgrade of our supply chain and our strategic cooperation with Chinese liquor factories, as well as the overall industry trend of increasing gross margin of Chinese liquor.

Service business: The gross profit of our service business increased significantly to RMB122.4 million in 2020 from RMB44.9 million in 2019. The gross margin of our service business decreased from 81.0% in 2019 to 50.4% in 2020 primarily because we increased outsourcing of certain merchant solutions to third-party providers to facilitate the delivery of our services.

Other revenue

Our other revenue increased by 61.9% to RMB23.5 million in 2020 from RMB14.5 million in 2019, primarily due to an increase in government grants as local governments provided more support policies to us during the COVID-19 outbreak in 2020.

Other net gain

Our other net gain decreased by 7.6% to RMB121.6 million in 2020 from RMB131.6 million in 2019, primarily due to a decrease in net gain from disposal of subsidiaries in 2020.

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Research and development costs

Our research and development costs increased by 18.2% to RMB58.3 million in 2020 from RMB49.3 million in 2019, primarily due to an increase in our R&D personnel and increase in our R&D projects in 2020.

Selling and marketing expenses

Our selling and marketing expenses increased by 8.1% to RMB609.6 million in 2020 from RMB563.7 million in 2019, primarily due to an increase in promotion service fee and business advertising expenses as a result of our business expansion. Although the scale of our business continued to expand, the increase in selling and marketing expenses was less significant, primarily due to the decrease in our employee salaries in 2020 as compared to that in 2019 as a result of our receipt of social insurance relief from the relevant government authorities from February to November 2020 due to the COVID-19 outbreak in 2020. The average wages paid to our employees increased slightly in 2020 as compared to that in 2019.

Administrative and other operating expenses

Our administrative and other operating expenses decreased by 13.2% to RMB415.0 million in 2020 from RMB478.1 million in 2019, primarily due to (i) a decrease in expected credit losses as we have strengthened our efforts in the collection of accounts receivable and (ii) a decrease in business development expenses, travelling expenses and office expenses as a result of traveling restrictions during the COVID-19 outbreak, while such effect was partially offset by an increase in employee salaries primarily due to an increase in average wages resulting from the recruitment of professional management talents.

Net finance costs

Our net finance costs increased slightly to RMB603.9 million in 2020 from RMB580.7 million in 2019, primarily due to an increase in interest expenses arising from redeemable capital contributions.

Share of losses of associates

Our share of losses of associates was RMB1.4 million in 2020 compared to nil in 2019, primarily because we made investments in associates in 2020, some of which incurred net losses in 2020.

Income tax

Our income tax increased by 39.8% to RMB81.5 million in 2020 from RMB58.3 million in 2019, primarily due to increase in profit before tax. Our adjusted effective income tax rate (calculated as income tax expense divided by adjusted profit before income tax (non-IFRS

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measure)) increased to 20.2% in 2020 from 18.9% in 2019, primarily because in 2020, we did not recognize deferred tax assets for the relevant deductible losses and temporary tax differences of certain loss-making subsidiaries, considering the low possibility of recoverability in the future.

Loss for the year

As a result of the foregoing, our loss for the year decreased by 8.1% to RMB280.0 million in 2020 from RMB304.8 million in 2019. Our adjusted net profit (non-IFRS measure) was RMB322.1 million and RMB249.5 million in 2020 and 2019, respectively. For the same reasons and partly offset by the increase in profit for the year attributable to non-controlling interest, our loss for the year attributable to equity shareholders of the Company decreased by 2.4% to RMB405.3 million in 2020 from RMB415.3 million in 2019.

Comparisons between 2019 and 2018

Revenue

Our revenue increased by 46.4% to RMB43,633.2 million in 2019 from RMB29,801.7 million in 2018 due to the continued growth of our two business segments:

Commerce business: Revenue from our commerce business increased by 46.2% to RMB43,378.6 million in 2019 from RMB29,660.6 million in 2018, primarily due to the increased sales of consumer electronics, agricultural means of production and homebuilding and renovation materials. In particular:

- Our revenue from the sales of consumer electronics increased by 101.8% to RMB11,782.7 million in 2019 from RMB5,838.8 million in 2018, primarily because we actively enhanced our sales efforts of consumer electronics, diversified our merchandise portfolio and expanded our network of customers, while at the same time the market demand for consumer electronics increased substantially in 2019.
- Our revenue from the sales of household appliances decreased by 3.5% to RMB16,428.7 million in 2019 from RMB17,021.4 million in 2018, and revenue from such category as a percentage of total revenue also decreased from 57.1% in 2018 to 37.7% in 2019, primarily due to unfavorable market conditions faced by manufacturers of traditional household appliances in China, such as air conditioners and refrigerators.
- Our revenue from the sales of agricultural means of production increased by 82.8% to RMB9,540.6 million in 2019 from RMB5,219.4 million in 2018, primarily because we actively enhanced our sales efforts of agricultural means of production products, diversified our merchandise portfolio and expanded our network of customers.

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- Our revenue from vehicles and auto parts products increased by significantly to RMB3,817.4 million in 2019 from RMB439.9 million in 2018, primarily due to the substantial increase in our sales of electric bicycle batteries in 2019.
- Our revenue from the sales of homebuilding and renovation materials increased by 266.3% to RMB1,025.9 million in 2019 from RMB280.1 million in 2018, primarily because we increased our sales and marketing efforts of this merchandise category.
- Our revenue from the sales of liquor and beverages as a percentage of our total revenue remained stable from 2018 to 2019.

Service business: Revenue from our service business increased by 119.5% to RMB55.4 million in 2019 from RMB25.3 million in 2018.

- Our revenue from SaaS+ subscription increased by 108.2% to RMB49.4 million in 2019 from RMB23.7 million in 2018, primarily due to the increase of the number of our paying users to 4,156 in 2019 from 2,547 in 2018.
- Our revenue from merchant solutions increased to RMB6.1 million in 2019 from RMB1.6 million in 2018, primarily due to increasing customer demand.

Cost of revenue

Our cost of revenue increased by 47.1% to RMB42,354.1 million in 2019 from RMB28,794.7 million in 2018, due to similar factors for revenue increase.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 27.0% to RMB1,279.1 million in 2019 from RMB1,007.0 million in 2018. Our gross margin decreased to 2.9% in 2019 from 3.4% in 2018, primarily due to a decrease in our gross margin from the commerce business. In particular:

Commerce business: The gross profit of our commerce business increased by 23.8% to RMB1,159.6 million in 2019 from RMB936.7 million in 2018. The gross margin of our commerce business decreased from 3.2% in 2018 to 2.7% in 2019. In particular:

In our direct sales business, the gross margin of agricultural means of production decreased, primarily due to the increased sales of certain products with lower gross margin such as fertilizer. The gross margin of our vehicles and auto parts products decreased, mainly due to the substantial increase of our sales of electric bicycle batteries with lower gross margin. The gross margin of liquor and beverages increased, primarily due to our supply chain upgrade and our strategic cooperation with Chinese liquor factories, as well as the overall industry trend of increasing gross margin of Chinese liquor.

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Service business: The gross profit of our service business increased by 99.1% to RMB44.9 million in 2019 from RMB22.6 million in 2018. The gross margin of our service business decreased from 89.3% in 2018 to 81.0% in 2019 primarily because we increased outsourcing of certain merchant solutions to third-party providers to facilitate the delivery of our services.

Other revenue

Our other revenue increased by 16.5% to RMB14.5 million in 2019 from RMB12.5 million in 2018, primarily due to an increase in government grants relating to our contributions to local economies.

Other net gain

Our other net gain increased by 29.4% to RMB131.6 million in 2019 from RMB101.7 million in 2018, primarily due to increased gains on disposal of our subsidiaries.

Research and development costs

Our research and development costs increased by 42.1% to RMB49.3 million in 2019 from RMB34.7 million in 2018, primarily due to an increase in the number of R&D personnel and number of R&D projects in 2019.

Selling and marketing expenses

Our selling and marketing expenses increased by 31.7% to RMB563.7 million in 2019 from RMB428.0 million in 2018, primarily due to (i) an increase in promotion service fee and business advertising expenses as a result of our business expansion, and (ii) the increase of total salaries paid to our selling and marketing personnel with the increase in the number of our client managers.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 5.9% to RMB478.1 million in 2019 from RMB451.3 million in 2018, primarily due to an increase in professional consulting fees, business development expenses and depreciation in accordance with our business transformation and strategic upgrade, which was partially offset by decrease in expected credit losses as we strengthened our efforts in the collection of accounts receivable.

Net finance costs

Our net finance costs increased by 45.0% to RMB580.7 million in 2019 from RMB400.5 million in 2018, primarily due to an increase in interest expenses arising from redeemable capital contributions.

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Income tax

Our income tax expense decreased by 29.1% to RMB58.3 million in 2019 from RMB82.2 million in 2018, primarily due to the government’s relaxing of the standard for “Small and Micro Enterprise” and the number of our subsidiaries enjoying these benefits increased in 2019. Our adjusted effective income tax rate (calculated as income tax expense divided by adjusted profit before income tax (non-IFRS measure)) was 39.8% in 2018, primarily because we did not recognize deferred income tax assets for the relevant deductible losses and temporary tax differences of certain loss-making subsidiaries, considering the low possibility of recoverability in the future. Our adjusted effective income tax rate (calculated as income tax expense divided by adjusted profit before income tax (non-IFRS measure)) was 18.9% in 2019, primarily due to the relaxing of the standard for “Small and Micro Enterprise” preferential tax treatment.

Loss for the year

As a result of the foregoing, our loss for the year increased by 10.6% to RMB304.8 million in 2019 from RMB275.6 million in 2018. Our adjusted net profit (non-IFRS measure) for the year would have been RMB249.5 million and RMB124.3 million in 2019 and 2018, respectively. For the same reasons and partly offset by the increase in profit for the year attributable to non-controlling interest, our loss for the year attributable to equity shareholders of the Company increased by 40.4% to RMB415.3 million in 2019 from RMB295.7 million in 2018.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Historically, we mainly use operating cash flow and, to a lesser extent, bank financing to meet our working capital needs. We expect to use a portion of the proceeds from the Global Offering to fund our working capital requirements. We currently do not have any plans for material additional external financing.

Taking into account the net proceeds from the Global Offering and the financial resources available to us, our Directors believe that we have sufficient working capital for our present requirements, that is, for at least 12 months from the date of this prospectus.

Cash Flows

The following table sets forth selected cash flow statement information for the periods indicated:

	Year ended December 31,			Nine months ended September 30	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Operating cash flows before					
changes in working capital . . .	382,255	468,349	499,188	308,380	454,985
Changes in working capital	(830,190)	239,009	40,946	369,977	(663,407)
Tax paid	(91,687)	(93,422)	(67,871)	(47,193)	(92,448)
Net cash (used in)/generated					
from operating activities	(539,622)	613,936	472,263	631,164	(300,870)
Net cash (used in)/generated					
from investing activities	(940,884)	(2,174,263)	2,138,383	(246,747)	(1,432,598)
Net cash generated from/ (used in) financing activities . .	2,756,157	227,068	537,622	(247,688)	(306,091)

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	Year ended December 31,			Nine months ended September 30	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Net increase/(decrease) in cash and cash equivalents.	1,275,651	(1,333,259)	3,148,268	136,729	(2,039,559)
Cash and cash equivalents at the beginning of the year/period . .	1,225,317	2,500,968	1,167,709	1,167,709	4,315,977
Cash and cash equivalents at the end of the year/period. . .	<u>2,500,968</u>	<u>1,167,709</u>	<u>4,315,977</u>	<u>1,304,438</u>	<u>2,276,418</u>

Net Cash Used in or Generated from Operating Activities

Our cash flows from operating activities reflect: our loss before taxation adjusted for (i) non-cash and non-operating items (such as depreciation, impairment loss of trade and other receivables, gains on financial asset measured at fair value); (ii) the effects of movement in working capital (such as trade and other receivables, trade and other payables, inventories); and (iii) other cash items (such as income tax paid).

For the nine months ended September 30, 2021, we had net cash used in operating activities of RMB300.9 million, which represents our loss before taxation of RMB82.9 million, as adjusted by non-cash and non-operating items, and negative movements in working capital of: (i) an increase in trade and other receivables of RMB6,042.6 million mainly due to an increase of prepayments related to consumer electronics, which we made to secure product supply, and, as of December 7, 2021, we had sold over 90% of such products to our customers or had received refund of prepayments from the manufacturer due to temporary supply shortage, (ii) an increase in inventories of RMB1,240.1 million primarily due to our business expansion, and (iii) an increase in pledged deposits for issuance of bills payable and letters of credit of RMB1,998.2 million, primarily due to the increase of bills payable and letters of credit issued by us for transaction settlement; and such cash outflow was partially offset by (i) an increase in trade and other payables of RMB7,247.5 million, primarily due to the increase in bills payable as a result of our improved supply chain capabilities, and (ii) an increase in contract liabilities of RMB1,370.0 million, primarily due to customers placing orders in advance to lock supply and price given high market demand of our merchandise. In terms of the abovementioned prepayments related to consumer electronics, we entered into a national designated agency arrangement with a leading consumer electronics manufacturer in September 2021, and subsequently made prepayments of RMB4,500.0 million in the same month to secure the stock of latest consumer electronics models to be sold by us amid the global shortage of chips. With the distribution of the relevant products and the reception of refund due to temporary supply shortage, the aforementioned consumer electronics related prepayments had been subsequently settled in cash with an amount of RMB4,405.7 million, and as such, we believe that such short-term negative movements in working capital during the same period shall not have continuous material impact on our cash flows from operating activities and shall not lead to net operating cash outflows for the full financial year of 2021. Nevertheless, in order to ensure steady operations and improve our net operating cash outflows position, going forward, we plan to take the following measures to improve working capital efficiency: (i) strengthening our market research capabilities and implementing procurement decisions in accordance with respective market demand, (ii) enhancing our cooperation with suppliers to reduce the amount of the prepayments required and secure credit terms where applicable, and (iii) improving our inventory management in light of the market demand and the turnover days of particular merchandise.

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In 2020, we had net cash generated from operating activities of RMB472.3 million, which represents our loss before taxation of RMB198.5 million, as adjusted by non-cash and non-operating items, and positive movements in working capital of an increase in trade and other payables of RMB3,191.4 million, primarily due to the increase in bills payable as a result of our enhanced supply chain capacity in 2020 and more suppliers accepting bank acceptance bills as payment method for merchandise; the cash inflow was partially offset by (i) an increase of RMB1,822.1 million in pledged deposits, which was primarily due to the increase in the use of bank acceptance bills resulting in the corresponding increase in pledged deposits; and (ii) an increase in trade and other receivables of RMB902.0 million, primarily due to our expansion of our network of wholesaler customers to whom we selectively granted certain credit terms, and the relaxation of our credit policies to some of our high-quality customers after the COVID-19 outbreak in 2020.

In 2019, we had net cash generated from operating activities of RMB613.9 million, which represents our loss before taxation of RMB246.5 million, as adjusted by non-cash and non-operating items, and positive movements in working capital of: (i) an increase in trade and other payables of RMB1,701.2 million primarily due to our business expansion and enhanced supply chain capacity; and (ii) an increase in contract liabilities of RMB1,442.3 million, primarily due to the expansion of our direct sales and the commencement of battery operating leases in the direct sales; the cash inflow was partially offset by (i) an increase in trade and other receivables of RMB2,432.1 million, which resulted from an increase in our sales; and (ii) an increase in inventories of RMB628.8 million, primarily due to the increase in the overall scale of direct sales and the commencement of battery operating leases as part of our direct sales.

In 2018, we had net cash used in operating activities of RMB539.6 million, which represents our loss before taxation of RMB193.4 million, as adjusted by non-cash and non-operating items, and negative movements in working capital of: (i) an increase in trade and other receivables of RMB1,616.1 million primarily due to the increase in our sales; and (ii) an increase in inventories of RMB741.9 million primarily due to our business expansion; and such cash outflow was partially offset by (i) an increase in trade and other payables of RMB1,182.1 million primarily due to the increase in our sales; and (ii) an increase in contract liabilities of RMB663.5 million primarily due to the increase in advances from customers as a result of our business expansion.

Net Cash Used in or Generated from Investing Activities

Our cash inflows from investing activities primarily consisted of proceeds from disposal of structured deposits and wealth management products. Our cash outflows from investing activities primarily consisted of payments for purchases of structured deposits and wealth management products.

For the nine months ended September 30, 2021, we had net cash used in investing activities of RMB1,432.6 million, which was primarily attributable to our payment for purchases of structured deposits and wealth management products of RMB17,987.3 million. Such cash outflows were partially offset by (i) our proceeds from disposal of structured deposits and wealth management products of RMB15,922.6 million; (ii) a decrease in time deposits of RMB520.0 million; and (iii) interest received of RMB71.3 million.

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In 2020, we had net cash generated from investing activities of RMB2,138.4 million, which was primarily attributable to our proceeds from disposal of structured deposits and wealth management products of RMB19,810.9 million; such cash inflows were partially offset by (i) our payments for purchases of structured deposits and wealth management products of RMB17,164.2 million; and (ii) an increase in our time deposits of RMB600.0 million.

In 2019, we had net cash used in investing activities of RMB2,174.3 million, which was primarily attributable to our payments for purchases of structured deposits and wealth management products of RMB20,789.6 million; such cash outflows were partially offset by proceeds from disposal of structured deposits and wealth management products of RMB18,653.8 million.

In 2018, we had net cash used in investing activities of RMB940.9 million, which was primarily attributable to our payments for purchases of structured deposits and wealth management products of RMB17,581.4 million; such cash outflows were partially offset by proceeds from disposal of structured deposits and wealth management products of RMB16,568.7 million.

Net Cash Generated from or Used in Financing Activities

Our financing activities primarily include proceeds from new bank loans and other borrowings, repayment of bank loans and other borrowings, new loans from non-controlling shareholders of subsidiaries and proceeds from redeemable capital contributions.

For the nine months ended September 30, 2021, we had net cash used in financing activities of RMB306.1 million, which was primarily attributable to (i) our repayment of bank loans and other borrowings of RMB954.4 million; (ii) an increase in pledged deposits for banking facilities of RMB425.0 million; (iii) payment of RMB145.3 million for acquisition of non-controlling interests; and (iv) repayment of loans of RMB129.6 million from non-controlling shareholders of subsidiaries; such cash outflows were partially offset by proceeds from new bank loans and other borrowings of RMB1,328.1 million.

In 2020, we had net cash generated from financing activities of RMB537.6 million, which was primarily attributable to (i) proceeds of redeemable capital contributions of RMB1,200.0 million; and (ii) proceeds from new bank loans and other borrowings of RMB783.9 million; such cash inflows were partially offset by (i) repayment of RMB1,055.5 million for bank loans and other borrowings; and (ii) payment of RMB351.1 million for acquisition of non-controlling interests.

In 2019, we had net cash generated from financing activities of RMB227.1 million, which was primarily attributable to (i) proceeds from new bank loans and other borrowings of RMB700.9 million; and (ii) new loans from non-controlling shareholders of subsidiaries of RMB442.1 million; such cash inflows were partially offset by (i) repayment of loans from non-controlling shareholders of subsidiaries of RMB510.1 million; and (ii) repayment of bank loans and other borrowings of RMB447.4 million.

In 2018, we had net cash generated from financing activities of RMB2,756.2 million, which was primarily attributable to (i) proceeds of redeemable capital contributions of RMB2,500.0 million; and (ii) new loans from non-controlling shareholders of subsidiaries of RMB496.8 million; such cash inflows were partially offset by (i) repayment of loans from non-controlling shareholders of subsidiaries of RMB363.4 million; and (ii) repayment of bank loans and other borrowings of RMB455.0 million.

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CERTAIN COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth the components of our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of
	2018	2019	2020	September 30, 2021
	<i>(RMB in thousands)</i>			
Non-current assets				
Property, plant and equipment	39,923	41,215	45,085	40,110
Right-of-use assets	115,245	158,138	127,927	103,201
Investment property	–	4,036	3,901	3,744
Interests in associates	–	–	18,042	2,046
Financial assets at fair value through other comprehensive income	2,000	2,000	2,000	2,000
Pledged deposits	–	–	630,000	1,875,000
Time deposits	–	90,000	530,000	140,000
Deferred tax assets	45,558	57,850	63,006	82,135
Total non-current assets	202,726	353,239	1,419,961	2,248,236
Current assets				
Financial assets at fair value through profit or loss	1,365,540	3,607,396	1,073,930	3,243,036
Inventories	2,509,103	3,014,101	2,250,583	3,071,466
Trade and bill receivables	1,127,147	1,307,992	1,847,404	2,307,529
Prepayments, deposits and other receivables	4,858,139	6,876,030	6,620,010	12,013,088
Pledged deposits	2,955,861	2,814,776	4,006,904	5,185,105
Time deposits	–	–	160,000	30,000
Cash and cash equivalents	2,500,968	1,167,709	4,315,977	2,276,418
Taxation recoverable	–	1,574	562	–
Total current assets	15,316,758	18,789,578	20,275,370	28,126,642
Current liabilities				
Bank loans and other borrowings	230,758	484,539	212,782	583,326
Loans from non-controlling shareholders of subsidiaries	148,483	79,666	40,588	59,431
Lease liabilities	40,651	50,653	56,427	35,513
Trade and bills payables	7,180,792	8,493,358	11,419,335	18,262,518
Other payables and accruals	349,103	657,074	443,761	429,477
Contract liabilities	1,802,809	3,191,145	2,133,207	3,412,933

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	As of December 31,			As of
	2018	2019	2020	September 30, 2021
	<i>(RMB in thousands)</i>			
Provisions	7,177	12,395	843	–
Redeemable capital contributions	6,928,973	7,483,290	9,285,430	8,854,015
Taxation payable	36,637	23,090	50,822	54,126
Total current liabilities	16,725,383	20,475,210	23,643,195	31,691,339
Net current liabilities	(1,408,625)	(1,685,632)	(3,367,825)	(3,564,697)
Total assets less current liabilities	(1,205,899)	(1,332,393)	(1,947,864)	(1,316,461)
Non-current liabilities				
Lease liabilities	69,355	101,284	79,627	61,858
Deferred income	2,332	17,688	17,000	17,000
Total non-current liabilities	71,687	118,972	96,627	78,858
NET LIABILITIES	(1,277,586)	(1,451,365)	(2,044,491)	(1,395,319)
CAPITAL AND RESERVES				
Share capital	485,361	485,361	508,658	508,658
Reserves	(2,597,786)	(3,046,167)	(3,808,687)	(3,272,878)
Total deficit attributable to equity shareholders of the Company	(2,112,425)	(2,560,806)	(3,300,029)	(2,764,220)
Non-controlling interests	834,839	1,109,441	1,255,538	1,368,901
TOTAL DEFICIT	(1,277,586)	(1,451,365)	(2,044,491)	(1,395,319)

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Net Current Liabilities

	As of December 31,			As of	As of
	2018	2019	2020	September 30,	November 30,
				2021	2021
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Current assets					
Financial assets at fair value through profit or loss	1,365,540	3,607,396	1,073,930	3,243,036	4,999,493
Inventories	2,509,103	3,014,101	2,250,583	3,071,466	3,232,046
Trade and bill receivables	1,127,147	1,307,992	1,847,404	2,307,529	2,441,871
Prepayments, deposits and other receivables	4,858,139	6,876,030	6,620,010	12,013,088	10,535,644
Pledged deposits	2,955,861	2,814,776	4,006,904	5,185,105	5,095,718
Time deposits	–	–	160,000	30,000	30,000
Cash and cash equivalents	2,500,968	1,167,709	4,315,977	2,276,418	1,749,718
Taxation recoverable	–	1,574	562	–	–
Total current assets	15,316,758	18,789,578	20,275,370	28,126,642	28,084,490
Current liabilities					
Bank loans and other borrowings	230,758	484,539	212,782	583,326	574,532
Loans from non-controlling shareholders of subsidiaries	148,483	79,666	40,588	59,431	38,273
Lease liabilities	40,651	50,653	56,427	35,513	35,137
Trade and bills payables	7,180,792	8,493,358	11,419,335	18,262,518	18,486,966
Other payables and accruals	349,103	657,074	443,761	429,477	498,064
Contract liabilities	1,802,809	3,191,145	2,133,207	3,412,933	3,210,622
Provisions	7,177	12,395	843	–	–
Redeemable capital contributions	6,928,973	7,483,290	9,285,430	8,854,015	8,968,630
Taxation payable	36,637	23,090	50,822	54,126	59,026
Total current liabilities	16,725,383	20,475,210	23,643,195	31,691,339	31,871,250
Net current liabilities	(1,408,625)	(1,685,632)	(3,367,825)	(3,564,697)	(3,786,760)

Our net current liabilities increased by 5.8% to RMB3,564.7 million as of September 30, 2021 from RMB3,367.8 million as of December 31, 2020, primarily due to (i) an increase in trade and bills payables, as a result of our improved supply chain capabilities and our negotiation with suppliers to defer payment terms through payment of bills; and (ii) an increase in contract liabilities, as a result of customers placing orders in advance to lock supply and price given high market demand of our merchandise.

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Our net current liabilities increased by 99.8% to RMB3,367.8 million as of December 31, 2020 from RMB1,685.6 million as of December 31, 2019, primarily due to (i) an increase in new bank acceptance bills as a result of our improved supply chain capabilities and our negotiation with suppliers to defer payment terms through payment of bills; and (ii) an increase in our redeemable capital contributions, primarily because we received new capital contributions from investors and the corresponding interest expenses increased in 2020.

Our net current liabilities increased by 19.7% to RMB1,685.6 million as of December 31, 2019 from RMB1,408.6 million as of December 31, 2018, primarily due to (i) an increase in trade and bills payables to our suppliers as a result of the expansion of our business, (ii) an increase in contract liabilities, which was primarily due to the increased scale of our direct sales and increase in advances from customers as a result of the commencement of the battery operating leases, and (iii) an increase in our redeemable capital contributions, primarily because we received new capital contributions from new investors and the corresponding interest expenses increased in 2019.

Inventories

Our inventories mainly consist of merchandise, goods in transit and write down of inventories.

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	<i>(RMB in thousands)</i>			
Merchandise	2,538,866	3,029,480	2,182,345	2,950,375
Goods in transit	70,038	123,980	147,039	194,405
Write down of inventories	(99,801)	(139,359)	(78,801)	(73,314)
Total	2,509,103	3,014,101	2,250,583	3,071,466

Most of our inventories consist of household appliances. As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, our inventories were RMB2,509.1 million, RMB3,014.1 million, RMB2,250.6 million and RMB3,071.5 million, respectively. As of December 31, 2019, the increase in inventories was primarily due to the increase in the scale of our direct sales business and the increase in inventories as a result of the commencement of battery operating leases as part of our direct sales in 2019.

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Our inventories decreased as of December 31, 2020, primarily due to (i) the sale of all outstanding merchandise under the battery operating leases in 2020; and (ii) the change of our merchandise mix, which resulted in a faster inventory turnover. The below table sets forth our inventory turnover days for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2018	2019	2020	2021
	Inventory turnover days	28	24	20

Our inventory turnover days are calculated on the basis of dividing the average of inventory at the beginning of the period and inventory at the end of the period by costs of revenue and multiplying by 273 days or 365 days, as applicable. As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, the decrease in our inventory turnover days was primarily due to the change of our merchandise mix, and the increase in sales of merchandise categories that feature a low level of inventory and quick turnover, such as consumer electronics and agricultural means of production.

Our inventories increased as of September 30, 2021, primarily due to the increase in the scale of our direct sales business and the consequent increase in stocks.

As of November 30, 2021, RMB1,996.0 million, or 63.5%, of our inventories as of September 30, 2021 had been subsequently consumed or sold.

Trade and Bills Receivables

Our trade and bills receivables represent amounts due from third-party customers in the ordinary course of business. The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	<i>(RMB in thousands)</i>			
Trade receivables	514,653	763,099	951,910	1,312,479
Less: Loss allowance	(32,504)	(42,928)	(24,271)	(42,401)
	482,149	720,171	927,639	1,270,078
Bills receivable	644,998	587,821	919,765	1,037,451
Total	1,127,147	1,307,992	1,847,404	2,307,529

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As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, our trade and bill receivables were RMB1,127.1 million, RMB1,308.0 million, RMB1,847.4 million and RMB2,307.5 million, respectively. The increase in our trade and bills receivable as of December 31, 2019 compared to December 31, 2018 was primarily due to our business growth. The increase in our trade and bills receivables as of December 31, 2020 compared to December 31, 2019 was primarily due to the expansion of our network of wholesaler customers to whom we selectively granted credit terms and the relaxation of our credit policies to some of our high-quality customers after the COVID-19 outbreak in 2020. The increase in our trade and bills receivables as of September 30, 2021 compared to December 31, 2020 was primarily due to the substantial growth in our sales, and our extending payment terms under the premise of risk control (i) for customers we had good long-term business relationship with to increase customer stickiness, and (ii) to valued new customers of our expanded merchandise portfolio who had good credit to enhance cooperation.

The credit terms given to our customers are determined on an individual basis with normal credit period mainly around not more than 90 days. We would select high quality customers to grant them a credit term. When a customer applies for a credit term, we will review the customer's qualifications and relevant applications, including the customer's business and commercial risks in terms of business quality and historical credit status and capital occupation. We typically only accept customer bills that are due within six months and issued by reputable financial institutions. As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, the ageing analysis of our trade and bills receivables based on invoice date is as follows:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	<i>(RMB in thousands)</i>			
Within 3 months	1,088,081	1,108,699	1,753,897	2,085,051
Over 3 months but within 12 months	22,675	75,267	77,674	190,640
Over 12 months	16,391	124,026	15,833	31,838
Total	1,127,147	1,307,992	1,847,404	2,307,529

Our trade and bills receivables turnover days are calculated on the basis of dividing the average of trade and bills receivables at the beginning of the period and trade and bills receivables at the end of the period by revenue and multiplying by 273 days or 365 days, as applicable. The turnover days of our trade and bills receivables were 12 days, 10 days, 12 days and 12 days in 2018, 2019, 2020 and for the nine months ended September 30, 2021, respectively, which we believe were relatively stable and reasonable.

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As of November 30, 2021, RMB812.2 million, or 61.9%, of our trade receivables as of September 30, 2021 had been subsequently settled. As of November 30, 2021, RMB373.2 million, or 36.0%, of our bills receivables as of September 30, 2021 had been subsequently settled. We believe that there is no recoverability issue for our trade and bills receivables, as we mainly grant credit terms to high quality customers and only accept bills issued by reputable banks. In addition, the trade and bills receivables turnover days during the Track Record Period remain stable and we had made sufficient provisions accordingly.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily consist of prepayments, value added tax recoverable, refund receivables from suppliers, amounts due from former subsidiaries and other deposits and receivables. The prepayments mainly represent prepayments to suppliers of consumer electronics and agricultural means of production products. The following table sets forth the breakdown of our prepayments, deposits and other receivables as of the dates indicate:

	As of December 31,			As of
	2018	2019	2020	September 30, 2021
	<i>(RMB in thousands)</i>			
Prepayments	4,589,619	6,144,419	5,795,940	11,124,448
Value added tax recoverable . . .	128,336	201,953	162,829	163,272
Refund receivables from suppliers	234,428	384,155	156,174	180,505
Amounts due from former subsidiaries	29,277	214,372	319,617	305,010
Other deposits and receivables . .	51,366	180,218	285,885	360,362
Less: Loss allowance	(174,887)	(249,087)	(100,435)	(120,509)
Total	4,858,139	6,876,030	6,620,010	12,013,088

As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, our prepayments, deposits and other receivables were RMB4,858.1 million, RMB6,876.0 million, RMB6,620.0 million and RMB12,013.1 million, respectively. The increase in our prepayments, deposits and other receivables as of September 30, 2021 compared to December 31, 2020 was primarily due to the increase in our prepayments, which were made to (i) ensure supply, as requested by customers that placed orders in advance, given the high market demand of our merchandise; and (ii) lock in price as a precaution against any potential adverse impact of an estimated increase in the market price of products such as agricultural means of production. The increase in our prepayments, deposits and other receivables as of December 31, 2019 compared to December 31, 2018 was primarily due to prepayments to suppliers for merchandise as our business expanded rapidly in 2019. The decrease in our prepayments, deposits and other receivables as of December 31, 2020 compared to that as of December 31, 2019 was primarily due to our strengthened relationship with suppliers and bargaining power in 2020.

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As of November 30, 2021, RMB6,581.6 million, or 59.2%, of our prepayments as of September 30, 2021 had been subsequently recognized as inventories or expenses.

Financial Assets at Fair Value through Profit or Loss

As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, our financial assets at fair value through profit or loss was RMB1,365.5 million, RMB3,607.4 million, RMB1,073.9 million and RMB3,243.0 million, primarily representing our structured deposits and wealth management products and our cash positions by the end of each reporting period. The fluctuation of our financial assets at fair value through profit or loss at the end of each reporting period was primarily the result of (i) the different maturity of the various structured deposits and wealth management products we invested in, and (ii) the timing and amount we redeemed the structured deposits and wealth management products during each reporting period. Our payment for purchases of structured deposits and wealth management products remained relatively stable for the year ended December 31, 2018, 2019 and 2020, and for the nine months ended September 30, 2021, which was RMB17,581.4 million, RMB20,789.6 million, RMB17,164.2 million and RMB17,987.3 million, respectively. Our investment in financial products was mainly due to our cash management objective to improve returns on our available capital.

The table below sets forth our financial assets at fair value through profit or loss as of December 31, 2018:

Type of Investment	Investment Amounts	Issuer	Terms	Underlying assets/ derivatives
	(RMB)		(Days)	
Wealth management products	126,500,000.00	Bank of Ningbo	90	Bonds, central bank bills, cash, interbank assets, currencies and other non-standard assets
Structured deposits	100,000,000.00	Bank of Communications	36	Three-month SHIBOR
Structured deposits	200,000,000.00	Industrial Bank	32	Shanghai Gold Exchange gold fix price
Structured deposits	200,000,000.00	Bank of Nanjing	34	Three-month US Dollar LIBOR
Structured deposits	100,000,000.00	Bank of Ningbo	33	AUD/USD currency exchange rate
Structured deposits	300,000,000.00	China CITIC Bank	33	Three-month US Dollar LIBOR interest rate
Structured deposits	62,069,202.00	Bank of Communications	178	EUR/USD currency exchange rate

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<u>Type of Investment</u>	<u>Investment Amounts</u>	<u>Issuer</u>	<u>Terms</u>	<u>Underlying assets/ derivatives</u>
	<i>(RMB)</i>		<i>(Days)</i>	
Structured deposits	48,000,000.00	Bank of Communications	181	EUR/USD currency exchange rate
Structured deposits	32,000,000.00	Bank of Communications	167	EUR/USD currency exchange rate
Structured deposits	2,000,000.00	Industrial Bank	180	Shanghai Gold Exchange gold fix price
Structured deposits	19,634,400.00	Bank of Communications	178	EUR/USD currency exchange rate
Wealth management products	70,000,000.00	Minsheng Wealth Management Co., Ltd.	365	Trust plans, bank deposits, bank wealth management products and money market funds
Wealth management products	100,000,000.00	Shanghai Gopher Asset Management Co., Ltd.	261	Trust plans
Wealth management products	218,388.30	Zhejiang E-Commerce Bank Co., Ltd.	Due on demand	Money market funds

The table below sets forth our financial assets at fair value through profit or loss as of December 31, 2019:

<u>Type of Investment</u>	<u>Investment Amounts</u>	<u>Issuer</u>	<u>Terms</u>	<u>Underlying assets/ derivatives</u>
	<i>(RMB)</i>		<i>(Days)</i>	
Wealth management products	350,000,000.00	Bank of China	Due on demand	Bonds, central bank notes, bank deposits, NCDs, funds, CDSs and IRSs
Wealth management products	185,000,000.00	Bank of Communications	Due on demand	Cash, funds, bank deposits, interbank NCDs, interbank loans, bond repurchase and other money market assets; and bonds, notes, asset-backed securities and other fixed-income assets
Structured deposits	50,000,000.00	China Everbright Bank	92	EUR/USD currency exchange rate

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<u>Type of Investment</u>	<u>Investment Amounts</u>	<u>Issuer</u>	<u>Terms</u>	<u>Underlying assets/ derivatives</u>
	<i>(RMB)</i>		<i>(Days)</i>	
Wealth management products	400,000,000.00	Industrial Bank	Due on demand	Bank deposits, bond reverse repurchase, funds, interbank certificates of deposit, bonds, notes and other debt assets
Wealth management products	265,000,000.00	Bank of Nanjing	Due on demand	Bonds, notes, deposits, interbank loans, asset management plans, debt investment projects and trust plans
Wealth management products	240,000,000.00	China Guangfa Bank	Due on demand	Bonds, cash, interbank deposits, bond repurchase, trust plans and other asset management plans
Wealth management products	180,000,000.00	China Merchants Bank	Due on demand	Bonds, asset-backed securities, wealth management direct financing instruments, reverse repurchase, bank deposits and brokerage income certificates. Also through asset management plans such as trust plans and targeted asset management plans
Wealth management products	500,000,000.00	China Everbright Bank	Due on demand	Cash, bank deposits, bond repurchase, notes, interbank certificates of deposit, bonds, non-financial corporate debt financing instruments, asset-backed securities and other money market instruments
Structured deposits	50,000,000.00	Hua Xia Bank	90	Gold futures price
Structured deposits	50,000,000.00	Bank of Nanjing	95	Three-month US Dollar LIBOR

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Type of Investment	Investment Amounts	Issuer	Terms	Underlying assets/ derivatives
	(RMB)		(Days)	
Structured deposits	100,000,000.00	China Development Bank	98	Bonds, deposits, funds, debt assets, asset management plans and investment plans
Structured deposits	50,000,000.00	China Guangfa Bank	92	Bank deposits, bonds and financial derivatives
Structured deposits	200,000,000.00	China Minsheng Bank	182	CSI Smallcap 500 Index
Structured deposits	80,000,000.00	China Minsheng Bank	183	CSI Smallcap 500 Index
Structured deposits	10,000,000.00	China Minsheng Bank	91	CSI Smallcap 500 Index
Structured deposits	30,000,000.00	China Minsheng Bank	183	CSI Smallcap 500 Index
Structured deposits	60,000,000.00	China Minsheng Bank	183	CSI Smallcap 500 Index
Structured deposits	50,000,000.00	China Minsheng Bank	182	CSI Smallcap 500 Index
Structured deposits	20,000,000.00	China Minsheng Bank	180	CSI Smallcap 500 Index
Structured deposits	21,610,000.00	China Merchants Bank	92	Gold price
Structured deposits	14,000,000.00	China Merchants Bank	92	Gold price
Structured deposits	300,000,000.00	China Merchants Bank	182	Gold price
Structured deposits	10,000,000.00	China Merchants Bank	182	Gold price
Structured deposits	100,000,000.00	China Merchants Bank	183	Gold price
Wealth management products	100,000,000.00	China Securities Co., Ltd.	97	Bonds, notes, deposits and public funds
Wealth management products	100,000,000.00	China Securities Co., Ltd.	277	Bonds, notes, public funds, deposits and certificates of deposit
Wealth management products	100,000,000.00	Shanghai Gopher Asset Management Co., Ltd.	273	Accounts receivable, bank deposits and funds
Wealth management products	196,340.62	Zhejiang E-Commerce Bank Co., Ltd.	Due on demand	Currency funds

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The table below sets forth our financial assets at fair value through profit or loss as of December 31, 2020:

<u>Type of Investment</u>	<u>Investment Amounts</u>	<u>Issuer</u>	<u>Terms</u>	<u>Underlying assets/ derivatives</u>
	<i>(RMB)</i>		<i>(Days)</i>	
Wealth management products	13,500,000.00	Industrial and Commercial Bank of China	Due on demand	Bonds, deposits, funds, debt assets and pledged certificates of deposit
Wealth management products	100,000,000.00	China Zheshang Bank	188	Confirmed blockchain account receivables
Wealth management products	147,602,000.01	China Zheshang Bank	176	Confirmed blockchain account receivables
Structured deposits	50,000,000.00	China Construction Bank	365	EUR/USD currency exchange rate
Structured deposits	30,000,000.00	China Minsheng Bank	365	CSI Smallcap 500 Index
Structured deposits	30,000,000.00	China Minsheng Bank	362	CSI Smallcap 500 Index
Structured deposits	60,000,000.00	China Construction Bank	365	EUR/USD currency exchange rate
Structured deposits	50,000,000.00	China Construction Bank	365	EUR/USD currency exchange rate
Structured deposits	50,000,000.00	China Construction Bank	365	EUR/USD currency exchange rate
Wealth management products	100,000,000.00	China Everbright Xinglong Trust Co., Ltd.	365	Cash, deposits, funds, bonds, notes, asset-backed securities and trust plans
Wealth management products	50,000,000.00	China Everbright Xinglong Trust Co., Ltd.	365	Cash, deposits, funds, bonds, notes, asset-backed securities and trust plans
Wealth management products	80,000,000.00	China Everbright Xinglong Trust Co., Ltd.	365	Cash, deposits, funds, bonds, notes, asset-backed securities and trust plans
Wealth management products	230,000,000.00	Minsheng Wealth Management Co., Ltd.	365	Trust plans, bank deposits, bank wealth management products and money market funds
Wealth management products	75,000,000.00	Minsheng Wealth Management Co., Ltd.	365	Trust plans, bank deposits, bank wealth management products and money market funds

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The table below sets forth our financial assets at fair value through profit or loss as of September 30, 2021:

<u>Type of Investment</u>	<u>Investment Amounts</u>	<u>Issuer</u>	<u>Terms</u>	<u>Underlying assets/ derivatives</u>
	<i>(RMB)</i>		<i>(Days)</i>	
Structured deposits	100,000,000.00	China Minsheng Bank	365	China Minsheng Bank global asset rotation index
Structured deposits	100,000,000.00	China Minsheng Bank	365	China Minsheng Bank global asset rotation index
Structured deposits	196,000,000.00	China Minsheng Bank	365	China Minsheng Bank global asset rotation index
Structured deposits	47,000,000.00	China Minsheng Bank	364	China Minsheng Bank global asset rotation index
Structured deposits	33,000,000.00	China Minsheng Bank	365	China Minsheng Bank global asset rotation index
Structured deposits	100,000,000.00	China Minsheng Bank	182	Hwabao WP CSI Medical ETF
Structured deposits	58,000,000.00	China Minsheng Bank	182	ChinaAMC CSI New Energy Automobile ETF
Structured deposits	41,200,000.00	Bank of Communications	189	EUR/USD currency exchange rate
Structured deposits	30,000,000.00	China Merchants Bank	91	Gold price
Structured deposits	150,000,000.00	China Merchants Bank	365	Gold price
Wealth management products	600,000,000.00	Huaxia Bank	Due on demand	Fixed income financial instruments, including bank deposits, bonds, asset backed notes and money market tools, and asset management products
Wealth management products	30,000,000.00	Huaxia Bank	Due on demand	Fixed income financial instruments, including bank deposits, bonds, asset backed notes and money market tools, and asset management products

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<u>Type of Investment</u>	<u>Investment Amounts</u>	<u>Issuer</u>	<u>Terms</u>	<u>Underlying assets/ derivatives</u>
	<i>(RMB)</i>		<i>(Days)</i>	
Wealth management products	75,000,000.00	Minsheng Wealth Management Co., Ltd.	365	Trust plans, bank deposits, bank wealth management products and money market funds
Wealth management products	100,000,000.00	Minsheng Wealth Management Co., Ltd.	365	Trust plans, bank deposits, bank wealth management products and money market funds
Wealth management products	100,000,000.00	Minsheng Wealth Management Co., Ltd.	365	Trust plans, bank deposits, bank wealth management products and money market funds
Wealth management products	150,000,000.00	Minsheng Wealth Management Co., Ltd.	365	Trust plans bank deposits, bank wealth management products and money market funds
Wealth management products	50,000,000.00	China Everbright Xinglong Trust Co., Ltd.	365	Cash, deposits, funds, bonds, asset-backed securities and trust plans
Wealth management products	50,000,000.00	China Everbright Xinglong Trust Co., Ltd.	365	Cash, deposits, funds, bonds, notes, asset-backed securities and trust plans
Wealth management products	50,000,000.00	China Everbright Xinglong Trust Co., Ltd.	365	Cash, deposits, funds, bonds, notes, asset-backed securities and trust plans
Wealth management products	50,000,000.00	China Everbright Xinglong Trust Co., Ltd.	365	Cash, deposits, funds, bonds, notes, asset-backed securities and trust plans
Wealth management products	50,000,000.00	China Everbright Xinglong Trust Co., Ltd.	365	Cash, deposits, funds, bonds, notes, asset-backed securities and trust plans
Wealth management products	50,000,000.00	China Everbright Xinglong Trust Co., Ltd.	365	Cash, deposits, funds, bonds, notes, asset-backed securities and trust plans

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<u>Type of Investment</u>	<u>Investment Amounts</u>	<u>Issuer</u>	<u>Terms</u>	<u>Underlying assets/ derivatives</u>
	<i>(RMB)</i>		<i>(Days)</i>	
Wealth management products	80,000,000.00	China Everbright Xinglong Trust Co., Ltd.	365	Cash, deposits, funds, bonds, notes, asset-backed securities and trust plans
Wealth management products	30,000,000.00	China Everbright Xinglong Trust Co., Ltd.	334	Cash, deposits, wealth management products, NCDs, funds, bonds, credit risk mitigation tools, asset-backed securities, asset management plans and trust plans
Wealth management products	30,000,000.00	China Everbright Xinglong Trust Co., Ltd.	334	Cash, deposits, wealth management products, NCDs, funds, bonds, credit risk mitigation tools, asset-backed securities, asset management plans and trust plans
Wealth management products	40,000,000.00	China Everbright Xinglong Trust Co., Ltd.	334	Cash, deposits, wealth management products, NCDs, funds, bonds, credit risk mitigation tools, asset-backed securities, asset management plans and trust plans
Wealth management products	50,000,000.00	China Everbright Xinglong Trust Co., Ltd.	245	Monetary funds, bank deposits, bond repurchase, bonds, funds, asset management plans and trust plans
Wealth management products	100,000,000.00	Minmetals International Trust Co., Ltd.	188	Bonds, notes, asset-backed securities, special beneficiary certificates, asset-backed notes, bond reverse repurchase and money market funds

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<u>Type of Investment</u>	<u>Investment Amounts</u> <i>(RMB)</i>	<u>Issuer</u>	<u>Terms</u> <i>(Days)</i>	<u>Underlying assets/ derivatives</u>
Wealth management products	150,000,000.00	Minmetals International Trust Co., Ltd.	175	Bonds, notes, asset-backed securities, special beneficiary certificates, asset-backed notes, bond reverse repurchase and money market funds
Wealth management products	200,000,000.00	Minmetals International Trust Co., ltd.	141	National debts, local government bonds, financial bonds, asset-backed securities, funds, bank deposits, interbank certificates of deposit, cash, fixed income asset management products and bond repurchase
Wealth management products	63,960,000.00	Jiangsu International Trust Corporation Limited	335	Trust loans
Wealth management products	100,000,000.00	Jiangsu International Trust Corporation Limited	180	Deposits, bonds, bond reverse repurchase, asset-backed securities, funds and fixed income asset management products
Wealth management products	50,000,000.00	China Securities Co., Ltd.	90	Interbank certificates of deposit, deposits, bonds, notes, bond reverse repurchase, funds, fixed income asset management products and trust products
Wealth management products	1,946.37	China securities Co., Ltd.	Due on demand	Cash, notice deposits, bank time deposits, certificates of deposit, bond repurchase, central bank notes, bonds, notes, and other financial instruments

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Type of Investment	Investment Amounts	Issuer	Terms	Underlying assets/ derivatives
	(RMB)		(Days)	
Wealth management products	100,000,000.00	CITIC Securities Company Limited	136	CITIC Securities China's multi-asset momentum allocation index
Wealth management products	10,400,000.00	Industrial and Commercial Bank of China	Due on demand	Bonds, deposits, funds, debt financing investment and pledged certificates of deposit

During the Track Record Period, the underlying assets or derivatives of the structured deposits and wealth management products we purchased primarily included financial instruments, such as bonds, currency-linked structured products, market indexes and asset management products, which are not directly linked to any specific industries affected by recent regulatory developments in China to our knowledge. As of December 31, 2021, RMB1,669.5 million, representing 51.5% of the structured deposits and wealth management products held by us as of September 30, 2021, had been redeemed at an aggregate value of RMB1,684.7 million. During the Track Record Period and up to December 31, 2021, the structured deposits and wealth management products we purchased did not have material decline in market value.

The banks where we purchased structured deposits and wealth management products during the Track Record Period are independent third parties, except China Merchants Bank, China Minsheng Bank and Zhejiang E-Commerce Bank Co., Ltd., which are all well-established commercial banks in China, set as below.

- (i) Shanghai Zhaoyin, one of our Pre-IPO Investors, is ultimately owned by China Merchants Bank.
- (ii) Minsheng Investment, one of our Pre-IPO Investors, whose general partner is Minsheng Equity Investment Fund Management Co., Ltd. (民生股權投資基金管理有限公司), which in turn is wholly owned by Minsheng Securities. The de facto controller of Minsheng Securities is Mr. Lu Zhiqiang, who also serves as vice chairman of China Minsheng Bank. The controlling shareholder of Minsheng Securities is Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司), a company whose shares are listed on Shenzhen Stock Exchange (stock code: 000046.SZ), which in turn may participate in the decision making of the financial and operation policy of China Minsheng Bank.
- (iii) Alibaba China, one of our Pre-IPO Investors, is ultimately controlled by Mr. Jack Ma (馬雲), who in turns controls Zhejiang E-Commerce Bank Co., Ltd.

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We confirm that it is not uncommon for a company to purchase structured deposits and wealth management products from such well-established banks, which is irrelevant with our Pre-IPO Investors, shareholders, Directors and senior management. In addition, it is ordinary course of business for these commercial banks to issue or sell such structured deposits and wealth management products to us, and such business relationship is independent from our Pre-IPO Investors, shareholders, Directors and senior management.

The risk exposure from the structured deposits mainly involves the fluctuation in the rates of return. The risk exposure from the wealth management products is primarily that neither the principal nor the returns are protected or guaranteed by the relevant issuers. To limit such risk exposure, we have implemented cash management policies in relation to our investments with respect to structured deposits and wealth management products, which include:

- We are allowed to purchase and redeem structured deposits and wealth management products in accordance with our cash management policies and internal approval process under the premise that such purchasing and redeeming of structured deposits do not affect our business operations. We mainly consider the amount of our available funds and future capital needs while ensuring liquidity safety under the principle of maximizing the return on funds, and our investments with respect to structured deposits and wealth management products for each year shall be approved by our Board.
- Our investment management committee, which comprises the members of finance management department and fund operational department, is responsible for assessment of the relevant risks of the proposed structured deposits and wealth management products and selection of the relevant investments. When deciding whether to invest in the structured deposits, our investment committee mainly considers: (i) the current bank deposit interest rate, (ii) the market condition of the underlying assets such as interest rates, market indexes and currency exchange rates, and (iii) our cash flow and cash requirements, as well as our overall risk exposure, risk concentration and risk diversification. When deciding whether to invest in the wealth management products, our investment committee mainly considers: (i) the issuer's credit and the historical performance and returns of its wealth management products, (ii) our overall risk exposure, risk concentration and risk diversification, and (iii) the wealth management product and the market performance and trend of such underlying assets. Upon the selection by the investment management committee, finance management department would initiate the internal approval procedures. The person-in-charge of the finance management department is responsible for approving the relevant investments.

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- We have also implemented internal control measures to mitigate the investment risks of our investments. First, the structured deposits and wealth management products we mainly purchased were short-term and low-risk, which were invested in fixed income and fixed-class income products and could not be used to invest in other financial products such as stocks and their derivatives and unsecured bonds which may cause uncontrollable risks. Moreover, we mainly purchase structured deposits and wealth management products issued by state-owned, joint-stock and large commercial banks. The structured deposits and wealth management products we purchase usually have an average term of less than one year. The structured deposits and wealth management products we invested during the Track Record Period were not principal protected. We consider making such investments to be in the best interest of us and our shareholders as a whole, primarily because (i) it increases the utilization of our cash balance while ensuring the short-term liquidity; and (ii) we make such investment under the premise of implementing risk control measures and investment strategy and appointing the investment management committee to ensure that the structured deposits and wealth management products that we purchase are issued by reputable large financial institutions and are safe with reasonable yield, thus elevating the efficiency of our funds while balancing controllable risks.

After Listing, we intend to continue our investments in the structured deposits and wealth management products strictly in accordance with our internal policies and guidelines, Articles of Associations, and the requirements under Chapter 14 of the Listing Rules.

During the Track Record Period, none of our structured deposits or wealth management products were invested, either directly or indirectly, in securities or debts of companies controlled by, or otherwise in connection with, any of our shareholders, directors or senior management and/or the Pre-IPO Investors and/or affiliates of the Joint Sponsors.

Pledged Deposits

Our pledged deposits mainly consist of short-term and long-term deposits in relation to bank acceptance bills.

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	<i>(RMB in thousands)</i>			
Current portion	2,955,861	2,814,776	4,006,904	5,185,105
Non-current portion	–	–	630,000	1,875,000
Total	2,955,861	2,814,776	4,636,904	7,060,105

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As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, our pledged deposits were RMB2,955.9 million, RMB2,814.8 million, RMB4,636.9 million and RMB7,060.1 million respectively. The increase in our pledged deposits as of September 30, 2021 compared to December 31, 2020 was primarily because of the increase in the amount of bank acceptance bills that we issued as a result of our business growth. The increase in our pledged deposits as of December 31, 2020 compared to December 31, 2019 was primarily because our undue bank acceptance bills increased significantly as of December 31, 2020 compared to December 31, 2019. The increase in our non-current pledged deposits was primarily due to our optimizing interest income by issuing bank acceptance bills with long-term time deposits as pledge.

Trade and Bills Payables

Our trade and bills payables represent liabilities for products and services provided to us that remain unpaid. The following table sets forth an ageing analysis of our trade and bills payables as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	<i>(RMB in thousands)</i>			
Within 3 months	4,154,646	4,820,556	4,412,451	9,549,846
3 to 12 months	2,972,776	3,562,342	6,916,119	8,619,245
Over 12 months	53,370	110,460	90,765	93,427
Total	7,180,792	8,493,358	11,419,335	18,262,518

As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, our trade and bills payables were RMB7,180.8 million, RMB8,493.4 million, RMB11,419.3 million and RMB18,262.5 million, respectively. The increase in our trade and bills payable during the Track Record Period was primarily due to the expansion of our business and our improved supply chain capabilities which resulted in more favorable payment terms from suppliers.

Our trade and bills payables turnover days are calculated on the basis of dividing the average of trade and bills payables at the beginning of the period and trade and bills payables at the end of the period by cost of revenue and multiplying by 273 days or 365 days, as applicable. Trade and bills payables turnover days were 84 days, 68 days, 75 days and 90 days in 2018, 2019, 2020 and for the nine months ended September 30, 2021, respectively. The decrease in trade and bills payables turnover days in 2019 as compared to 2018 was primarily due to the expansion of sales value of agricultural means of productions, which primarily used cash settlement. The increase in trade and bills payables turnover days in 2020 as compared to 2019 was primarily due to our strengthened relationships with suppliers and increased bargaining power. The increase in trade and bills payables turnover days for the nine months ended September 30, 2021 compared to that in 2020 was primarily because of the expansion of our business and our improved supply chain capabilities which resulted in more favorable payment terms from suppliers.

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As of November 30, 2021, RMB2,895.0 million, or 15.9%, of our trade and bills payables as of September 30, 2021 had been subsequently settled. Our Directors confirm that we had no material defaults in our trade and bills payables during the Track Record Period and up to the Latest Practicable Date.

Other Payables and Accruals

Our other payables and accruals mainly represent accrued expenses, payable for staff related costs, other tax to be paid and deposits received. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of September 30,
	2018	2019	2020	2021
	<i>(RMB in thousands)</i>			
Accrued expenses	168,753	169,373	223,580	196,788
Payable for staff related costs . . .	62,646	69,952	77,046	38,498
Other taxes payable	34,056	29,000	51,072	71,847
Deposits received	18,904	308,340	33,083	23,697
Logistics cost payables	14,542	13,144	22,055	27,859
Amounts due to former subsidiaries	8,446	24,882	16,804	22,112
Dividends payable to shareholders of subsidiaries . . .	4,469	3,010	1,274	1,274
Others	37,287	39,373	18,847	47,402
Total	349,103	657,074	443,761	429,477

As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, our other payables and accruals were RMB349.1 million, RMB657.1 million, RMB443.8 million and RMB429.5 million, respectively, primarily reflecting the change in deposits received as a result of the commencement of battery operating leases in our direct sales in 2019 and the decrease of such leases in 2020. The decrease in our other payables and accruals as of December 31, 2020 compared to December 31, 2019 was primarily due to the decrease in deposits received, as a result of the decrease of battery operating leases. Our other payables and accruals remained relatively stable as of September 30, 2021 compared to December 31, 2020.

Contract Liabilities

Our contract liabilities primarily arise from advances from customers. As of December 31, 2018, 2019 and 2020 and as of September 30, 2021, our contract liabilities were RMB1,802.8 million, RMB3,191.1 million, RMB2,133.2 million and RMB3,412.9 million, respectively. The increase in our contract liabilities as of December 31, 2019 compared to December 31, 2018 was primarily due to (i) the commencement of battery operating leases business, and (ii) an increase in advances from customers as a result of the increasing scale of

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our direct sales. The decrease in our contract liabilities as of December 31, 2020 compared to December 31, 2019 was primarily due to (i) the termination of battery operating leases business, (ii) a decrease of our sales of household appliances, and (iii) a decrease of the prepayments we received from our customers as they are more cautious on their working capital movements after the COVID-19 outbreak in 2020. The increase in our contract liabilities as of September 30, 2021 compared to December 31, 2020 was primarily due to customers placing orders in advance to lock supply and price given the high market demand of our merchandise and the increase of our supply chain capabilities in light of the recovery of market demand as the impact of COVID-19 subsided. Our strong cooperation with suppliers that are leading companies in the industry is a major reason our customers pursued our merchandise. For example, customer demand for our merchandise increased in agricultural means of production and consumer electronics.

	As of December 31,			As of
	2018	2019	2020	September 30, 2021
	<i>(RMB in thousands)</i>			
Balance at the beginning of the periods indicated	1,185,610	1,802,809	3,191,145	2,133,207
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(1,139,801)	(1,749,862)	(2,921,242)	(1,921,436)
Increase in contract liabilities as a result of receiving advance payments during the year	1,803,309	3,192,145	2,134,407	3,291,410
Business combinations	–	–	–	11,100
Decrease in contract liabilities as a result of disposal of interests in subsidiaries	(46,309)	(53,947)	(271,103)	(101,348)
Balance at the end of the periods indicated	<u>1,802,809</u>	<u>3,191,145</u>	<u>2,133,207</u>	<u>3,412,933</u>

As of November 30, 2021, RMB2,358.1 million, or 69.1% of our contract liabilities outstanding as of September 30, 2021 had been subsequently settled.

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INDEBTEDNESS

The table below sets forth some details of our indebtedness as of the dates indicated:

	As of December 31,			As of September 30,	As of November 30,
	2018	2019	2020	2021	2021
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Current liabilities					
Bank loans and other borrowings	230,758	484,539	212,782	583,326	574,532
Loans from non-controlling shareholders of subsidiaries	148,483	79,666	40,588	59,431	38,273
Lease liabilities	40,651	50,653	56,427	35,513	35,137
Redeemable capital contributions	6,928,973	7,483,290	9,285,430	8,854,015	8,968,630
Non-current liabilities					
Lease liabilities	69,355	101,284	79,627	61,858	59,035
Total indebtedness	7,418,220	8,199,432	9,674,854	9,594,143	9,675,607

Save as otherwise disclosed, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease 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 November 30, 2021.

Bank Loans and Other Borrowings

The maturity profile for the interest-bearing bank loans at the end of each reporting period is as follows:

	As of December 31,			As of September 30,	As of November 30,
	2018	2019	2020	2021	2021
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Within one year or on demand	230,758	484,539	212,782	583,326	574,532

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At the end of each reporting period, the bank loans and other borrowings were secured as follows:

	As of December 31,			As of September 30,	As of November 30,
	2018	2019	2020	2021	2021
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Bank loans and other borrowings					
– secured	209,434	435,584	184,503	549,949	541,601
– unsecured	21,324	48,955	28,279	33,377	32,931
Total	230,758	484,539	212,782	583,326	574,532

We incur bank loans and other borrowings mainly for our working capital needs. As of December 31, 2018, 2019, 2020 and as of September 30, 2021 and November 30, 2021, the weighted average interest rate of our bank loans and other borrowings was 4.5%, 4.7%, 3.5%, 2.9% and 2.9%, respectively.

As at December 31, 2018, 2019 and 2020 and September 30, 2021 and November 30, 2021, we had unutilized banking facilities for bank loans and bills payable totaling RMB3,255.3 million, RMB4,570.5 million, RMB3,888.1 million, RMB5,386.8 million and RMB5,470.3 million, respectively. As of November 30, 2021, we had a total of RMB14,973.1 million of banking facilities.

Our Directors confirm that, as of the Latest Practicable Date, there was no material covenant which would impact our ability to undertake additional debt financing. Our Directors further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Loans from Non-Controlling Shareholders of Subsidiaries

As of December 31, 2018, 2019 and 2020 and as of September 30, 2021 and November 30, 2021, our loans from non-controlling shareholders of subsidiaries were RMB148.5 million, RMB79.7 million, RMB40.6 million, RMB59.4 million and RMB38.3 million, respectively, and they were subject to an interest rate, ranging from 4.4% to 7.0% per annum and were unsecured and expected to be settled within one year or repayable on demand. We provided loans to our subsidiaries mainly to meet their working capital needs. Additionally, other non-controlling shareholders will also provide working capital loans to support our subsidiaries. The non-controlling shareholders of subsidiaries are not connected persons. The loans from non-controlling shareholders of subsidiaries as of November 30, 2021 will not be settled prior to the Listing.

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Lease Liabilities

At the end of the reporting periods, our lease liabilities were repayable as follows:

	As of December 31,			As of September 30,	As of November 30,
	2018	2019	2020	2021	2021
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Within one year	40,651	50,653	56,427	35,513	35,137
After one year but within two years	29,543	32,611	26,789	23,953	23,132
After two years but within five years	33,716	45,932	35,075	24,586	23,396
After five years	6,096	22,741	17,763	13,319	12,507
Total	110,006	151,937	136,054	97,371	94,172

Redeemable Capital Contributions

As of December 31, 2018, 2019 and 2020 and as of September 30, 2021 and November 30, 2021, our redeemable contributions were RMB6,929.0 million, RMB7,483.3 million, RMB9,285.4 million, RMB8,854.0 million and RMB8,968.6 million, respectively. During the Track Record Period, our redeemable capital contributions, primarily attributable to the special rights and terms of the shareholder investors included in some of our financing arrangements, were recorded as financial liabilities during the Track Record Period as they were ineligible to be accounted for as equity. Such special rights and terms would be unconditionally terminated upon the Listing, and the redeemable capital contributions would then be transferred from liabilities to equity. For further information, see note 30 to the Historical Financial Information included in the Accountants' Report in Appendix I to this prospectus.

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The terms and movement of carrying amount of our redeemable capital contributions at the end of each reporting period is as follows:

	As of December 31,			As of September 30,	As of November 30,
	2018	2019	2020	2021	2021
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
At beginning of the periods indicated	2,029,073	6,928,973	7,483,290	9,285,430	9,285,430
Recognition of redeemable capital contributions as current liabilities	4,500,000	–	1,200,000	–	–
Interest expenses arising from redeemable capital contributions . .	399,900	554,317	602,140	504,060	618,675
Reclassification of redeemable capital contributions as equity	–	–	–	(935,475)	(935,475)
At ending of the periods indicated. . . .	<u>6,928,973</u>	<u>7,483,290</u>	<u>9,285,430</u>	<u>8,854,015</u>	<u>8,968,630</u>

CONTINGENT LIABILITIES

As of the Latest Practicable Date, 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, although there can be no assurance that this will not be the case in the future. Our Directors confirm that there has been no material change in our contingent liabilities since the Latest Practicable Date to the date of this prospectus.

SELECTED FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(unaudited)</i>				
Revenue growth ⁽¹⁾	–	46.4%	13.7%	–	35.1%
Adjusted net profit margin (non-IFRS measure) ⁽²⁾ . . .	0.4%	0.6%	0.6%	0.4%	0.7%

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- (1) Revenue growth ratio equals revenue growth divided by revenue for the same period of the last year. For further information, see “– Principal Components of Our Consolidated Statements of Profit or Loss – Revenue.”
- (2) Adjusted net profit margin (non-IFRS measure) equals adjusted net profit (non-IFRS measure) divided by revenue.

Adjusted Net Profit Margin (Non-IFRS Measure)

Our adjusted net profit margin (non-IFRS measure) was 0.4%, 0.6%, 0.6%, 0.4% and 0.7% in 2018, 2019, 2020 and for the nine months ended September 30, 2020 and 2021, respectively. Our adjusted net profit margin (non-IFRS measure) increased in 2019, primarily due to the economies of scale resulted from the expansion of our business. Our adjusted net profit margin (non-IFRS measure) increased in the nine months ended September 30, 2021 compared to the same period in 2020, primarily due to the increase in our gross margin.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for purchase of property, plant and equipment. The following table sets forth a breakdown of our capital expenditures for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>				
	<i>(unaudited)</i>				
Capital expenditures	22,036	24,219	27,572	13,357	12,952

We estimated that our capital expenditures for 2022 will be approximately RMB20.0 million, which we intend to use primarily for acquisition of office equipment for daily use and improvement expenditure on office premises. We expect to fund these capital expenditures with our available cash resources.

RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, we entered into a number of related party transactions, pursuant to which were key management personnel remuneration and guarantees issued by related parties, among other things. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on normal commercial terms and on an arm’s length basis and would not distort our results of operations or make our historical results not reflective of our future performance. Guarantees and pledges issued by related parties for bank loans at September 30, 2021 will be expired by June 28, 2022 at the latest. Guarantees issued by related parties for bills payable at September 30, 2021 will be expired by September 29, 2022 at the latest.

For further details, see note 36 to the Historical Financial Information included in the Accountants’ Report in Appendix I to this prospectus.

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OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material outstanding off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our activities expose us to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management program 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 and approved by the executive directors.

Credit Risk

We have established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Normally, we do not obtain collateral from customers.

We have no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As at December 31, 2018, 2019 and 2020 and as at September 30, 2021, nil, 6.2%, nil and 17.6% of the total trade receivables was due from our largest customer and 0.6%, 6.2%, 20.7% and 18.7% was due from our five largest customers respectively. We measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. As our historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between our different customer bases.

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and our view of economic conditions over the expected lives of the receivables.

For other receivables, we have assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, we will measure the loss allowance based on lifetime rather than 12-month expected credit loss.

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In order to minimize credit risk, we have tasked our operation management to develop and maintain our credit risk grading to categorize exposures according to their degree of risk of default. The credit rating information is drawn from our own trading records to rate our major customers and other debtors. Our exposure and the credit ratings of our counterparties are continuously monitored.

Liquidity Risk

Individual operating entities are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Interest Rate Risk

Our interest-bearing financial instruments at variable rates as at December 31, 2018, 2019 and 2020 and September 30, 2021 are the cash at bank except for fixed deposits, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. Our interest-bearing financial instruments at fixed interest rates as at December 31, 2018, 2019 and 2020 and September 30, 2021 are fixed deposits, bank loans and other borrowing, loans from non-controlling shareholders of subsidiaries and lease liabilities that are measured at amortized cost, and the change of market interest rate does not expose us to fair value interest risk. Overall, our exposure to interest rate risk is not significant.

Currency Risk

As of December 31, 2018, 2019 and 2020 and September 30, 2021, we are not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of the Company and its subsidiaries are not significant.

DIVIDEND POLICY

According to PRC law and regulations, we may not pay dividends unless we have distributable profits in a given year as determined under PRC GAAP or IFRS. As of December 31, 2018, 2019, 2020 and as of September 30, 2021, we had accumulated losses of RMB311.7 million, RMB727.0 million, RMB1,132.3 million and RMB1,412.1 million, respectively, primarily due to the net losses incurred as a result of the significant amounts of interest expenses arising from redeemable capital contributions during the Track Record Period. As a result, during the Track Record Period, no dividend was declared or paid by our Company. For further information, see "Risk Factors – Payment of dividends is subject to restrictions under PRC law and regulations." Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

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Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors including our future earnings and cash inflows, future plan for use of funds, long-term development of our business and other legal and regulatory restrictions. Dividend declaration and payment shall be proposed by our Board in accordance with our Articles of Association and relevant PRC law and regulations.

Future dividend payments will also depend on the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles. PRC laws also require our subsidiaries to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of September 30, 2021, our Company had no reserves available for distribution to our shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below for the purpose to illustrate the effect of the Global Offering on the consolidated net tangible liabilities attributable to our equity shareholders as of September 30, 2021 as if it had taken place on September 30, 2021.

The statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of September 30, 2021 or at any future date.

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	Consolidated net tangible liabilities attributable to the equity shareholders of the Company as of September 30, 2021 ⁽¹⁾	Estimated net proceeds from this Global Offering ⁽²⁾⁽⁵⁾	Estimated impact upon the derecognition of redeemable capital contributions ⁽³⁾	Unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share	Unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share	
					RMB ⁽⁴⁾	HK\$ ⁽⁵⁾
		<i>(RMB in millions)</i>				
Based on an Offer						
Price of						
HK\$43.00 per						
Share	(2,764.2)	1,735.2	8,854.0	7,825.0	13.97	17.13
Based on an Offer						
Price of						
HK\$48.00 per						
Share	(2,764.2)	1,939.2	8,854.0	8,029.0	14.33	17.58

Notes:

- (1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as of September 30, 2021 is calculated based on the audited consolidated total deficit attributable to the equity shareholders of the Company as of September 30, 2021 of RMB2,764.2 million extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from this Global Offering are based on the expected issuance of 51,606,200 H shares and the indicative Offer Prices of HK\$43.00 and HK\$48.00 per H Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the estimated underwriting fees and other estimated related expenses payable of the Group of RMB73.7 million and RMB80.1 million respectively, payable by the Group (excluding listing expenses which have been expensed prior to September 30, 2021) and does not take into account of any shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The carrying amount of redeemable capital contributions was RMB8,854.0 million as of September 30, 2021 (as set out in Note 30 to the Historical Financial Information included in the Accountants' Report in Appendix I to this prospectus). Upon the Listing and completion of the Global Offering, special rights attributable to the investors of the redeemable capital contributions will be removed, and these redeemable capital contributions will be derecognized as liabilities and transferred to equity.
- (4) The unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share is arrived at after the above adjustment and on the basis that a total of 560,264,237 shares were in issue immediately following the completion of the Global Offering assuming the Global Offering had been completed on September 30, 2021 without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (5) For illustrative purpose, the estimated net proceeds from the Global Offering is converted from the Hong Kong Dollar into Renminbi and the unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share is converted from Renminbi into Hong Kong Dollar at the exchange rate of HK\$1 to RMB0.81518. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate.
- (6) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholder of the Company to reflect any trading results or other transactions entered into subsequent to September 30, 2021.

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LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2021

Our Directors have prepared the estimate of the consolidated loss attributable to equity shareholders of our Company for the year ended December 31, 2021 based on the audited consolidated results of the Group for the nine months ended September 30, 2021, the unaudited consolidated results based on the management accounts of the Group for the two months ended November 30, 2021, and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2021. The estimate has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by our Group are summarized in the Accountants' Report as set out in Appendix I to this prospectus.

Estimated consolidated loss attributable to equity shareholders of our Company for the year ended December 31, 2021 Not more than RMB353.5 million

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this prospectus there has been no material adverse change in our financial or trading position or prospects since September 30, 2021 (being the date of our latest audited financial statements) and there has been no event since September 30, 2021 which would materially affect the information shown in the Accountants' 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. Assuming an Offer Price of HK\$45.50 per Offer Share (being the mid-point of the indicative Offer Price range) and no exercise of the Over-allotment Option, we estimate that our listing expenses will be approximately RMB99.8 million (including (i) underwriting commission of approximately RMB49.9 million, and (ii) non-underwriting related expenses of approximately RMB49.9 million, which consist of fees and expenses of legal advisors and Reporting Accountants of approximately RMB31.2 million and other fees and expenses of approximately RMB18.7 million), accounting for 5.2% of the gross proceeds from the Global Offering, of which approximately RMB54.2 million is directly attributable to the offering and listing of our Offer Shares and will be deducted from equity upon the Listing, and approximately RMB45.6 million is expected to be expensed in our consolidated statements of profit or loss. Our Directors do not expect such expenses to materially impact our results of operations in 2021.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

For further information, see “Business – Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$45.50 per Share (being the mid-point of the indicative Offer Price range of HK\$43.00 and HK\$48.00), we estimate that we will receive net proceeds of approximately HK\$2,225.6 million from the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes:

- approximately 30% of the net proceeds, or HK\$667.7 million, for enhancing relationships with our existing customers and further expanding our customer base, including:
 - 10%, or HK\$222.6 million, for digitalizing our member stores and upgrading their storefronts in order to improve retail efficiency and in-store shopping experience;
 - 10%, or HK\$222.6 million, for offering solutions to certain wholesalers so that we can share their retail store resources and offer them complementary products and services, such as our merchant solutions and a diverse range of merchandise with competitive pricing, to grow our businesses together, and to ultimately increase retail store loyalty so as to achieve a mutually beneficial relationship with wholesalers;
 - 5%, or HK\$111.3 million, for strategically expanding into northern and southern regions of China where there is great potential for further development. Ultimately, we are dedicated to achieving a nationwide member store network with consistent service standards; and
 - 5%, or HK\$111.2 million, for expanding our client managers team network with more digitalized solutions to acquire and retain more member stores in China, and increase our sales and marketing efforts for SaaS+ products.

FUTURE PLANS AND USE OF PROCEEDS

- approximately 25% of the net proceeds, or HK\$556.4 million, for optimizing the capability and efficiency of our supply chain, including:
 - 15%, or HK\$333.8 million, for increasing spending on joint product R&D with our industry partners, brand licensing, and tailored manufacturing based on the understanding of the needs and accumulated data of the lower-tier retail market; and
 - 10%, or HK\$222.6 million, for improving the digitalization and automation of our order and fulfillment management systems; particularly warehouse and automatic sorting systems, so as to improve operational efficiency.

- approximately 20% of the net proceeds, or HK\$445.1 million, for increasing investment in the IT infrastructure of our platform and enhancing SaaS+ business monetization capability, including:
 - 10%, or HK\$222.6 million, for acquiring IT talents for developing our SaaS+ business and merchant solutions. In total, we plan to recruit approximately 500 IT talents staff on the basis that we plan to further contribute to the digitalization of the industry value chain of the lower-tier market and elevate the functionality and capability of our SaaS products. To carry out such strategies and plans, we need manpower to perform research and development and thus optimize the capability and efficiency of digitalized supply chain and our SaaS products and to incorporate more value-added functionality. Accordingly, we plan to recruit 333 junior IT staff, whose average annual salary would be approximately RMB225,000 per person, and 167 senior IT staff, whose average annual salary would be approximately RMB450,000 per person. We require junior IT staff to have three to five years' working experience in Internet or Industrial Internet sectors with bachelor degree and to be familiar with the planning, design, development, operation and maintenance of software and technology product. We require senior IT staff to have more than eight years' working experience in Internet related sectors with bachelor degree from prestigious universities in China and have strong planning and design capabilities of large platform or system. Specifically, we plan to:
 - recruit approximately 25 junior IT staff and 25 senior IT staff in 2022 as research and development engineers, safety engineers, technical architects, project managers, among others, to upgrade the commerce and service platform and improve the design and functions of warehouse logistics, payment and security, to name just a few;

FUTURE PLANS AND USE OF PROCEEDS

- recruit approximately 150 junior IT staff and 80 senior IT staff in 2023 as intelligent product managers, algorithm engineers, research and development engineers, among others, to improve the intelligence of our system and warehouse logistics, intelligentize supply chain and develop digital store assistance and service organization products, to name just a few; and
- recruit approximately 150 junior IT staff and 70 senior IT staff in 2024 as technical architect engineers, research and development engineers and technical operation engineers, among others, to construct our retail ecosystem and improve industry chain collaboration;
- 5%, or HK\$111.3 million, for upgrading data infrastructure and enhancing our data analytics capabilities; and
- 5%, or HK\$111.2 million, for continuously upgrading our transaction and marketplace technology and infrastructure to attract more suppliers and retailers to join our ecosystem.
- approximately 15% of the net proceeds, or HK\$333.8 million, for selectively pursuing strategic alliances, investments, or acquisitions with the following participants:
 - 5%, or HK\$111.3 million, for brand manufacturers within each merchandise segment to strengthen our supply chain capabilities;
 - 5%, or HK\$111.3 million, for third-party SaaS technology and service providers to assist enhancing our technology service capabilities; and
 - 5%, or HK\$111.2 million, for third-party operators, such as logistic service provider and branding service provider, within the industry value chain to improve the quality of service to our member stores, thus optimizing our existing retail ecosystem.

As of the Latest Practicable Date, we had not identified any definite targets for strategic alliances, investments and acquisitions.

- approximately 10% of the net proceeds, or HK\$222.6 million, would be used as our working capital.

FUTURE PLANS AND USE OF PROCEEDS

The table below sets forth the expected implementation timetable of our planned use our proceeds:

	Year ending December 31,			Total
	2022	2023	2024	
	<i>(HK\$ in millions)</i>			
Enhancing relationships with our existing customers and further expanding our customer base...	140.2	207.0	320.5	667.7
Optimizing the capability and efficiency of our supply chain...	166.9	222.6	166.9	556.4
Increasing investment in the IT infrastructure of our platform and enhancing SaaS+ business monetization capability.....	62.3	146.9	235.9	445.1
Selectively pursuing strategic alliances, investments, or acquisitions.....	100.2	133.5	100.2	333.8
Working capital.....	66.8	89.0	66.8	222.6

If the Offer Price is set at the maximum Offer Price or the minimum Offer Price of the indicative Offer Price range, the net proceeds from the Global Offering will increase or decrease by approximately HK\$125.14 million, respectively.

The net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK\$2,711.1 million (assuming an Offer Price of HK\$48.00 per Share, being the maximum Offer Price of the indicative Offer Price range), (ii) HK\$2,567.2 million (assuming an Offer Price of HK\$45.50 per Share, being the mid-point of the indicative Offer Price range) and (iii) HK\$2,423.3 million (assuming an Offer Price of HK\$43.00 per Share, being the minimum Offer Price of the indicative Offer Price range).

To the extent that the net proceeds from the Global Offering are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks or authorized financial institutions in Hong Kong or the PRC for so long as it is deemed to be in our best interests. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

UNDERWRITING

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Citigroup Global Markets Asia Limited
China Renaissance Securities (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Haitong International Securities Company Limited
SPDB International Capital Limited
CMB International Capital Limited
BOCOM International Securities Limited
BOCI Asia Limited
CCB International Capital Limited
ABCI Securities Company Limited
Futu Securities International (Hong Kong) Limited
Head & Shoulders Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering initially 5,160,700 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the **GREEN** Application Form. Subject to the Listing Committee granting listing of, and permission to deal in, our H Shares to be issued and to be converted from the Domestic Shares as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for Termination

The Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled, in their absolute discretion and by giving written notice 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 develops, occurs, exists or comes into force:
 - (i) any event/circumstance, or series of events/circumstances, in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, mutation or aggravation of diseases (including, without limitation, COVID-19 and Severe Acute Respiratory Syndrome (SARS), MERS, H5N1, H1N1, H7N9, swine or avian influenza, Ebola virus, Middle East respiratory syndrome or such related/mutated forms, interruption or delay in transportation, outbreak, escalation, mutation or aggravation of disease), economic sanctions, withdrawal of trading status or privileges, strikes, labour disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, civil commotion, calamity, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed), economic sanctions, paralysis in government operations, interruptions or delay in transportation) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, Japan, Singapore, Switzerland, the European Union (or any member thereof) or any other jurisdiction relevant to the Group (each a “**Relevant Jurisdiction**” and collectively, the “**Relevant Jurisdictions**”);
 - (ii) any change or development involving a prospective change, or any event or circumstances or series of events 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 matters or conditions, equity 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 of the Relevant Jurisdictions;

UNDERWRITING

- (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 Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange or the Tokyo Stock Exchange;
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;
- (v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any governmental authority in or affecting any of the Relevant Jurisdictions;
- (vi) the imposition of economic sanctions, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;
- (vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, the Hong Kong dollar, RMB, Euro, British pound or Swiss Franc against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions adversely affecting an investment in the Offer Shares;
- (viii) other than with the prior written consent of the Joint Representatives, the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, any application forms, preliminary offering circular, offering circular or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;

UNDERWRITING

- (ix) any demand by creditors for repayment of indebtedness or an order or petition for the winding up or liquidation 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 assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;
- (x) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any member of the Group or any Director;
- (xi) any contravention by any member of the Group, or any Director of any applicable laws and regulations or the Listing Rules;
- (xii) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations;
- (xiii) any change or prospective change or development, or a materialisation of, any of the risks set out in section headed “Risk Factors” in this prospectus;
- (xiv) there is any 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
- (xv) a valid demand by any creditor for repayment or payment of any of the Group’s indebtedness in respect of which the Company or any of the Group Companies is liable prior to its stated maturity;

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):

- (1) has or will or may have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholder’s equity, profit, losses, earnings, results of operations, performance, position or condition, financial, trading or otherwise, of the Group as a whole;

UNDERWRITING

- (2) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;
 - (3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offer-Related Documents (as defined below); or
 - (4) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing 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 Joint Representatives that:
- (i) any statement contained in this prospectus, the **GREEN** Application Form and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto (the “**Offer-Related Documents**”) but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;
 - (ii) 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, or misstatement in, any of the Offer-Related Documents;
 - (iii) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the warranties given by the Company or Mr. Wang (the Warranting Shareholder as defined in the Hong Kong Underwriting Agreement) in the Hong Kong Underwriting Agreement, the International Underwriting Agreement (including any supplement or amendment thereto);

UNDERWRITING

- (iv) there is a breach of any of the obligations imposed upon the Company or Mr. Wang (the Warranting Shareholder as defined in the Hong Kong Underwriting Agreement) under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (v) there is an event, act or omission which gives or is likely to give rise to any liability of the Company or Mr. Wang (the Warranting Shareholder as defined in the Hong Kong Underwriting Agreement) pursuant to the indemnities given by it under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (vi) there is any material adverse change or development or likely to be any prospective material adverse change or development in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of the Group as a whole;
- (vii) the approval of the Listing Committee of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option) 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, cancelled, qualified (other than by customary conditions), revoked or withheld;
- (viii) any expert (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (ix) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;
- (x) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering;
- (xi) any Director, Supervisor or any other member of senior management of the Company is vacating his or her office;

UNDERWRITING

- (xii) any Director, Supervisor or member of senior management of the Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or there is the commencement by any governmental, political or regulatory body or organisation (including, in particular, the CSRC and its local branches and representative offices) of any investigation or other action against any Director, Supervisors or member of senior management of the Company in his or her capacity as such or any member of the Group or an announcement by any such governmental, political or regulatory body or organisation that it intends to commence any such investigation or take any such action; or

- (xiii) a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled, or any cornerstone investment agreement is terminated.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that, no further shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued 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 securities will be completed within six months from the Listing Date), except for: (a) any capitalization issue, capital reduction or consolidation or sub-division of shares; or (b) issue of shares or securities pursuant to the Global Offering and the Over-allotment Option; or (c) any other applicable circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by the Single Largest Shareholder

Pursuant to Rule 10.07(1) of the Listing Rules, our Single Largest Shareholder, Mr. Wang, and Nanjing Yuanbai which is ultimately controlled and beneficially owned by Mr. Wang have undertaken to the Stock Exchange and to the Company that,

- (a) at any time in the period commencing on the date by reference to which disclosure of its/his shareholding in the Company is made in this prospectus and ending on the date which is six months from the Listing Date, he or it shall not and shall procure the relevant registered holder(s) shall not 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 or it is shown by this prospectus to be the beneficial owner (the “**Relevant Securities**”);

UNDERWRITING

- (b) within the period commencing on the date by reference to which disclosure of its/his shareholdings in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:
- (i) when any of Mr. Wang and Nanjing Yuanbai pledges or charges any Relevant Securities or interests in any of the Relevant Securities, whether directly or indirectly, in favor of any authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Relevant Shares of the Company so pledged or charged; and
 - (ii) when any of Mr. Wang and Nanjing Yuanbai receives indications, either verbal or written, from the pledgee or chargee of any Relevant Securities that any of the pledged or charged securities of the Company will be disposed of, immediately inform the Company in writing of such indications..

Our Company will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (i) and (ii) above (if any) by Mr. Wang and Nanjing Yuanbai and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, save for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the last date of the six months after the Listing Date (the “**First Six-Month Period**”), the Company has undertaken to each of the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters not to, without the prior written consent of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, assign, 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 over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity or equity-linked securities of the Company or any shares or other equity or equity-linked securities of the principal subsidiaries of the Company as set out in “History, Development and Corporate Structure” section in this prospectus

UNDERWRITING

(the “**Principal Subsidiaries**”), as applicable, 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 share capital or other equity or equity-linked securities of the Company, as applicable), or deposit any share capital or other equity or equity-linked securities of the Company or any share capital or other equity or equity-linked securities of the Principal Subsidiaries, as applicable, 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 (legal or beneficial) of any Shares or other equity or equity-linked securities of the Company or any shares or other equity or equity-linked securities of the Principal Subsidiaries, as applicable, 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 or equity-linked securities of the Company or any shares or other equity or equity-linked securities of the Principal Subsidiaries, as applicable, or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any such intention to effect any transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, in cash or otherwise (whether or not the issue of such share capital or other securities will be completed within the First Six-Month Period), provided that the foregoing restrictions shall not apply to the issue of the Shares by the Company pursuant to the Global Offering or adoption of equity incentive scheme by any of the Principal Subsidiaries or transaction that would not result in change in the holding or nature of the Company’s interest in the Principal Subsidiaries.

In the event that, at any time during the period of six months immediately following the expiration of the First Six-Month Period (the “**Second Six-Month Period**”), the Company enters into any of the transactions specified above or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, the Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of the Company. Mr. Wang, the Warranting Shareholder as defined in the Hong Kong Underwriting Agreement, hereby undertakes to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with the these undertakings.

UNDERWRITING

Mr. Wang, Our Single Largest Shareholder, has hereby undertaken to the Company, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules and the PRC law:

- (i) during the First Six-Month Period, he will, and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for him and the companies controlled by him and/or entities which entrusted him or it to exercise their voting rights (including but without limitation to Nanjing Yuanbai):
 - (a) 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 over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the 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 any such other securities, as applicable or any interest in any of the foregoing) beneficially owned by it as at the Listing Date (the “**Locked-up Securities**”), or deposit any Shares or other securities of the Company with a depository in connection with the issue of depository 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 Locked-up Securities; or
 - (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
 - (d) offer to or contract to or agree to or publicly disclose that Mr. Wang will or may enter into any transaction described in paragraphs (a), (b) or (c) above,

in each case, whether any such transaction described in paragraphs (i)(a), (i)(b) or (i)(c) above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period);
- (ii) during the Second Six-Month Period, Mr. Wang will, and will procure Nanjing Yuanbai to, comply with the lock-up requirement under the PRC law and in the event that he or it enters into any transaction described in paragraphs (i)(a), (b) or (c)

UNDERWRITING

above or offers to or agrees to or announces any intention to effect any such transaction, he will take all reasonable steps to ensure that it will not cause price volatility or create a disorderly or false market in the securities of the Company;

- (iii) at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, Mr. Wang will:
 - (a) if and when he or the relevant registered holder(s) pledges or charges any Shares or other securities of the Company beneficially owned by him/it, immediately inform the Company and the Joint Representatives in writing of such pledge or charge together with the number of Shares or other securities (or interests therein) of the Company so pledged or charged;
 - (b) if and when he or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities (or interests therein) of the Company will be disposed of, immediately inform the Company and the Joint Representatives in writing of such indications; and
- (iv) until the expiry of the Second Six-Month Period, in the event that Mr. Wang enters into any of the transactions specified in paragraphs (i)(a), (i)(b) or (i)(c) above or offers to or agrees to or announces any intention to effect any such transaction, he will take all reasonable steps to ensure that he will not create a disorderly or false market in the securities of the Company.

The Company undertakes to the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, Joint Bookrunners, Joint Lead Managers and the Hong Kong Underwriters that upon receiving such information in writing from Mr. Wang, it will, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

International Offering

The International Offering

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, among others, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

UNDERWRITING

Over-allotment Option

The Company is expected to grant to the International Underwriters the Over-allotment Option, if any, exercisable by the Joint Representatives on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 7,740,900 additional H Shares representing up to 15% of the Offer Shares initially being offered under the Global Offering, at the same price per Offer Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total Commission and Expenses

The Underwriters will receive an underwriting commission of 2% of the aggregate Offer Price of all the Offer Shares for both the Hong Kong Public Offering and the International Offering (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Company may pay to the Underwriters a discretionary incentive fee of up to but not exceeding 1% of the Offer Price for each Offer Share.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, and such commission will be paid to the relevant International Underwriters.

Assuming an Offer Price of HK\$45.50 per Offer Share (which is the mid-point of the Offer Price range), the aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy, legal and other professional fees and printing and all other expenses relating to the Global Offering (collectively, the “**Commissions and Fees**”) are estimated to be approximately HK\$122.49 million (assuming the Over-allotment Option is not exercised).

UNDERWRITING

Indemnity

The Company and Mr. Wang (the Warranting Shareholder as defined in the Hong Kong Underwriting Agreement), jointly and severally, agreed to indemnify the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong 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**” and their affiliates, 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:

The Syndicate Members 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 all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, 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 our H Shares, those activities could include acting as agent for buyers and sellers of our H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our H 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 our H 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 our H 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 our H Shares, in baskets of securities or indices including our H Shares, in units of funds that may purchase our H 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 our H 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 our H Shares in most cases.

UNDERWRITING

All these activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering – The International Offering – Over-allotment Option” and “Structure of the Global Offering – The International Offering – Stabilization” in this prospectus. These activities may affect the market price or value of our H Shares, the liquidity or trading volume in our H Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters’ Interests in the Company

Save for its obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding interests in the Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other Services to the Company

Certain of the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters or their respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to the Company and our respective affiliates, for which such Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters or their respective affiliates have received or will receive customary fees and commissions.

Other Services Provided by the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters

The Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this prospectus. Such Joint Representatives, the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of our H Shares.

Over-Allotment and Stabilization

Details of the arrangements relating to the stabilization and Over-allotment Option, if any, are set forth in “Structure of the Global Offering – The International Offering – Stabilization”, and “Structure of the Global Offering – The International Offering – Over-allotment Option” in this prospectus.

UNDERWRITING

Sponsor's Independence

As a director of the holding company of China Renaissance Securities (Hong Kong) Limited, and his/her close associate, are indirectly interested in no more than 2.19% of the total issued share capital of our Company as of the Latest Practicable Date through their interest in Shenzhen Huasheng Fengda Investment Partnership (Limited Partnership) (深圳華晟豐達投資合夥企業(有限合夥)), China Renaissance Securities (Hong Kong) Limited, one of the Joint Sponsors, does not consider itself to be independent from our Company according to Rule 3A.07(7) of the Listing Rules.

Zhihan (Shanghai) is one of the Pre-IPO Investors and a shareholder of the Company with a 1.62% shareholding interest immediately prior to the Listing. CICC Qizhi (Shanghai) Equity Investment Management Co., Ltd. (中金祺智(上海)股權投資管理有限公司) (“CICC Qizhi”) is the general partner of Zhihan (Shanghai). CICC Qizhi is managed by CICC Private Equity Investment Management Co., Ltd. (中金私募股權投資管理有限公司) (“CICC PE”), a subsidiary of China International Capital Corporation Limited, a company whose shares are listed on the Stock Exchange (stock code: 3908) and a holding company of China International Capital Corporation Hong Kong Securities Limited (“CICC”), one of our Joint Sponsors and Underwriters. Further details of the ultimate beneficial owner of Zhihan (Shanghai) are set forth in “History, Development and Corporate Structure – Corporate Development and Major Shareholding Changes – 4. Share transfers after 2015 and up to the Latest Practicable Date” in this prospectus. Accordingly, Zhihan (Shanghai), CICC Qizhi, CICC PE, and CICC are members of the CICC Group, the “sponsor group” for the purposes of Rule 3A.01(9). As the shareholding of Zhihan (Shanghai) in the Company is below the threshold under Rule 3A.07(1) nor does it give rise to any circumstances under 3A.07, the independence of CICC as a sponsor would not be affected under Rule 3A.07 of the Listing Rules.

Apart from China Renaissance Securities (Hong Kong) Limited, each of the other Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

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:

- (i) the Hong Kong Public Offering of 5,160,700 H Shares in Hong Kong as described below in the paragraph headed “– The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of initially 46,445,500 H Shares (a) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (b) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in accordance with Regulation S as described in “The International Offering” below. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, the Joint Representatives, as representatives of the International Underwriters, have an option to require us to allot and issue up to 7,740,900 additional Offer Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any. If the Over-allotment Option, if any, is exercised in full, the additional Offer Shares will represent approximately 1.4% of the Company’s enlarged share capital immediately following the completion of the Global Offering, Conversion of Domestic Shares into H Shares and the full exercise of the Over-allotment Option. In the event that the Over-allotment Option, if any, is exercised, a press announcement will be made.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 9.2% of the enlarged issued share capital of the Company immediately after completion of the Global Offering and the Conversion of Domestic Shares into H Shares without taking into account the exercise of the Over-allotment Option, if any. If the Over-allotment Option, if any, is exercised in full, the Offer Shares will represent approximately 10.4% of the enlarged issued share capital immediately after completion of the Global Offering, Conversion of Domestic Shares into H Shares and the exercise of the Over-allotment Option, if any, as set out in the paragraph headed “– The International Offering – Over-allotment Option” below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed “– The Hong Kong Public Offering – Reallocation and Clawback” below.

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THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 5,160,700 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 0.9% of the enlarged share capital of the Company immediately following the completion of the Global Offering and Conversion of Domestic Shares into H Shares (assuming 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, 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 “– The International Offering – Conditions of the Hong Kong Public Offering” below.

Allocation

Allocation of Offer 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 Offer Shares initially available for subscription under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B with any odd lots being allocated to Pool A. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this

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paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of 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 2,580,300 Offer Shares (being 50% of the 5,160,700 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares to be offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 15,481,900 Offer Shares (in the case of (a)), 20,642,500 Offer Shares (in the case of (b)) and 25,803,100 Offer Shares (in the case of (c)), representing 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). 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 Joint Representatives deem appropriate.

In addition, the Joint Representatives may at their sole absolute discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with the Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, if (a) the International Offering is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed or (b) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times of the total number of Offer Shares initially available under the Hong Kong Public Offering, then the Joint Representatives may only reallocate Offer Shares from the International Offering to the Hong Kong Public Offering other than pursuant to Practice Note 18 of the Listing Rules on the following conditions in accordance with Guidance Letter HKEX-GL91-18 (the “**Allocation Cap**”):

- (i) the maximum total number of Offer Shares that may be reallocated from the International Offering to the Hong Kong Public Offering shall not be more than double the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering (i.e. 10,321,400 Offer Shares); and

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- (ii) the final Offer Price shall be fixed at the bottom of the indicative Offer Price range stated in this Prospectus.

If the Hong Kong Public Offering is not fully subscribed, the Joint Representatives may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate. The Allocation Cap is not triggered.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Representatives, subject to the PN18 Clawback and the Allocation Cap (as applicable).

Details of any reallocation of the Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement which is expected to be published on Thursday, February 17, 2022.

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 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, 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 Offer Shares under the International Offering.

The listing of H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$48.00 per Offer Share in addition to any brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed “– Pricing and Allocation” below, is less than the maximum Offer Price of HK\$48.00 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and Financial Reporting Council transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in “– How to Apply for the Hong Kong Offer Shares”.

References in this prospectus to applications, the **GREEN** Application Form, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 46,445,500 H Shares to be initially offered by us.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, 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. 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” below and based on a number of factors, including the level and timing of demand, the total value 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 Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and our Shareholders as a whole.

The Joint Representatives 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 Joint Representatives so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option, if any, to the International Underwriters, exercisable by the Joint Representatives on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, if any, the Joint Representatives have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue and allot up to 7,740,900 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option, if any, is exercised in full, the additional Offer Shares will represent approximately 1.4% of the Company’s enlarged share capital

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immediately following the completion of the Global Offering, Conversion of Domestic Shares into H Shares and the full exercise of the Over-allotment Option. In the event that the Over-allotment Option, if any, is exercised, an announcement will be made.

STABILIZATION

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 retard and, if possible, prevent, any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, 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 over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H 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, if any. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option, if any, to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option, if any. Stabilizing transactions consist of certain bids or purchases to be made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be affected 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 and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which 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 after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be sold under the Over-allotment Option, if any, namely, 7,740,900 H Shares, which is approximately 15% of the number of Offer Shares initially available for subscription under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

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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) Ordinance include:

- (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares;
- (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price of the H Shares;
- (c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option, if any, in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares;
- (e) selling or agreeing to sell any H Shares to liquidate a long position held as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (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.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H 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 H Shares.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 7,740,900 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid before date of commencement of dealings in the H Shares on the Stock Exchange.

If there is over-allocation in the International Offering, the settlement of such overallocation may be effected through delayed delivery of the Offer Shares to be subscribed by all Cornerstone Investors. Where delayed delivery takes place, each Cornerstone Investor

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that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares before date of commencement of dealings in the H Shares on the Stock Exchange. There will be no deferred payment for the Offer Shares to be subscribed by the Cornerstone Investors. For details of the delayed delivery arrangement with the Cornerstone Investors, see “Cornerstone Investors.” If there is no over-allocation in the International Offering, no stabilizing actions will be undertaken by the Stabilizing Manager and the Over-allotment Option will not be exercised, and the delayed delivery will not take place.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H 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 Saturday, March 12, 2022. As a result, demand for the H 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 H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Ordinance will be made within seven days of the expiration of the stabilizing period.

PRICING AND ALLOCATION

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.

The Offer Price is expected to be fixed by agreement between the Joint Representatives and us on the Price Determination Date, which is expected to be on or about Friday, February 11, 2022 and in any event no later than Thursday, February 17, 2022.

The Offer Price will not be more than HK\$48.00 per Offer Share and is expected to be not less than HK\$43.00 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. 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.

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If, for any reason, the Offer Price is not agreed between the Joint Representatives and us by Thursday, February 17, 2022, the Global Offering will not proceed and will lapse.

Announcement of Offer Price Reduction

The Joint Sponsors and the Joint Representatives (for themselves and 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 the Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that 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 a case, the Company 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 there to be published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.htd.cn) notices of the reduction. If the number of Offer Shares is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, the Company will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. Upon issue of such a notice and supplemental prospectus, the reduced number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, once agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in the **GREEN** Application Form.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Representatives may at their discretion reallocate the number of Offer Shares to be offered under 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% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives. Allocation of the International Offer Shares under the International Offering will be determined by the Joint Representatives and will be based on

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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 Offer Shares after the Listing. Such allocation may be made to professional, institutional, or corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of the Company and our Shareholders as a whole. Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of the Hong Kong Offer Shares validly applied for by applicants. The allocation of the Hong Kong Offer Shares 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 the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of Results

The final Offer Price, the level of indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering are expected to be announced on or around Thursday, February 17, 2022 on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.htd.cn).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around February 11, 2022.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in "Underwriting" in this prospectus.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS

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with effect from the date of commencement of dealings in the H 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 settlement 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.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option, if any) (subject only to allotment) and the H Shares to be converted from part of the Domestic Shares on the Main Board of the Stock Exchange and such listing permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (b) the Offer Price having been fixed on or around the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or around Friday, February 11, 2022; and
- (d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between the Joint Representatives and us on or before Thursday, February 17, 2022, the Global Offering will lapse.

The consummation 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 its 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 on the website of the Stock Exchange at www.hkexnews.com and the Company at www.htd.cn on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for the Hong Kong Offer Shares”. In the

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meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed 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 are expected to be issued on Thursday, February 17, 2022 but will only become valid certificates of title at 8:00 a.m. on Friday, February 18, 2022 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination” has not been exercised.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, February 18, 2022, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, February 18, 2022.

The Shares will be traded in board lots of 100 H Shares each and the stock code of the H Shares will be 9878.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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.htd.cn. 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 H Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at 2862 8690 on the following dates and times:

Monday, January 31, 2022	– 9:00 a.m. to 9:00 p.m.
Friday, February 4, 2022	– 9:00 a.m. to 9:00 p.m.
Saturday, February 5, 2022	– 9:00 a.m. to 6:00 p.m.
Sunday, February 6, 2022	– 9:00 a.m. to 6:00 p.m.
Monday, February 7, 2022	– 9:00 a.m. to 9:00 p.m.
Tuesday, February 8, 2022	– 9:00 a.m. to 9:00 p.m.
Wednesday, February 9, 2022	– 9:00 a.m. to 9:00 p.m.
Thursday, February 10, 2022	– 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

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (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 Joint Representatives, 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 of the PRC.

If an application is made by a person under a power of attorney, the Joint Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney’s authority.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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, 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 a firm, the application must be in the individual members' names. 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 Joint Representatives (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 Law 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;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (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 Joint Representatives, 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 H Share Registrar, receiving banks, the Joint Representatives, 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 Joint Representatives 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;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (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 H 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 are eligible to collect the H 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 and the Joint Representatives 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 document 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).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through **White Form eIPO** service or the **CCASS eIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table below. 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\$
100	4,848.38	2,000	96,967.53	10,000	484,837.68	300,000	14,545,130.40
200	9,696.75	2,500	121,209.42	20,000	969,675.36	400,000	19,393,507.20
300	14,545.13	3,000	145,451.31	30,000	1,454,513.04	500,000	24,241,884.00
400	19,393.51	3,500	169,693.19	40,000	1,939,350.72	600,000	29,090,260.80
500	24,241.89	4,000	193,935.07	50,000	2,424,188.40	700,000	33,938,637.60
600	29,090.26	4,500	218,176.95	60,000	2,909,026.08	800,000	38,787,014.40
700	33,938.64	5,000	242,418.84	70,000	3,393,863.76	900,000	43,635,391.20
800	38,787.02	6,000	290,902.61	80,000	3,878,701.44	1,000,000	48,483,768.00
900	43,635.39	7,000	339,386.37	90,000	4,363,539.12	2,000,000	96,967,536.00
1,000	48,483.77	8,000	387,870.15	100,000	4,848,376.80	2,580,300 ⁽¹⁾	125,102,666.57
1,500	72,725.65	9,000	436,353.91	200,000	9,696,753.60		

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

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

5. APPLYING THROUGH THE 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, Computershare Hong Kong Investor Services Limited at 2862 8690 on the following dates and times:

Monday, January 31, 2022	– 9:00 a.m. to 9:00 p.m.
Friday, February 4, 2022	– 9:00 a.m. to 9:00 p.m.
Saturday, February 5, 2022	– 9:00 a.m. to 6:00 p.m.
Sunday, February 6, 2022	– 9:00 a.m. to 6:00 p.m.
Monday, February 7, 2022	– 9:00 a.m. to 9:00 p.m.
Tuesday, February 8, 2022	– 9:00 a.m. to 9:00 p.m.
Wednesday, February 9, 2022	– 9:00 a.m. to 9:00 p.m.
Thursday, February 10, 2022	– 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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, January 31, 2022 until 11:30 a.m. on Thursday, February 10, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, February 10, 2022 or such later time under the “– 10. Effect of Bad Weather on the Opening and Closing of the Application 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 instructions** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instructions** 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 “Huitongda Network Co., Ltd.” **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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Representatives and our H 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 and the Joint Representatives 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 H share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- 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 Joint Representatives, 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 H Share Registrar, receiving banks, the Joint Representatives, 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;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- 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 Company Law, Special Regulations, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- agree with the Company, for itself and for the benefit of each shareholder of the Company 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 shareholder of the Company 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 of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;
 - (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 H shares in the Company are freely transferable by their holders; and;
- authorise 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 of the Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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, the Stock Exchange trading fee and Financial Reporting Council transaction levy 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, the Stock Exchange trading fee and Financial Reporting Council transaction levy) 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, January 31, 2022	–	9:00 a.m. – 8:30 p.m.
Friday, February 4, 2022	–	8:00 a.m. – 8:30 p.m.
Saturday, February 5, 2022	–	8:00 a.m. – 1:00 p.m.
Monday, February 7, 2022	–	8:00 a.m. – 8:30 p.m.
Tuesday, February 8, 2022	–	8:00 a.m. – 8:30 p.m.
Wednesday, February 9, 2022	–	8:00 a.m. – 8:30 p.m.
Thursday, February 10, 2022	–	8:00 a.m. – 12:00 noon

The application for the Hong Kong Public Offer Shares will commence on Monday, January 31, 2022 up to Thursday, February 10, 2022, being longer than the normal market practice of 3.5 business days.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, January 31, 2022 until 12:00 noon on Thursday, February 10, 2022 (24 hours daily, except on Thursday, February 10, 2022, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, February 10, 2022, 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 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 H Share Registrar, the receiving bankers, the Joint Representatives, 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 H 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 H 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 H 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 H 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 H 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 H Share Registrar immediately of any inaccuracies in the personal data supplied.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's H Shares;
- establishing benefit entitlements of holders of the Company's H 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 H 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 H 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 H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its H 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 advisors, receiving bankers and overseas principal share registrar;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- 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 H Share Registrar in connection with their respective business operation;
- the Hong Kong 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 H 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 H 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 H 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 H 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 Joint Bookrunners, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators 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.

HOW TO APPLY FOR THE 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 Thursday, February 10, 2022, 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 instructions** 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;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- 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\$48.00 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK\$4,848.38.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and Financial Reporting Council transaction levy 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 100 Hong Kong Public Offer Shares. Each application or **electronic application instructions** in respect of more than 100 Hong Kong Public 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, the Stock Exchange trading fee and Financial Reporting Council transaction levy 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 “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
- Extreme Conditions,

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, February 10, 2022. 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 Thursday, February 10, 2022 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.htd.cn 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 Thursday, February 17, 2022 on the Company’s website at www.htd.cn 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.htd.cn and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, February 17, 2022;
- 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 8:00 a.m. on Thursday, February 17, 2022 to 12:00 midnight on Wednesday, February 23, 2022; and
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Thursday, February 17, 2022, Friday, February 18, 2022, Monday, February 21, 2022 and Tuesday, February 22, 2022.

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. See “Structure of the Global Offering” in this prospectus for further details.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Representatives, 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.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange 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.

(iii) 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;
- the Company or the Joint Representatives believe 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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, the Stock Exchange trading fee and Financial Reporting Council transaction levy thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering – Conditions of the Hong Kong Public 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, the Stock Exchange trading fee and Financial Reporting Council transaction levy, 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 Thursday, February 17, 2022.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H 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 H share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of H share certificates and refund monies as mentioned below, any refund cheques and H share certificates are expected to be posted on or before Thursday, February 17, 2022. The right is reserved to retain any H share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

H Share certificates will only become valid at 8:00 a.m. on Friday, February 18, 2022, 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 H Shares prior to the receipt of H Share certificates or the H 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 any refund check(s) (where applicable) and/or your H Share certificate(s) from H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, February 17, 2022, or such other date as notified by the Company in the newspapers as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you do not collect your H Share certificate(s) and/or refund check(s) (where applicable) 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 H Share certificate(s) and/or refund check(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, February 17, 2022 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 H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H 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 Thursday, February 17, 2022, 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 Thursday, February 17, 2022. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, February 17, 2022 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- 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 Thursday, February 17, 2022. 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, the Stock Exchange trading fee and Financial Reporting Council transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, February 17, 2022.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H 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 H 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 settlement 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 H Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 匯通達網絡股份有限公司 HUITONGDA NETWORK CO., LTD.*, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, CITIGROUP GLOBAL MARKETS ASIA LIMITED AND CHINA RENAISSANCE SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of 匯通達網絡股份有限公司 Huitongda Network Co., Ltd.* (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-100, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2018, 2019 and 2020 and September 30, 2021, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-100 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated January 31, 2022 (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 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 preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“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.

* For identification purpose only.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2018, 2019 and 2020 and September 30, 2021 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the nine months ended September 30, 2020 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has

come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

We refer to Note 33(b) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

January 31, 2022

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi)

	Note	Year ended December 31,			Nine months ended September 30,	
		2018	2019	2020	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Revenue	4	29,801,661	43,633,230	49,629,135	34,418,543	46,495,876
Cost of revenue		(28,794,677)	(42,354,142)	(48,284,624)	(33,598,674)	(45,267,019)
Gross profit		1,006,984	1,279,088	1,344,511	819,869	1,228,857
Other revenue	5(a)	12,456	14,516	23,496	13,663	33,227
Other net gain	5(b)	101,690	131,590	121,646	87,313	115,857
Research and development costs		(34,678)	(49,283)	(58,276)	(35,603)	(54,930)
Selling and marketing expenses		(428,030)	(563,650)	(609,585)	(367,361)	(526,678)
Administrative and other operating expenses		(451,337)	(478,056)	(415,033)	(321,472)	(357,292)
Profit from operations		207,085	334,205	406,759	196,409	439,041
Finance income	6(a)	35,952	52,730	101,006	62,269	101,003
Finance costs	6(a)	(436,420)	(633,467)	(704,878)	(528,412)	(621,854)
Net finance costs		(400,468)	(580,737)	(603,872)	(466,143)	(520,851)
Share of losses of associates . .	15	—	—	(1,408)	(583)	(1,048)
Loss before taxation	6	(193,383)	(246,532)	(198,521)	(270,317)	(82,858)
Income tax	7	(82,230)	(58,291)	(81,471)	(35,835)	(75,032)
Loss for the year/period		<u>(275,613)</u>	<u>(304,823)</u>	<u>(279,992)</u>	<u>(306,152)</u>	<u>(157,890)</u>
Attributable to:						
Equity shareholders of the Company		(295,749)	(415,333)	(405,287)	(381,199)	(279,815)
Non-controlling interests		20,136	110,510	125,295	75,047	121,925
Loss for the year/period		<u>(275,613)</u>	<u>(304,823)</u>	<u>(279,992)</u>	<u>(306,152)</u>	<u>(157,890)</u>
Loss per share	10					
Basic and diluted (RMB)		<u>(0.63)</u>	<u>(0.86)</u>	<u>(0.83)</u>	<u>(0.79)</u>	<u>(0.55)</u>

The accompanying notes form part of the Historical Financial Information.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

(Expressed in Renminbi)

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Loss for the year/period	(275,613)	(304,823)	(279,992)	(306,152)	(157,890)
Other comprehensive income for the year/period	—	—	—	—	—
Total comprehensive income for the year/period	<u>(275,613)</u>	<u>(304,823)</u>	<u>(279,992)</u>	<u>(306,152)</u>	<u>(157,890)</u>
Attributable to:					
Equity shareholders of the Company	(295,749)	(415,333)	(405,287)	(381,199)	(279,815)
Non-controlling interests	<u>20,136</u>	<u>110,510</u>	<u>125,295</u>	<u>75,047</u>	<u>121,925</u>
Total comprehensive income for the year/period	<u>(275,613)</u>	<u>(304,823)</u>	<u>(279,992)</u>	<u>(306,152)</u>	<u>(157,890)</u>

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	At December 31,			At
		2018	2019	2020	September 30,
		RMB'000	RMB'000	RMB'000	2021
				RMB'000	
Non-current assets					
Property, plant and equipment	11	39,923	41,215	45,085	40,110
Right-of-use assets	12	115,245	158,138	127,927	103,201
Investment property	13	–	4,036	3,901	3,744
Interests in associates	15	–	–	18,042	2,046
Financial assets at fair value through other comprehensive income	16	2,000	2,000	2,000	2,000
Pledged deposits	21(a)	–	–	630,000	1,875,000
Time deposits	21(b)	–	90,000	530,000	140,000
Deferred tax assets	31(b)	45,558	57,850	63,006	82,135
		202,726	353,239	1,419,961	2,248,236
Current assets					
Financial assets at fair value through profit or loss	17	1,365,540	3,607,396	1,073,930	3,243,036
Inventories	18	2,509,103	3,014,101	2,250,583	3,071,466
Trade and bills receivables	19	1,127,147	1,307,992	1,847,404	2,307,529
Prepayments, deposits and other receivables	20	4,858,139	6,876,030	6,620,010	12,013,088
Pledged deposits	21(a)	2,955,861	2,814,776	4,006,904	5,185,105
Time deposits	21(b)	–	–	160,000	30,000
Cash and cash equivalents	22(a)	2,500,968	1,167,709	4,315,977	2,276,418
Taxation recoverable	31(a)	–	1,574	562	–
		15,316,758	18,789,578	20,275,370	28,126,642
Current liabilities					
Bank loans and other borrowings	23	230,758	484,539	212,782	583,326
Loans from non-controlling shareholders of subsidiaries	24	148,483	79,666	40,588	59,431
Lease liabilities	25	40,651	50,653	56,427	35,513
Trade and bills payables	26	7,180,792	8,493,358	11,419,335	18,262,518
Other payables and accruals	27	349,103	657,074	443,761	429,477
Contract liabilities	28	1,802,809	3,191,145	2,133,207	3,412,933

	Note	At December 31,			At
		2018	2019	2020	September 30,
		RMB'000	RMB'000	RMB'000	2021
				RMB'000	
Provisions	29	7,177	12,395	843	–
Redeemable capital contributions	30	6,928,973	7,483,290	9,285,430	8,854,015
Taxation payable	31(a)	36,637	23,090	50,822	54,126
		<u>16,725,383</u>	<u>20,475,210</u>	<u>23,643,195</u>	<u>31,691,339</u>
Net current liabilities		<u>(1,408,625)</u>	<u>(1,685,632)</u>	<u>(3,367,825)</u>	<u>(3,564,697)</u>
Total assets less current liabilities		<u>(1,205,899)</u>	<u>(1,332,393)</u>	<u>(1,947,864)</u>	<u>(1,316,461)</u>
Non-current liabilities					
Lease liabilities	25	69,355	101,284	79,627	61,858
Deferred income	32	2,332	17,688	17,000	17,000
		<u>71,687</u>	<u>118,972</u>	<u>96,627</u>	<u>78,858</u>
NET LIABILITIES		<u>(1,277,586)</u>	<u>(1,451,365)</u>	<u>(2,044,491)</u>	<u>(1,395,319)</u>
CAPITAL AND RESERVES					
Share capital	33	485,361	485,361	508,658	508,658
Reserves	33	(2,597,786)	(3,046,167)	(3,808,687)	(3,272,878)
Total deficit attributable to equity shareholders of the Company		<u>(2,112,425)</u>	<u>(2,560,806)</u>	<u>(3,300,029)</u>	<u>(2,764,220)</u>
Non-controlling interests	14	<u>834,839</u>	<u>1,109,441</u>	<u>1,255,538</u>	<u>1,368,901</u>
TOTAL DEFICIT		<u>(1,277,586)</u>	<u>(1,451,365)</u>	<u>(2,044,491)</u>	<u>(1,395,319)</u>

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	Note	At December 31,			At
		2018	2019	2020	September 30,
		RMB'000	RMB'000	RMB'000	2021
				RMB'000	
Non-current assets					
Property, plant and equipment		21,081	17,960	26,292	23,529
Right-of-use assets		30,368	60,873	49,470	40,462
Interests in subsidiaries	14	1,090,574	1,416,718	1,800,740	1,963,918
Interest in associates	15	–	–	1,579	451
Pledged deposits	21(a)	–	–	630,000	1,875,000
Time deposits	21(b)	–	90,000	530,000	140,000
Deferred tax assets		39,276	54,288	37,948	38,788
		<u>1,181,299</u>	<u>1,639,839</u>	<u>3,076,029</u>	<u>4,082,148</u>
Current assets					
Financial assets at fair value through profit or loss	17	1,263,687	3,607,199	1,060,429	3,227,593
Inventories		–	–	–	199
Trade and bills receivables	19	571,531	645,144	861,028	917,729
Prepayments, deposits and other receivables	20	2,655,135	2,935,285	3,319,260	5,295,598
Pledged deposits	21(a)	2,265,763	1,597,563	3,211,395	3,362,032
Time deposits	21(b)	–	–	160,000	30,000
Cash and cash equivalents	22(a)	2,449,972	923,320	4,213,139	1,314,376
Taxation recoverable		–	2,043	343	–
		<u>9,206,088</u>	<u>9,710,554</u>	<u>12,825,594</u>	<u>14,147,527</u>
Current liabilities					
Bank loans and other borrowings . . .	23	220,000	370,464	150,143	492,658
Lease liabilities		8,847	12,445	10,113	5,496
Trade and bills payables	26	5,315,575	6,051,830	9,347,288	11,297,897
Other payables and accruals	27	283,622	386,780	609,502	573,008
Contract liabilities		17,222	20,704	8,168	8,048
Provisions	29	7,177	12,395	843	–
Redeemable capital contributions . . .	30	6,928,973	7,483,290	9,285,430	8,854,015
Taxation payable		9,367	–	–	2,595
		<u>12,790,783</u>	<u>14,337,908</u>	<u>19,411,487</u>	<u>21,233,717</u>
Net current liabilities		<u>(3,584,695)</u>	<u>(4,627,354)</u>	<u>(6,585,893)</u>	<u>(7,086,190)</u>
Total assets less current liabilities .		<u>(2,403,396)</u>	<u>(2,987,515)</u>	<u>(3,509,864)</u>	<u>(3,004,042)</u>

The accompanying notes form part of the Historical Financial Information.

	<i>Note</i>	At December 31,			At
		2018	2019	2020	September 30,
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2021
				<i>RMB'000</i>	
Non-current liabilities					
Lease liabilities		21,212	47,640	38,955	33,416
Deferred income		1,721	17,688	17,000	17,000
		<u>22,933</u>	<u>65,328</u>	<u>55,955</u>	<u>50,416</u>
NET LIABILITIES		(2,426,329)	(3,052,843)	(3,565,819)	(3,054,458)
CAPITAL AND RESERVES					
Share capital	33	485,361	485,361	508,658	508,658
Reserves		<u>(2,911,690)</u>	<u>(3,538,204)</u>	<u>(4,074,477)</u>	<u>(3,563,116)</u>
TOTAL DEFICIT		<u>(2,426,329)</u>	<u>(3,052,843)</u>	<u>(3,565,819)</u>	<u>(3,054,458)</u>

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company					Non-controlling interests	Total equity
		Share capital	Capital reserve	Accumulated losses	Total			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at January 1, 2018		431,432	(231,171)	(15,935)	184,326	582,953	767,279	
Changes in equity for 2018:								
Total comprehensive income for the year		–	–	(295,749)	(295,749)	20,136	(275,613)	
Issue of ordinary shares	33(c)	53,929	2,446,071	–	2,500,000	–	2,500,000	
Recognition of redeemable capital contributions as current liabilities	30	–	(4,500,000)	–	(4,500,000)	–	(4,500,000)	
Capital contribution from non-controlling interests		–	–	–	–	261,681	261,681	
Acquisition of non-controlling interests	33(d)	–	(1,002)	–	(1,002)	(14,308)	(15,310)	
Disposal of interests in subsidiaries	22(e)	–	–	–	–	(9,223)	(9,223)	
Appropriation of dividends to non-controlling shareholders of subsidiaries		–	–	–	–	(6,400)	(6,400)	
Balance at December 31, 2018		<u>485,361</u>	<u>(2,286,102)</u>	<u>(311,684)</u>	<u>(2,112,425)</u>	<u>834,839</u>	<u>(1,277,586)</u>	
Balance at December 31, 2018 and January 1, 2019		485,361	(2,286,102)	(311,684)	(2,112,425)	834,839	(1,277,586)	
Changes in equity for 2019:								
Total comprehensive income for the year		–	–	(415,333)	(415,333)	110,510	(304,823)	
Capital contribution from non-controlling interests		–	–	–	–	306,255	306,255	
Acquisition of non-controlling interests	33(d)	–	(33,048)	–	(33,048)	(90,301)	(123,349)	
Disposal of interests in subsidiaries	22(e)	–	–	–	–	(44,311)	(44,311)	
Appropriation of dividends to non-controlling shareholders of subsidiaries		–	–	–	–	(7,551)	(7,551)	
Balance at December 31, 2019		<u>485,361</u>	<u>(2,319,150)</u>	<u>(727,017)</u>	<u>(2,560,806)</u>	<u>1,109,441</u>	<u>(1,451,365)</u>	

		Attributable to equity shareholders of the Company				Non-	
		Share	Capital	Accumulated	Total	controlling	Total deficit
Note		capital	reserve	losses		interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Balance at December 31, 2019 and January 1, 2020	485,361	(2,319,150)	(727,017)	(2,560,806)	1,109,441	(1,451,365)
	Changes in equity for 2020:						
	Total comprehensive income for the year	-	-	(405,287)	(405,287)	125,295	(279,992)
	Issue of ordinary shares	33(c) 23,297	1,176,703	-	1,200,000	-	1,200,000
	Recognition of redeemable capital contributions as current liabilities	30 -	(1,200,000)	-	(1,200,000)	-	(1,200,000)
	Capital contribution from non-controlling interests	-	-	-	-	143,048	143,048
	Acquisition of non-controlling interests	33(d) -	(333,936)	-	(333,936)	(17,116)	(351,052)
	Disposal of interests in subsidiaries	22(e) -	-	-	-	(89,218)	(89,218)
	Appropriation of dividends to non-controlling shareholders of subsidiaries	-	-	-	-	(15,912)	(15,912)
	Balance at December 31, 2020	<u>508,658</u>	<u>(2,676,383)</u>	<u>(1,132,304)</u>	<u>(3,300,029)</u>	<u>1,255,538</u>	<u>(2,044,491)</u>
	Balance at December 31, 2020 and January 1, 2021	508,658	(2,676,383)	(1,132,304)	(3,300,029)	1,255,538	(2,044,491)
	Changes in equity for the nine months ended September 30, 2021:						
	Total comprehensive income for the period	-	-	(279,815)	(279,815)	121,925	(157,890)
	Reclassification of redeemable capital contributions as equity	30 -	935,475	-	935,475	-	935,475
	Capital contribution from non-controlling interests	-	-	-	-	49,196	49,196
	Acquisition of non-controlling interests	33(d) -	(119,343)	-	(119,343)	(25,929)	(145,272)
	Business combinations	37 -	-	-	-	17,114	17,114
	Disposal of interests in subsidiaries	22(e) -	-	-	-	(45,321)	(45,321)
	Disposal of interests in a subsidiary without loss of control	-	(508)	-	(508)	1,828	1,320
	Appropriation of dividends to non-controlling shareholders of subsidiaries	-	-	-	-	(5,450)	(5,450)
	Balance at September 30, 2021	<u>508,658</u>	<u>(1,860,759)</u>	<u>(1,412,119)</u>	<u>(2,764,220)</u>	<u>1,368,901</u>	<u>(1,395,319)</u>

	Attributable to equity shareholders of the Company				Non-	
	Note	Share	Capital	Accumulated	controlling	Total deficit
		capital	reserve	losses		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
Balance at December 31, 2019 and January 1, 2020		485,361	(2,319,150)	(727,017)	(2,560,806)	1,109,441 (1,451,365)
Changes in equity for the nine months ended September 30, 2020:						
Total comprehensive income for the period		-	-	(381,199)	(381,199)	75,047 (306,152)
Capital contribution from non-controlling interests		-	-	-	-	81,048 81,048
Acquisition of non-controlling interests	33(d)	-	(29,927)	-	(29,927)	(10,105) (40,032)
Disposal of interests in subsidiaries . . .	22(e)	-	-	-	-	(24,814) (24,814)
Appropriation of dividends to non- controlling shareholders of subsidiaries		-	-	-	-	(7,857) (7,857)
Balance at September 30, 2020		485,361	(2,349,077)	(1,108,216)	(2,971,932)	1,222,760 (1,749,172)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi)

	Note	Year ended December 31,			Nine months ended September 30,	
		2018	2019	2020	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Operating activities						
Cash (used in)/generated from						
operations	22(b)	(447,935)	707,358	540,134	678,357	(208,422)
Tax paid	31(a)	(91,687)	(93,422)	(67,871)	(47,193)	(92,448)
Net cash (used in)/generated from operating activities		(539,622)	613,936	472,263	631,164	(300,870)
Investing activities						
Payment for the acquisition of property, plant and equipment		(22,036)	(24,219)	(27,572)	(13,357)	(12,952)
Proceeds from disposal of property, plant and equipment		58	4,806	3,583	2,979	3,540
Payment for purchases of structured deposits and wealth management products		(17,581,364)	(20,789,580)	(17,164,232)	(14,820,200)	(17,987,260)
Proceeds from disposal of structured deposits and wealth management products		16,568,655	18,653,792	19,810,936	14,924,235	15,922,560
Proceeds from disposal of interests in subsidiaries	22(e)	51,185	21,343	62,242	49,068	44,938
Proceeds from disposal of interests in a subsidiary without loss of control		–	–	–	–	1,320
Proceeds from disposal of interests in an associate		–	–	–	–	2,000
Net receipts from business combinations	37	–	–	–	–	1,914
Payment for investments in interests in associates		–	–	(16,600)	(4,600)	–
(Increase)/decrease in time deposits . .		–	(90,000)	(600,000)	(430,000)	520,000
Interest received		40,066	49,595	63,946	39,048	71,342
Dividends received		2,552	–	6,080	6,080	–
Net cash (used in)/generated from investing activities		(940,884)	(2,174,263)	2,138,383	(246,747)	(1,432,598)

	Note	Year ended December 31,			Nine months ended	
		September 30,				
		2018	2019	2020	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Financing activities						
Capital element of lease rental paid	22(c)	(41,660)	(57,724)	(46,876)	(46,428)	(58,175)
Interest element of lease rental paid	22(c)	(4,232)	(5,494)	(6,021)	(4,593)	(3,998)
Proceeds from new bank loans and other borrowings	22(c)	415,500	700,923	783,943	689,342	1,328,084
Repayment of bank loans and other borrowings	22(c)	(454,970)	(447,443)	(1,055,453)	(815,497)	(954,363)
Interest paid	22(c)	(31,802)	(70,560)	(96,614)	(80,200)	(111,529)
New loans from non-controlling shareholders of subsidiaries	22(c)	496,765	442,135	127,449	80,276	150,060
Repayment of loans from non-controlling shareholders of subsidiaries	22(c)	(363,415)	(510,124)	(144,890)	(103,747)	(129,644)
Increase in pledged deposits for banking facilities		–	–	–	–	(425,000)
Capital contributions from non-controlling interests		261,681	306,255	143,048	81,048	49,196
Payment for acquisition of non-controlling interests	33(d)	(15,310)	(123,349)	(351,052)	(40,032)	(145,272)
Proceeds from redeemable capital contributions	33(c)	2,500,000	–	1,200,000	–	–
Payment of dividends to non-controlling shareholders of subsidiaries		(6,400)	(7,551)	(15,912)	(7,857)	(5,450)
Net cash generated from/(used in) financing activities		<u>2,756,157</u>	<u>227,068</u>	<u>537,622</u>	<u>(247,688)</u>	<u>(306,091)</u>
Net increase/(decrease) in cash and cash equivalents		1,275,651	(1,333,259)	3,148,268	136,729	(2,039,559)
Cash and cash equivalents at the beginning of the year/period	22(a)	<u>1,225,317</u>	<u>2,500,968</u>	<u>1,167,709</u>	<u>1,167,709</u>	<u>4,315,977</u>
Cash and cash equivalents at the end of the year/period	22(a)	<u><u>2,500,968</u></u>	<u><u>1,167,709</u></u>	<u><u>4,315,977</u></u>	<u><u>1,304,438</u></u>	<u><u>2,276,418</u></u>

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

Huitongda Network Co., Ltd. (匯通達網絡股份有限公司), (the “Company”) was established in the People’s Republic of China (the “PRC”) on December 6, 2010 as a limited liability company. Upon approval by the Company’s board meeting held on November 16, 2015, the Company was converted from a limited liability company into a joint stock limited liability company.

The Company and its subsidiaries (together, “the Group”) are principally engaged in sales of a comprehensive suite of merchandise in lower tier cities and rural areas in the PRC and provision of intelligent business and marketing subscription service, offering merchant solutions and rendering other various related services. The information of the principal subsidiaries is set out in Note 14.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding that the Group recorded net liabilities of RMB1,395,319,000 and net current liabilities of RMB3,564,697,000 as at September 30, 2021, which is primarily due to redeemable capital contributions totaling RMB8,854,015,000 are classified as current liabilities (see Note 30). As at September 30, 2021, certain conditions associated with redemption rights attributable to the investors in Series A, Series A+, Series B and Series C Investments (as defined and detailed in Note 30) were met, but the investors have not served any redemption notice requesting for repayment. Based on mutual understanding reached between the Company and these investors, the directors of the Company are of the opinion that the holders of the Pre-IPO Investments (as defined in Note 2(o)) will not request the Company to redeem these investments within the next twelve months from September 30, 2021. The Group will have sufficient working capital, to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next 12 months from September 30, 2021.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods. The accounting policies set out in Note 2 have been applied consistently throughout the Relevant Periods and the Group has not adopted any new standards or interpretations that are effective for the accounting periods beginning on or after October 1, 2021, except for Amendments to IFRS 16, *Covid-19-Related Concessions*, which has been early adopted on January 1, 2020. The revised and new accounting standards and interpretations issued which are effective for the accounting periods beginning on or after October 1, 2021 and not yet adopted by the Group are set out in Note 39.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of measurement**

The Historical Financial Information is presented in RMB, rounded to the nearest thousand, unless otherwise indicated.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the assets and liabilities are stated at their fair value as explained in the accounting policies as set out below.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(n) or (p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(d)) or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(iii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal Group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and

any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(i)(iii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate after applying the ECL model to such other long-term interests where applicable (see Note 2(i)(i)).

Unrealized profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)).

(e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than Interests in subsidiaries and associates, are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 34(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(t)(v)).
- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in Note 2(t)(iv).

(f) Investment property

Investment properties are buildings which are owned or held under a leasehold interest (see Note 2(h)) to earn rental income and/or for capital appreciation.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Any gain or loss arising from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in Note 2(t)(iii).

Transfers to investment properties shall be made when there is a change in use, evidenced by end of owner-occupation, for a transfer from owner-occupied property to investment property. Since the Group uses the cost model, transfers between investment properties and owner-occupied properties do not change the carrying amount of the property transferred and they do not change the cost of that properties for measurement or disclosure purposes.

Depreciation is calculated to write off the cost of investment property, less their estimated residual value, if any, using the straight-line method over their estimated useful lives.

Estimated useful life

Buildings	31 years
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(g) Property, plant and equipment

The property, plant and equipment, including right-of-use assets (see Note 2(h)), are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(iii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal. Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Estimated useful life

Buildings	20 years
Leasehold improvements	The shorter of the unexpired term of lease and the estimated useful lives
Electronic equipment	3 – 10 years
Furniture, fixtures and office equipment	3 – 10 years
Motor vehicles	5 – 10 years
Right-of-use assets	Over the lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents properties under construction and machinery and equipment pending installation and is stated at cost less impairment losses (see Note 2(i)(iii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation policies specified above.

No depreciation is provided in respect of construction in progress.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(g) and 2(i)(iii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) *As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2(t)(iii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(h)(i), then the Group classifies the sub-lease as an operating lease.

(i) **Credit losses and impairment of assets**

(i) *Credit losses from financial instruments*

The Group recognizes a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and loans to related parties and third parties).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with Note 2(t)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 3 years past due or when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. These contracts are initially recognized at fair value in provisions.

The Group monitors the risk that the specified debtor will default on the contract and recognizes a provision when ECLs on the financial guarantees are determined to be higher than the carrying amount initially recognized.

To determine ECLs, the Group considers changes in the risk of default of the specified debtor. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(i)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- investment property;
- interests in associates; and
- interests in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis or to the smallest group of cash-generating units if otherwise.

- *Recognition of impairment losses*

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(j) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the first-in-first-out formula and comprises all costs of purchase of goods after deducting discounts from suppliers, and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(k) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(t)). A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(l)).

(l) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost, using the effective interest method and including allowance for credit losses (see Note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(i)(i).

(n) Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Capital contributions

The Company entered into a series of investment agreements with certain independent investors, pursuant to which, these investors agreed to make cash investments to the Company to acquire the equity interest of the Company (collectively referred as "Pre-IPO Investments").

Capital contributions from the Pre-IPO Investments are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Capital contributions from the Pre-IPO Investments are classified as equity if they are non-redeemable by the Company or redeemable only at the Company's option. Dividends on capital contributions from the Pre-IPO Investments classified as equity are recognized as distributions within equity.

Capital contributions from the Pre-IPO Investments are classified as financial liabilities if they are redeemable on a specific date or at the option of the shareholders (including options that are only exercisable in case of triggering events having occurred). The liability is recognized and measured in accordance with the Group's policy for interest-bearing borrowings set out in Note 2(p) and accordingly dividends thereon are recognized on an accrual basis in profit or loss as part of finance costs.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see Note 2(v)).

(q) Employee benefits***(i) Short term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to local retirement schemes pursuant to the relevant labor rules and regulations in the jurisdictions in which the Group's subsidiaries located are recognized as an expense in profit or loss as incurred.

(ii) Termination benefits

Termination benefits are recognized at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to interests in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(s) Provisions and contingent liabilities**(i) Provisions**

When determining the amounts to be recognized in respect of liabilities arising from the provisions, management makes the estimates based on prior experience and default history (see Note 2(i)(ii)). It is possible that the prior experience and default history is not indicative of all the future loss. Any increase or decrease in the provisions would affect the profit or loss in future years.

Provisions are also recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

(ii) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from commerce business

The Group directly sells and leases self-owned products and enables merchants to sell their products to transaction users through business-to-business commerce platforms. Revenue from commerce business primarily comprised revenue from merchandise sales, commission income and merchandise operating leases (see Note 2(t)(iii)).

Revenue from merchandise sales and related costs is recognized on a gross basis when the Group acts as a principal. Revenue from merchandise sales is recognized at the point in time when the control of the merchandise has been delivered, being when the goods are delivered and accepted.

Commission income is recognized for transactions where the Group is not the primary obligor, is not subject to inventory risk and does not have latitude in establishing prices and selecting suppliers. Commission income is recognized on a net basis which is based on a fixed percentage of the sales amount.

(ii) Revenue from service business and other services

The Group provides intelligent business and marketing Software-as-a-Service plus (“SaaS+”) subscription service to the merchants, offers merchant solutions and renders other various related services.

The Group offers SaaS+ products and services to subscribing merchants. Revenue of SaaS+ subscription includes fixed subscription fees and service fees for value-added solutions under various modules, such as online storefront build-up and promotional activities. Revenue of fixed subscription fees is generally recognized over time on a ratable basis over the contract term beginning on the date that the service is made available to the customer. Revenue of service fees for value-added solutions is recognized at the point in time when the performance obligations for the services performed are completed.

The Group earns revenue by offering the merchant solutions and other related services including various value-added services to address paying merchants or marketers’ online and offline operation needs, including marketing digitalization, targeted advertisement and other relevant services. Revenue of merchant solutions and other related services is generally recognized at the point in time when the performance obligations for the services performed are completed.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

(iv) Dividends

Dividend income from unlisted investments is recognized when the shareholder’s right to receive payment is established.

(v) Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortized cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(i)(i)).

(vi) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income and subsequently recognized in profit or loss over the useful life of the asset.

(u) Research and development costs

Research and development costs comprise all expenses that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research and development costs are recognized as expenses in the period in which they are incurred.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES**(a) Critical accounting judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, management has made the following critical accounting judgement:

Revenue from merchandise sale from commerce business

Determining whether the Group is acting as a principal or as an agent in the sales of goods on the Group's platform requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group acting as a principal or an agent, the Group considers, individually or in combination whether the Group is primarily responsible for fulfilment of the contract, is subject to the inventory risk, has discretion to establish prices. Having considered the relevant facts and circumstances, the directors consider that the Group obtains control of those goods sold in commerce business before the goods are transferred to the customers. Accordingly, the Group is acting as a principal for the merchandise sales and the related revenue is presented on a gross basis.

(b) Sources of estimation uncertainty

Notes 16, 17 and 34(e) contain information about the assumptions and their risk factors relating to valuation of fair value of financial assets. Other significant sources of estimation uncertainty are as follows:

(i) Inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference and competitor actions in response to industry cycles. Management measures these estimates at each statement of financial position date.

(ii) Loss allowance for expected credit losses

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortized cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

4 REVENUE AND SEGMENT REPORTING**(a) Revenue**

The principal activities of the Group are sales of a comprehensive suite of merchandise in lower tier cities and rural areas in the PRC and provision of intelligent business and marketing SaaS+ subscription service, offering merchant solutions and rendering other various related services. Further details regarding the Group's principal activities are disclosed in Note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major business lines is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Revenue from contracts with customers within the scope of IFRS 15					
Revenue from merchandise sales	29,660,600	43,356,271	48,248,712	33,539,926	46,141,311
Commission income	–	–	2,032	704	2,206
Revenue from SaaS+ subscription	23,711	49,358	119,087	93,709	163,206
Revenue from merchant solutions	1,553	6,090	123,635	60,621	114,559
Revenue from other services	81,181	154,102	65,820	37,512	74,223
	<u>29,767,045</u>	<u>43,565,821</u>	<u>48,559,286</u>	<u>33,732,472</u>	<u>46,495,505</u>
Revenue from other sources					
Gross rentals from merchandise leases	–	22,292	1,051,256	670,355	–
Others	34,616	45,117	18,593	15,716	371
	<u>34,616</u>	<u>67,409</u>	<u>1,069,849</u>	<u>686,071</u>	<u>371</u>
	<u>29,801,661</u>	<u>43,633,230</u>	<u>49,629,135</u>	<u>34,418,543</u>	<u>46,495,876</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is set out below:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
A point in time	29,743,334	43,516,474	48,441,834	33,639,356	46,332,906
Over time	58,327	116,756	1,187,301	779,187	162,970
	<u>29,801,661</u>	<u>43,633,230</u>	<u>49,629,135</u>	<u>34,418,543</u>	<u>46,495,876</u>

The Group recognized its revenue from contracts with customers in accordance with accounting policy as set out in Note 2(t).

The Group's customer base is diversified and none of the customers with whom transactions have exceeded 10% of the Group's revenues for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021. Details of concentrations of credit risk arising from the customers are set out in Note 34(a).

(ii) Revenue expected to be recognized in the future arising from contracts with customers in existence at the reporting date

As at December 31, 2018, 2019 and 2020 and September 30, 2021, the Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for goods such that information about revenue expected to be recognized in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under these contracts that had an expected duration of one year or less.

(b) Segment reporting

The Group manages its businesses by divisions, which are organized by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Commerce business

The commerce business segment, which mainly includes direct sales and operating leases of self-owned products and provision of marketplace service that enables merchants to sell their products to transacting users through the online platform. Revenue from commerce business primarily comprised revenue from merchandise sales, commission income and gross rentals from merchandise leases.

Service business

The service business segment, which mainly represents the provision of intelligent business and marketing SaaS+ subscription service and a collection of merchant solutions.

Others

Revenues from the others are primarily derived from other services rendered by the Group.

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and cost are allocated to the reportable segments with reference to sales generated by those segments and the costs incurred by those segments or which otherwise arise from the depreciation of certain assets attributable to those segments. The measure used for reporting segment profit is gross profit.

There were no separate segment assets and segment liabilities information provided to the Group's most senior executive management as Group's most senior executive management does not use this information to allocate resources to or evaluate the performance of the operating segments.

The segment information provided to the Group's most senior executive management for the reportable segments for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021 is as follows:

	Year ended December 31, 2018			
	Commerce business	Service business	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue.....	29,660,600	25,264	115,797	29,801,661
Reportable segment profit	936,737	22,564	47,683	1,006,984
	Year ended December 31, 2019			
	Commerce business	Service business	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue.....	43,378,564	55,448	199,218	43,633,230
Reportable segment profit	1,159,640	44,920	74,528	1,279,088
	Year ended December 31, 2020			
	Commerce business	Service business	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue.....	49,302,000	242,722	84,413	49,629,135
Reportable segment profit	1,163,622	122,417	58,472	1,344,511
	Nine months ended September 30, 2020			
	Commerce business	Service business	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited) Reportable segment revenue.....	34,210,985	154,330	53,228	34,418,543
Reportable segment profit	687,187	94,287	38,395	819,869

	Nine months ended September 30, 2021			
	Commerce business	Service business	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue	46,143,517	277,765	74,594	46,495,876
Reportable segment profit	1,004,673	165,633	58,551	1,288,857

The reconciliation of gross profit to loss before tax for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021 is shown in the consolidated statements of profit or loss.

(ii) *Geographic information*

IFRS 8, *Operating Segments*, requires identification and disclosure of information about an entity's geographical areas, regardless of the entity's organization (i.e. even if the entity has a single reportable segment). The Group operates within one geographical location because all of its revenue was generated in the PRC and all of its non-current assets and capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

5 OTHER REVENUE AND OTHER NET GAIN

(a) Other revenue

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Government grants	11,215	13,690	22,575	13,222	32,735
Others	1,241	826	921	441	492
	<u>12,456</u>	<u>14,516</u>	<u>23,496</u>	<u>13,663</u>	<u>33,227</u>

During the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, the Group received unconditional government grants of RMB9,611,000, RMB12,046,000, RMB21,887,000, RMB12,659,000 and RMB32,735,000, respectively, as rewards of the Group's contribution to technology innovation and regional economic development.

During the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, the Group received conditional government grants of RMB nil, RMB17,000,000, RMB nil, RMB nil and RMB nil, respectively, as encouragement of project development. The Group recognized such type of grants of RMB1,604,000, RMB1,644,000, RMB688,000, RMB563,000 and RMB nil, respectively, in the consolidated statements of profit or loss when related conditions were satisfied.

(b) Other net gain

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Net realized and unrealized gain on financial assets at fair value through profit or loss	91,531	106,068	113,238	87,024	104,406
Net gain/(loss) on disposal of interests in subsidiaries (Note 22(e))	9,963	23,581	6,971	(1,736)	7,985
Net gain on disposal of interests in an associate	–	–	–	–	79
Net (loss)/gain on disposal of property, plant and equipment. . .	(44)	2,083	(396)	227	139
Others	240	(142)	1,833	1,798	3,248
	<u>101,690</u>	<u>131,590</u>	<u>121,646</u>	<u>87,313</u>	<u>115,857</u>

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Interest income from bank deposits	(35,952)	(52,730)	(101,006)	(62,269)	(101,003)
Finance income	(35,952)	(52,730)	(101,006)	(62,269)	(101,003)
Interest expenses on discounted bills and bank loans (Note 22(c))	29,823	67,567	94,734	77,240	111,267
Interest expenses on loans from non-controlling shareholders of subsidiaries (Note 22(c))	2,465	6,089	1,983	1,510	2,529
Interest expenses on lease liabilities (Note 22(c))	4,232	5,494	6,021	4,593	3,998
Interest expenses arising from redeemable capital contributions (Note 22(c))	399,900	554,317	602,140	445,069	504,060
Finance costs	<u>436,420</u>	<u>633,467</u>	<u>704,878</u>	<u>528,412</u>	<u>621,854</u>
Net finance costs	<u>400,468</u>	<u>580,737</u>	<u>603,872</u>	<u>466,143</u>	<u>520,851</u>

(b) Staff costs

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Salaries, wages and other benefits	374,827	449,702	485,010	324,126	379,169
Contributions to defined contribution retirement plans . .	31,343	34,000	3,291	3,284	25,278
	<u>406,170</u>	<u>483,702</u>	<u>488,301</u>	<u>327,410</u>	<u>404,447</u>

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

(c) Other items

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Cost of inventories recognized as expenses (<i>Note i</i>)	28,623,268	42,006,862	46,853,217	32,700,227	44,995,801
Depreciation charge					
– owned property, plant and equipment	17,783	18,457	18,949	13,794	14,247
– right-of-use assets	36,392	56,534	60,867	45,867	44,099
– investment property	–	–	135	98	157
Research and development costs (<i>Note ii</i>)	34,678	49,283	58,276	35,603	54,930
Provision for credit loss on trade and other receivables	145,296	130,024	89,652	82,815	67,572
Increase/(decrease) of provisions .	5,734	5,218	(11,552)	(3,394)	(843)
Provision for write-down of inventories	71,415	55,643	54,191	58,306	3,321
Listing expenses	–	–	–	–	22,952
Auditors' remuneration	1,586	2,420	2,869	990	1,525
	<u>1,586</u>	<u>2,420</u>	<u>2,869</u>	<u>990</u>	<u>1,525</u>

Notes:

- (i) Cost of inventories recognized as expenses includes provision for write-down of inventories.
- (ii) Research and development costs include amounts relating to staff costs and depreciation expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Current tax					
Provision for the year/period	94,875	77,145	97,361	59,680	96,374
Deferred tax					
Origination and reversal of temporary differences (Note 31(b)).	(12,645)	(18,854)	(15,890)	(23,845)	(21,342)
Total income tax expense	82,230	58,291	81,471	35,835	75,032

Note:

The Company and subsidiaries were all incorporated in the PRC. The Company and subsidiaries within the Group are subject to PRC Corporate Income Tax ("CIT") at statutory rate of 25%, except for the following specified subsidiaries:

According to the Administrative Measures for Determination of High-Tech Enterprises (Guokefahuo [2016] No. 32), the Company obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% for the years from 2018 to 2020.

According to CaiShui [2018] No. 77, "The Announcement of Further Expanding Preferential Tax Treatment of Small-scaled Minimal Profit Enterprise" issued by Ministry of Finance of the PRC and National Tax Bureau on July 11, 2018, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 50% exemption of taxable income and application of income tax rate as 20% from January 1, 2018 to December 31, 2020.

According to Caishui [2019] No. 13, "The Announcement of Implementation on Inclusive Tax Relief Policy of Small-scaled Minimal Profit Enterprise" issued by Ministry of Finance of the PRC and National Tax Bureau on January 17, 2019, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20%; the small-scaled minimal profit enterprise with an annual taxable income between RMB1,000,000 and RMB3,000,000 (RMB3,000,000 included) is entitled to a preferential tax treatment of 50% exemption of taxable income and application of income tax rate as 20%, from January 1, 2019 to December 31, 2021.

According to Announcement [2021] No. 12, "The Announcement of Implementation of Income Tax Incentives for Micro and Small Enterprises and Individually-owned Businesses" issued by Ministry of Finance of the PRC and National Tax Bureau on April 2, 2021, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 87.5% exemption of taxable income and application of income tax rate as 20% from January 1, 2021 to December 31, 2022.

Certain subsidiaries in the Group which are primarily engaged in merchandise sales in commerce business meet the conditions as small-scaled minimal profit enterprise were qualified for the entitlement of such preferential tax treatment during the Relevant Periods.

(b) Reconciliation between tax expense and loss before taxation at applicable tax rates:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Loss before taxation	(193,383)	(246,532)	(198,521)	(270,317)	(82,858)
Notional tax on loss before taxation, calculated using the PRC statutory tax rate of 25%	(48,346)	(61,633)	(49,630)	(67,579)	(20,715)
Effect of preferential tax rate	(8,694)	(47,970)	(44,005)	(22,725)	(42,750)
Tax effect of non-deductible expenses	2,302	2,308	2,338	1,343	1,804
Tax effect of tax losses not recognized	34,279	26,381	19,420	13,082	8,886
Tax effect of temporary differences not recognized	3,876	1,018	3,656	1,089	2,598
Tax effect of bonus deduction for research and development costs	(1,162)	(392)	(843)	(642)	(806)
Tax effect of interest expenses arising from redeemable capital contributions	99,975	138,579	150,535	111,267	126,015
Actual tax expense	82,230	58,291	81,471	35,835	75,032

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended December 31, 2018				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2018 Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive director					
Xu Xiuxian	–	1,172	960	44	2,176
Non-executive directors					
Wang Jianguo	–	–	–	–	–
Wang Jian	–	–	–	–	–
Han Gang (resigned on April 14, 2018)	–	–	–	–	–
Wu Bin (resigned on April 14, 2018)	–	–	–	–	–
Li Shaohua (appointed on April 14, 2018)	–	–	–	–	–
Xu Jinrong	–	–	–	–	–
Bai Bo (appointed on April 14, 2018)	–	–	–	–	–
Independent non-executive directors					
Ai Min	120	–	–	–	120
Huang Shun	120	–	–	–	120
Luo Dejun	120	–	–	–	120
Supervisors					
Zhou Chunfang (resigned on April 14, 2018)	–	–	–	–	–
Gao Juan (appointed on April 14, 2018)	–	319	168	11	498
Wang Xinghua	–	361	144	17	522
Yi Suning	–	447	337	17	801
	<u>360</u>	<u>2,299</u>	<u>1,609</u>	<u>89</u>	<u>4,357</u>

Year ended December 31, 2019					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2019 Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive director					
Xu Xiuxian	–	1,446	842	36	2,324
Non-executive directors					
Wang Jianguo	–	–	–	–	–
Wang Jian	–	–	–	–	–
Li Shaohua	–	–	–	–	–
Xu Jinrong	–	–	–	–	–
Bai Bo	–	–	–	–	–
Independent non-executive directors					
Ai Min	120	–	–	–	120
Huang Shun	120	–	–	–	120
Luo Dejun	120	–	–	–	120
Supervisors					
Gao Juan	–	466	–	12	478
Wang Xinghua	–	410	161	14	585
Yi Suning	–	423	195	14	632
	<u>360</u>	<u>2,745</u>	<u>1,198</u>	<u>76</u>	<u>4,379</u>

Year ended December 31, 2020					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2020 Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive director					
Xu Xiuxian	–	1,391	810	3	2,204
Non-executive directors					
Wang Jianguo	–	–	–	–	–
Wang Jian	–	–	–	–	–
Li Shaohua	–	–	–	–	–
Xu Jinrong	–	–	–	–	–
Bai Bo	–	–	–	–	–
Independent non-executive directors					
Ai Min	120	–	–	–	120
Huang Shun	120	–	–	–	120
Luo Dejun	120	–	–	–	120
Supervisors					
Gao Juan (resigned on June 29, 2020)	–	–	–	–	–
Wang Xinghua	–	415	190	1	606
Yi Suning	–	448	258	1	707
Li Wei (appointed on June 29, 2020)	–	598	546	3	1,147
	<u>360</u>	<u>2,852</u>	<u>1,804</u>	<u>8</u>	<u>5,024</u>

Nine months ended September 30, 2020

	Nine months ended September 30, 2020				Nine months ended
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	September 30, 2020 Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Executive director					
Xu Xiuxian	–	1,026	–	3	1,029
Non-executive directors					
Wang Jianguo	–	–	–	–	–
Wang Jian	–	–	–	–	–
Li Shaohua	–	–	–	–	–
Xu Jinrong	–	–	–	–	–
Bai Bo	–	–	–	–	–
Independent non-executive directors					
Ai Min	60	–	–	–	60
Huang Shun	60	–	–	–	60
Luo Dejun	60	–	–	–	60
Supervisors					
Gao Juan (resigned on June 29, 2020)	–	–	–	–	–
Wang Xinghua	–	314	–	1	315
Yi Suning	–	342	–	1	343
Li Wei (appointed on June 29, 2020)	–	457	–	3	460
	<u>180</u>	<u>2,139</u>	<u>–</u>	<u>8</u>	<u>2,327</u>

Nine months ended September 30, 2021					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Nine months ended September 30, 2021 Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors					
Xu Xiuxian	–	1,175	–	28	1,203
Zhao Liangsheng (appointed on May 10, 2021)	–	714	–	28	742
Non-executive directors					
Wang Jianguo	–	–	–	–	–
Wang Jian	–	–	–	–	–
Wang Yi (appointed on May 10, 2021)	–	–	–	–	–
Cai Zhongqiu (appointed on May 1, 2021)	–	–	–	–	–
Li Shaohua (resigned on May 10, 2021)	–	–	–	–	–
Xu Jinrong (resigned on May 10, 2021)	–	–	–	–	–
Bai Bo (resigned on May 10, 2021)	–	–	–	–	–
Independent non-executive directors					
Ai Min (resigned on May 10, 2021)	50	–	–	–	50
Huang Shun	60	–	–	–	60
Luo Dejun (resigned on May 10, 2021)	50	–	–	–	50
Cheng Zichuan (appointed on May 10, 2021)	20	–	–	–	20
Liu Xiangdong (appointed on May 10, 2021)	20	–	–	–	20
Supervisors					
Mao Yijun (appointed on May 10, 2021)	–	357	–	10	367
Wang Xinghua	–	333	–	10	343
Yi Suning (resigned on May 10, 2021)	–	172	–	12	184
Li Wei	–	449	–	28	477
	<u>200</u>	<u>3,200</u>	<u>–</u>	<u>116</u>	<u>3,516</u>

During the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, no amounts were paid or payable by the Group to the directors and supervisors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one, one, one, one and two are directors and zero, zero, one, one and one is supervisor during the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Salaries, allowances and benefits in kind	2,833	3,220	2,746	2,042	1,487
Discretionary bonuses	2,231	1,766	1,530	–	–
Retirement scheme contributions	168	143	8	8	56
	5,232	5,129	4,284	2,050	1,543

The emoluments of the four, four and three, three and two individuals with the highest emoluments during the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, respectively, are within the following bands:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
				<i>(unaudited)</i>	
Hong Kong Dollar (“HK\$”) nil to HK\$1,000,000	1	1	–	3	2
HK\$1,000,001 to HK\$2,000,000 . .	3	3	2	–	–
HK\$2,000,001 to HK\$3,000,000 . .	–	–	1	–	–

10 LOSS PER SHARE**(a) Basic loss per share**

The calculation of the basic loss per share during the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021 is based on the loss attributable to ordinary equity shareholders of the Company for the purpose of basic loss per share for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021 and the weighted average number of ordinary shares for the purpose of basic loss per share calculated as follows:

Loss for the year/period attributable to ordinary equity shareholders of Company for the purpose of basic loss per share

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Loss for the year/period attributable to equity shareholders of the Company . .	(295,749)	(415,333)	(405,287)	(381,199)	(279,815)
Allocation of loss for the year/period attributable to equity shareholders of redeemable capital contributions	104,408	165,905	162,148	152,270	106,263
Loss for the year/period attributable to ordinary equity shareholders of the Company for the purpose of basic loss per share	<u>(191,341)</u>	<u>(249,428)</u>	<u>(243,139)</u>	<u>(228,929)</u>	<u>(173,552)</u>

Weighted average number of ordinary shares for the purpose of basic loss per share

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
				<i>(unaudited)</i>	
Issued ordinary shares at the beginning of the year/period . .	431,431,754	485,360,723	485,360,723	485,360,723	508,658,037
Effect of ordinary shares issued for redeemable capital contributions	<u>(129,079,755)</u>	<u>(193,877,267)</u>	<u>(193,877,267)</u>	<u>(193,877,267)</u>	<u>(193,169,640)</u>
Weighted average number of ordinary shares at the end of the year/period for the purpose of basic loss per share	<u>302,351,999</u>	<u>291,483,456</u>	<u>291,483,456</u>	<u>291,483,456</u>	<u>315,488,397</u>

Effect of ordinary shares issued for redeemable capital contributions represent the weighted average number of ordinary shares of the Company associated with the redeemable capital contributions (see Note 30) at December 31, 2018, 2019 and 2020 and September 30, 2020 and 2021, which are subject to redemption and excluded from the calculation of the basic loss per share.

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume termination of redemption rights attributable to the investors of the Pre-IPO Investments. For the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021 the Company had the redeemable capital contributions as financial liabilities which are potential ordinary shares. As the Group incurred losses for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021 are the same as basic loss per share of the respective years/periods.

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Electronic equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:							
At January 1, 2018	1,638	22,852	17,889	7,519	9,328	1,150	60,376
Additions	–	–	7,325	4,132	2,629	7,950	22,036
Transfers	–	8,773	–	–	–	(8,773)	–
Disposals	–	–	(101)	(98)	(115)	–	(314)
Disposal of interests in subsidiaries (Note 22(e))	–	(65)	(588)	(918)	(64)	–	(1,635)
At December 31, 2018 and January 1, 2019	1,638	31,560	24,525	10,635	11,778	327	80,463
Additions	–	–	10,632	3,606	6,125	3,856	24,219
Transfers	–	4,010	–	–	–	(4,010)	–
Disposals	–	–	(4,834)	(163)	(602)	–	(5,599)
Disposal of interests in subsidiaries (Note 22(e))	–	(994)	(795)	(480)	(324)	–	(2,593)
At December 31, 2019 and January 1, 2020	1,638	34,576	29,528	13,598	16,977	173	96,490
Additions	–	–	6,039	5,409	4,206	11,918	27,572
Transfers	–	12,091	–	–	–	(12,091)	–
Disposals	(1,638)	–	(3,163)	(1,610)	(2,471)	–	(8,882)
Disposal of interests in subsidiaries (Note 22(e))	–	(354)	(1,103)	(690)	(152)	–	(2,299)
At December 31, 2020 and January 1, 2021	–	46,313	31,301	16,707	18,560	–	112,881
Additions	–	1,898	2,367	958	4,580	3,149	12,952
Business combinations (Note 37)	–	–	35	27	–	–	62
Transfers	–	2,499	–	–	–	(2,499)	–
Disposals	–	(38)	(3,601)	(1,430)	(4,249)	–	(9,318)
Disposal of interests in subsidiaries (Note 22(e))	–	(117)	(321)	(459)	(268)	–	(1,165)
At September 30, 2021	–	50,555	29,781	15,803	18,623	650	115,412

	Buildings	Leasehold improvements	Electronic equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accumulated depreciation:							
At January 1, 2018	40	9,978	6,696	2,914	3,689	–	23,317
Charge for the year	80	8,179	6,262	1,451	1,811	–	17,783
Written back on disposals	–	–	(81)	(42)	(89)	–	(212)
Disposal of interests in subsidiaries (Note 22(e))	–	(17)	(205)	(108)	(18)	–	(348)
At December 31, 2018 and January 1, 2019	120	18,140	12,672	4,215	5,393	–	40,540
Charge for the year	80	8,035	6,136	1,672	2,534	–	18,457
Written back on disposals	–	–	(2,630)	(82)	(164)	–	(2,876)
Disposal of interests in subsidiaries (Note 22(e))	–	(311)	(331)	(109)	(95)	–	(846)
At December 31, 2019 and January 1, 2020	200	25,864	15,847	5,696	7,668	–	55,275
Charge for the year	60	6,330	6,929	1,954	3,676	–	18,949
Written back on disposals	(260)	–	(2,364)	(1,150)	(1,129)	–	(4,903)
Disposal of interests in subsidiaries (Note 22(e))	–	(300)	(784)	(354)	(87)	–	(1,525)
At December 31, 2020 and January 1, 2021	–	31,894	19,628	6,146	10,128	–	67,796
Charge for the period	–	5,089	4,720	1,571	2,867	–	14,247
Written back on disposals	–	(38)	(2,201)	(1,038)	(2,640)	–	(5,917)
Disposal of interests in subsidiaries (Note 22(e))	–	(117)	(321)	(268)	(118)	–	(824)
At September 30, 2021	–	36,828	21,826	6,411	10,237	–	75,302
Net book value:							
At December 31, 2018	1,518	13,420	11,853	6,420	6,385	327	39,923
At December 31, 2019	1,438	8,712	13,681	7,902	9,309	173	41,215
At December 31, 2020	–	14,419	11,673	10,561	8,432	–	45,085
At September 30, 2021	–	13,727	7,955	9,392	8,386	650	40,110

12 RIGHT-OF-USE ASSETS

The Group has obtained the right to use certain office and warehouse properties through tenancy agreements during the Relevant Periods. The leases typically run for a period of 1 to 10 years. The analysis of the net book value of right-of-use assets by class of underlying asset is presented below:

	Properties held for own use
	<i>RMB'000</i>
At January 1, 2018	86,967
Additions	65,279
Depreciation charge for the year	(36,392)
Disposal of interests in subsidiaries (<i>Note 22(e)</i>)	(609)
	<hr/>
At December 31, 2018 and January 1, 2019	115,245
Additions	103,423
Depreciation charge for the year	(56,534)
Disposal of interests in subsidiaries (<i>Note 22(e)</i>)	(3,996)
	<hr/>
At December 31, 2019 and January 1, 2020	158,138
Additions	34,979
Depreciation charge for the year	(60,867)
Disposal of interests in subsidiaries (<i>Note 22(e)</i>)	(4,323)
	<hr/>
At December 31, 2020 and January 1, 2021	127,927
Additions	33,159
Depreciation charge for the period	(44,099)
Disposal of interests in subsidiaries (<i>Note 22(e)</i>)	(13,786)
	<hr/>
At September 30, 2021	<u>103,201</u>

The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>				
Depreciation charge of right-of-use assets	<u>36,392</u>	<u>56,534</u>	<u>60,867</u>	<u>45,867</u>	<u>44,099</u>
Interest on lease liabilities (<i>Note 6(a)</i>)	4,232	5,494	6,021	4,593	3,998
Expense relating to short- term leases	<u>51,115</u>	<u>55,074</u>	<u>49,439</u>	<u>36,080</u>	<u>30,045</u>

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 22(d) and 25, respectively.

13 INVESTMENT PROPERTY

	<u>Buildings</u>
	<i>RMB'000</i>
Cost:	
At January 1, 2018, December 31, 2018 and January 1, 2019	–
Additions	<u>4,036</u>
At December 31, 2019, December 31, 2020 and September 30, 2021	<u>4,036</u>
Accumulated depreciation:	
At January 1, 2018, December 31, 2018, January 1, 2019, December 31, 2019 and January 1, 2020	–
Charge for the year	<u>135</u>
At December 31, 2020 and January 1, 2021	135
Charge for the period	<u>157</u>
At September 30, 2021	<u>292</u>
Net book value:	
At December 31, 2018	<u>–</u>
At December 31, 2019	<u>4,036</u>
At December 31, 2020	<u>3,901</u>
At September 30, 2021	<u>3,744</u>

The fair value of investment property is valued by an independent third party valuer to be RMB4,118,000, RMB3,953,000 and RMB3,807,000 as at December 31, 2019 and 2020 and September 30, 2021, respectively.

The Group's investment property is located in the PRC. The fair value measurement of the Group's investment property is categorized into Level 3 of fair value measurement. The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of property. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighborhood. The market yield is determined by reference to the yields derived from analyzing the sales transactions of similar commercial properties in the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment property. The current use of the investment property is their highest and best use.

The Group leases out investment property under operating lease. The lease runs for an initial period of 15 years, with an option to renew the lease after that date at which time all terms are renegotiated.

14 INTERESTS IN SUBSIDIARIES

As at September 30, 2021, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	Held by a subsidiary		
Zhejiang Huichao Network Technology Co., Ltd. (浙江匯超網絡科技有限公司) (Note (a) and (i))	The People's Republic of China ("PRC") December 7, 2018	RMB20,000,000	51%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)/2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Jiangsu Sanchuang Trading Co., Ltd. (江蘇三創商貿有限公司) (Note (a) and (j))	The PRC September 25, 2008	RMB20,000,000	100%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)/2018-2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Jiangsu Xinglihui Network Technology Co., Ltd. (江蘇星立暉網絡科技有限公司) (Note (a) and (h))	The PRC December 11, 2019	RMB2,000,000	–	92%	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Zhejiang Huabaihui Technology Co., Ltd. (浙江華百匯網絡科技有限公司) (Note (a) and (j))	The PRC August 19, 1998	RMB10,000,000	100%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)/2018-2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Huitongda (Zhejiang) Network Co., Ltd. (匯通達浙江網絡有限公司) (Note (a) and (d))	The PRC December 28, 2018	RMB30,000,000	100%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Qianyun Information Technology Co., Ltd. (阡耘信息科技有限責任公司) (Note (a) and (h))	The PRC September 30, 2019	RMB50,000,000	100%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Nanjing Huixianglai Network Co., Ltd. (南京匯享萊網絡有限公司) (Note (a) and (b))	The PRC November 25, 2016	RMB5,000,000	65%	–	Sales of merchandise in commerce business	Not applicable
Changshu Suhui Network Co., Ltd. (常熟蘇匯網絡有限公司) (Note (a) and (f))	The PRC November 23, 2015	RMB20,000,000	59%	–	Sales of merchandise in commerce business	2018-2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))

Company name	Place and date of establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	Held by a subsidiary		
Jiangsu Huidi Network Technology Co., Ltd. (江蘇匯迪網絡科技有限公司) (Note (a) and (j))	The PRC January 5, 2018	RMB20,000,000	60%	–	Sales of merchandise in commerce business	2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合伙))/ 2018 and 2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Nanjing Huiyang Agricultural Materials Co., Ltd. (南京匯揚農資有限公司) (Note (a) and (i))	The PRC January 31, 2018	RMB15,000,000	60%	–	Sales of merchandise in commerce business	2019-2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Anhui Fuchengda Electronic Commerce Co., Ltd. (安徽福乘達電子商務有限公司) (Note (a) and (b))	The PRC December 11, 2018	RMB7,500,000	60%	–	Sales of merchandise in commerce business	Not applicable
Dalian Jinbo Network Technology Co., Ltd. (大連金博網絡科技有限公司) (Note (a) and (b))	The PRC April 16, 2018	RMB10,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Xuancheng Huitongda Rural Electronic Commerce Co., Ltd. (宣城匯通達農村電子商務有限公司) (Note (a) and (b))	The PRC March 17, 2017	RMB9,683,500	60%	–	Sales of merchandise in commerce business	Not applicable
Anhui Nonghui E-Commerce Co., Ltd. (安徽農匯電子商務有限公司) (Note (a) and (b))	The PRC October 20, 2017	RMB5,400,000	60%	–	Sales of merchandise in commerce business	Not applicable
Hangzhou Huizhang Network Technology Co., Ltd. (杭州匯章網絡科技有限公司) (Note (a) and (c))	The PRC May 28, 2015	RMB7,200,000	60%	–	Sales of merchandise in commerce business	2018: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合伙))
Yifantong Network Technology Co., Ltd. (億凡通網絡科技有限責任公司) (Note (a) and (b))	The PRC October 22, 2019	RMB nil	100%	–	Sales of merchandise in commerce business	Not applicable
Xuzhou Huinongda Trading Co., Ltd. (徐州匯農達商貿有限公司) (Note (a) and (b))	The PRC April 17, 2018	RMB10,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Zhejiang Changhui Technology Co., Ltd. (浙江暢匯科技有限公司) (Note (a) and (b))	The PRC September 19, 2018	RMB10,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Jiangsu Huiyiheng Network Technology Co., Ltd. (江蘇匯億恒網絡科技有限公司) (Note (a) and (b))	The PRC March 23, 2020	RMB nil	–	100%	Sales of merchandise in commerce business	Not applicable
Shandong Luodun Agricultural Development Co., Ltd. (山東洛頓農業開發有限公司) (Note (a) and (d))	The PRC September 17, 2018	RMB10,000,000	60%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Hangzhou Huiyin Electronic Co., Ltd. (杭州匯銀電子有限公司) (Note (a) and (b))	The PRC July 27, 2018	RMB10,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Shanghai Danao Network Technology Co., Ltd. (上海達腦網絡科技有限公司) (Note (a) and (b))	The PRC April 8, 2018	RMB20,000,000	65%	–	Sales of merchandise in commerce business	Not applicable

Company name	Place and date of establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	Held by a subsidiary		
Shandong Huihuanong Ecological Agriculture Science and Technology Co., Ltd. (山東匯華農生態農業科技有限公司) (Note (a) and (e))	The PRC February 27, 2019	RMB20,000,000	60%	–	Sales of merchandise in commerce business	2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合伙))
Beijing Huidechengda Network Technology Co., Ltd. (北京匯德誠達網絡科技有限公司) (Note (a) and (h))	The PRC May 9, 2019	RMB10,000,000	–	60%	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Wuhan Huitongqicai Network Technology Co., Ltd. (武漢匯通七彩網絡科技有限公司) (Note (a) and (b))	The PRC April 12, 2016	RMB5,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Zhongshan Huiyan Network Technology Co., Ltd. (中山市匯眼網絡科技有限公司) (Note (a) and (i))	The PRC May 10, 2018	RMB10,000,000	60%	–	Sales of merchandise in commerce business	2019-2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Hangzhou Hangrong Electronics Co., Ltd. (杭州杭融電子有限公司) (Note (a) and (b))	The PRC June 21, 2019	RMB10,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Jiangsu Yunchang Network Technology Co., Ltd. (江蘇雲昌網絡科技有限公司) (Note (a) and (b))	The PRC October 23, 2019	RMB nil	100%	–	Sales of merchandise in commerce business	Not applicable
Hubei Huitongsaiipu Network Technology Co., Ltd. (湖北匯通賽普網絡科技有限公司) (Note (a) and (c))	The PRC November 11, 2016	RMB15,000,000	60%	–	Sales of merchandise in commerce business	2018: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合伙))
Zhejiang Huicheng Communication Equipment Co., Ltd. (浙江匯成通信設備有限公司) (Note (a) and (j))	The PRC June 19, 2018	RMB10,000,000	60%	–	Sales of merchandise in commerce business	2018-2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Shandong Huihaoyun Agricultural Science and Technology Co., Ltd. (山東匯好運農業科技有限公司) (Note (a) and (b))	The PRC June 10, 2019	RMB10,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Ningbo Huimei Network Technology Co., Ltd. (寧波匯美網絡科技有限公司) (Note (a) and (d))	The PRC November 19, 2015	RMB1,500,000	60%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Quanzhou Guangsheng Network Technology Co., Ltd. (泉州市廣勝網絡科技有限公司) (Note (a) and (f))	The PRC November 24, 2017	RMB22,000,000	60%	–	Sales of merchandise in commerce business	2018-2019: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)

Company name	Place and date of establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	Held by a subsidiary		
Beijing Huizhongxin Network Technology Co., Ltd. (北京匯中鑫網絡科技有限公司) (Note (a) and (d))	The PRC February 2, 2018	RMB10,000,000	60%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Hangzhou Pinchen Information Technology Co., Ltd. (杭州品臣信息科技有限公司) (Note (a) and (b))	The PRC December 27, 2019	RMB5,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Jinan Huidafeng Network Technology Co., Ltd. (濟南匯達豐網絡科技有限公司) (Note (a) and (j))	The PRC March 14, 2016	RMB10,000,000	60%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)/2018-2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Fujian Oule Communication Network Technology Co., Ltd. (福建歐勒通訊網絡科技有限公司) (Note (a) and (i))	The PRC November 30, 2018	RMB10,000,000	60%	–	Sales of merchandise in commerce business	2019-2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Wuhan Xinnongda Trading Co., Ltd. (武漢鑫農達商貿有限公司) (Note (a) and (b))	The PRC March 15, 2018	RMB16,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Harbin Huishifeng Trading Co., Ltd. (哈爾濱匯實豐商貿有限公司) (Note (a) and (b))	The PRC September 10, 2018	RMB10,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Yantai Huian Ecological Agriculture Science and Technology Co., Ltd. (煙台匯安生態農業科技有限公司) (Note (a) and (b))	The PRC May 16, 2018	RMB12,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Hubei Huirongsheng Trading Co., Ltd. (湖北匯榮盛商貿有限公司) (Note (a) and (j))	The PRC October 15, 2015	RMB15,000,000	73%	–	Sales of merchandise in commerce business	2019: Jiangsu Huasheng Certified Public Accountants LLP (江蘇華生會計師事務所(普通合夥))/2018 and 2020: Nanjing Zhonghan Tonghua Certified Public Accountants (南京中瀚通華會計師事務所有限公司)

Company name	Place and date of establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	Held by a subsidiary		
Yicheng Huitongdawei Trading Co., Ltd. (宜城市匯通大為商貿有限公司) (Note (a) and (b))	The PRC December 29, 2018	RMB6,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Hunan Dingrun Tongda Building Materials Technology Co., Ltd. (湖南鼎潤通達建材網絡科技有限公司) (Note (a) and (b)).	The PRC February 13, 2018	RMB12,000,000	67%	–	Sales of merchandise in commerce business	Not applicable
Shandong Huiderui Network Technology Co., Ltd. (山東匯德瑞網絡科技有限公司) (Note (a) and (d))	The PRC May 16, 2018	RMB10,000,000	60%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Huitone Datatech Smart Technology Co., Ltd. (匯通數科智能科技有限公司) (Note (a) and (g)).	The PRC September 20, 2019	RMB52,120,000	100%	–	Provision of intelligent business and marketing solutions through service offering platform and other relevant services	2019-2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Tianjin Huirongda Technology Co., Ltd. (天津匯榮達科技有限公司) (Note (a) and (b)).	The PRC December 5, 2018	RMB4,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Chengdu Kaihehui Technology Co., Ltd. (成都凱和匯科技有限公司) (Note (a) and (b)).	The PRC May 22, 2019	RMB8,330,000	60%	–	Sales of merchandise in commerce business	Not applicable
Wuxi Huijueheng Trading Co., Ltd. (無錫匯聚恒商貿有限公司) (Note (a) and (j))	The PRC August 26, 2011	RMB5,000,000	55%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)/2018-2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Jiangsu Huidenuo Electrical Trading Co., Ltd. (江蘇匯得諾電器商貿有限公司) (Note (a) and (j)).	The PRC November 30, 2018	RMB10,000,000	100%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)/2018-2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Xuzhou Chilong Trading Co., Ltd. (徐州馳隆科貿有限公司) (Note (a) and (i))	The PRC December 19, 2008	RMB5,000,000	–	90%	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)/2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))

Company name	Place and date of establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	Held by a subsidiary		
Shanghai Xunjida Network Technology Co., Ltd. (上海迅吉達網絡科技有限公司) (Note (a) and (b))	The PRC July 27, 2018	RMB10,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Jiangsu Sibeida Electric Appliance Trading Co., Ltd. (江蘇司貝達電器商貿有限公司) (Note (a) and (j))	The PRC November 1, 2017	RMB10,000,000	100%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)/2018-2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Suqian Xinhuinong Agricultural Science and Technology Co., Ltd. (宿遷鑫匯農農業科技有限公司) (Note (a) and (b))	The PRC September 20, 2019	RMB4,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Anhui Zhongjiahui Glass Trading Co., Ltd. (安徽眾家惠玻璃貿易有限公司) (Note (a) and (b))	The PRC November 29, 2018	RMB8,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Puyang Huiqing Trading Co., Ltd. (濮陽匯慶貿易有限公司) (Note (a) and (i))	The PRC August 18, 2017	RMB10,800,000	65%	–	Sales of merchandise in commerce business	2019-2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Yueyang Huinongda Grain Co., Ltd. (岳陽匯農達谷物有限公司) (Note (a) and (b))	The PRC June 29, 2018	RMB12,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Nanjing Nuoshibo Network Technology Co., Ltd. (南京諾仕博網絡科技有限公司) (Note (a) and (j))	The PRC January 8, 2016	RMB10,000,000	55%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)/2018-2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Guangzhou Yueninghui Internet Technology Co., Ltd. (廣州粵寧匯互聯網科技有限公司) (Note (a) and (j))	The PRC June 17, 2016	RMB6,000,000	60%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)/2018-2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Jingmen Huitongyunke Agricultural Science and Technology Co., Ltd. (荊門匯通雲科農業科技有限公司) (Note (a) and (b))	The PRC January 21, 2016	RMB5,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Yangzhou Runmei Electric Appliance Co., Ltd. (揚州潤美電器有限公司) (Note (a) and (c))	The PRC June 9, 2015	RMB10,000,000	60%	–	Sales of merchandise in commerce business	2018: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))

Company name	Place and date of establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	Held by a subsidiary		
Suqian Xuanqi Trading Co., Ltd. (宿遷眩齊商貿有限公司) (Note (a) and (f))	The PRC August 17, 2012	RMB8,000,000	60%	–	Sales of merchandise in commerce business	2018-2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Anhui Huinong Electronic Commerce Co., Ltd. (安徽匯農電子商務有限公司) (Note (a) and (b))	The PRC December 4, 2017	RMB7,500,000	60%	–	Sales of merchandise in commerce business	Not applicable
Jiangsu Jushixinchuang Network Technology Co., Ltd. (江蘇聚勢心創網絡科技有限公司) (Note (a) and (h))	The PRC December 9, 2019	RMB nil	100%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Heze Huiju Network Technology Co., Ltd. (荷澤市匯聚網絡科技有限公司) (Note (a) and (j))	The PRC March 8, 2013	RMB3,500,000	60%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)/2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))/2018: Jiangsu Huasheng Certified Public Accountants LLP (江蘇華生會計師事務所(普通合夥))
Nanjing Huijubang Optoelectronics Technology Co., Ltd. (南京匯聚幫光電科技有限公司) (Note (a) and (j))	The PRC June 16, 2016	RMB5,000,000	60%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)/2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))/2018: Jiangsu Huasheng Certified Public Accountants LLP (江蘇華生會計師事務所(普通合夥))
Guangzhou Huiyi Network Technology Co., Ltd. (廣州市匯一網絡科技有限公司) (Note (a) and (i))	The PRC April 18, 2017	RMB9,600,000	60%	–	Sales of merchandise in commerce business	2019-2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)
Shaoxing Huihang Network Technology Co., Ltd. (紹興匯邦網絡科技有限公司) (Note (a) and (c))	The PRC September 8, 2015	RMB6,000,000	60%	–	Sales of merchandise in commerce business	2018: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Zhangjiagang Shengshi Xinxing Trading Co., Ltd. (張家港盛世欣興貿易有限公司) (Note (a) and (c))	The PRC December 17, 2014	RMB5,000,000	100%	–	Sales of merchandise in commerce business	2018: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))

Company name	Place and date of establishment	Particulars of issued and paid-in capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	Held by a subsidiary		
Changzhou Xinmanyi Electric Appliance Sales Co., Ltd. (常州欣滿意電器銷售有限公司) (Note (a) and (j))	The PRC November 23, 2015	RMB10,000,000	60%	–	Sales of merchandise in commerce business	2020: Jiangsu Tianjie Certified Public Accountants (江蘇天傑會計師事務所有限公司)/2018-2019: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Shaanxi Jinshiweikai Electronic Commerce Co., Ltd. (陝西金石為開電子商務有限公司) (Note (a) and (b))	The PRC December 14, 2018	RMB6,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Wuhan Kechuang Mingda Network Technology Co., Ltd. (武漢市科創明達網絡科技有限公司) (Note (a) and (b))	The PRC December 14, 2016	RMB10,000,000	63%	–	Sales of merchandise in commerce business	Not applicable
Nanjing Huijiexin Trading Co., Ltd. (南京匯潔信商貿有限公司) (Note (a) and (c))	The PRC September 8, 2011	RMB10,000,000	70%	–	Sales of merchandise in commerce business	2018: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Yangxin Huitai Network Technology Co., Ltd. (陽新匯泰網絡科技有限公司) (Note (a) and (c)).	The PRC July 25, 2016	RMB10,000,000	60%	–	Sales of merchandise in commerce business	2018: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))
Xian Huaxuntong Electronic Commerce Co., Ltd. (西安華汛通電子商務有限公司) (Note (a) and (b))	The PRC August 3, 2017	RMB4,000,000	60%	–	Sales of merchandise in commerce business	Not applicable
Nantong Sanchuang Trading Co., Ltd. (南通三創商貿有限公司) (Note (a) and (c))	The PRC May 13, 2010	RMB5,000,000	–	60%	Sales of merchandise in commerce business	2018: ShineWing Certified Public Accountants LLP (信永中和會計師事務所(特殊普通合夥))

Notes:

- (a) These entities are limited liability companies established in the PRC. The official names of these entities are in Chinese. The English translation of the company names is for identification purpose only.
- (b) No audited statutory financial statements were prepared by these companies during the Relevant Periods.
- (c) The statutory financial statements of these companies for the year ended December 31, 2018 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. No audited statutory financial statements were prepared by these companies for the years ended December 31, 2019 and 2020.
- (d) No audited statutory financial statements were prepared by these companies for the years ended December 31, 2018 and 2019. The statutory financial statements of these companies for the year ended December 31, 2020 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC.

- (e) The statutory financial statements of this company for the year ended December 31, 2019 was prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. No audited statutory financial statements were prepared by this company for the year ended December 31, 2020.
- (f) The statutory financial statements of these companies for the years ended December 31, 2018 and 2019 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. No audited statutory financial statements were prepared by these companies for the year ended December 31, 2020.
- (g) The statutory financial statements of this company for the years ended December 31, 2019 and 2020 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC.
- (h) No audited statutory financial statements were prepared by these companies for the years ended December 31, 2019. The statutory financial statements of these companies for the year ended December 31, 2020 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC.
- (i) No audited statutory financial statements were prepared by these companies for the year ended December 31, 2018. The statutory financial statements of these companies for the year ended December 31, 2019 and 2020 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC.
- (j) The statutory financial statements of these companies for the year ended December 31, 2018, 2019 and 2020 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC.

All companies now comprising the Group have adopted December 31 as their financial year end date.

During the Relevant Periods, the Group's non-controlling interests are diverse among the subsidiaries. None of the Group's subsidiaries has a material non-controlling interest.

15 INTERESTS IN ASSOCIATES

The following list contains associates of the Group, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Place of establishment and business	Particulars of issued and paid-in capital	Proportion of ownership interest as at September 30, 2021			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Fujian Yishengtong Network Technology Co., Ltd. (福建奕晟通網絡科技有限公司) (Note i)	The PRC	RMB 20,000,000	40%	–	40%	Sales of vehicle accessories merchandise
Nanjing Nongpaidang Network Technology Co., Ltd. (南京農拍檔網絡科技有限公司) (Note ii)	The PRC	RMB 16,000,000	19%	19%	–	Development of agricultural e-commerce and service offering platforms
Hainan Huitong Youcheng Information Technology Co., Ltd. (海南匯通優丞信息科技有限公司) (Note iii)	The PRC	RMB 10,000,000	20%	–	20%	Rendering human resource services

Name of associate	Place of establishment and business	Particulars of issued and paid-in capital	Proportion of ownership interest as at September 30, 2021			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Xingda Network Technology (Qingdao) Co., Ltd. (星達網絡科技(青島)有限公司) (Note iv)	The PRC	RMB 10,000,000	51%	–	51%	Sales of vehicle accessories merchandise
Nanjing Yunhuihua Wisdom Technology Co., Ltd. (南京雲匯華智慧科技有限公司) (Note v)	The PRC	RMB 5,000,000	–	–	–	Sales of home consumer electronics merchandise
Fenxing Tongda Liquor (Henan) Co., Ltd. (汾杏通達酒業(河南)有限公司) (Note vi)	The PRC	RMB nil	40%	40%	–	Sales of liquor and beverages
Shanghai Huidapuzhao Information Technology Co., Ltd. (上海惠達普照信息技術有限公司) (Note vii)	The PRC	RMB 1,950,000	35%	35%	–	Sales of home building and renovation materials merchandise

Notes:

(i) In October 2020, the Group invested 40% of the equity interest in Fujian Yishengtong Network Technology Co., Ltd. (“Fujian Yishengtong”) through capital injection of RMB8,000,000. The investment in Fujian Yishengtong increases the Group’s involvement in vehicle accessories market. In January 2021, the Group entered into an agreement of concerted actor with a third party, and Fujian Yishengtong became a subsidiary of the Group.

(ii) In September 2019, the Group entered into an investment agreement to invest 51% equity interest in Nanjing Nongpaidang Network Technology Co., Ltd. (“Nanjing Nongpaidang”) through capital injection of RMB5,100,000, upon which Nanjing Nongpaidang became a subsidiary of the Group. The investment in Nanjing Nongpaidang, an innovative company focusing on development of agricultural e-commerce and service offering platforms, enables the Group to have exposure to market of agricultural production materials.

In May 2020, the Group entered into an agreement with a third party, pursuant to which, the Group agreed to dispose its 20% equity interest in Nanjing Nongpaidang at a cash consideration of RMB1,600,000. Meanwhile, another third party acquired 37.5% equity interest in Nanjing Nongpaidang through capital injection of RMB6,000,000. Upon the completion of the Group’s disposal and capital injection from the third party, the proportion of the Group’s interest in Nanjing Nongpaidang has been diluted to 19% and Nanjing Nongpaidang ceased to be a subsidiary of the Group but became an associate of the Group. The Group has a right to appoint one director to the board of Nanjing Nongpaidang in accordance with the articles of association, therefore the directors of the Company are in the view that the Group can cast significant influence on Nanjing Nongpaidang and consider it is an associate of the Group.

(iii) In November 2020, the Group invested 20% of the equity interest in Hainan Huitong Youcheng Information Technology Co., Ltd. through capital injection of RMB2,000,000.

(iv) In May 2020, the Group invested 46% of the equity interest in Xingda Network Technology (Qingdao) Co., Ltd. (“Xingda Network”) through capital injection of RMB4,600,000. The investment in Xingda Network increases the Group’s involvement in vehicle accessories market.

In February 2021, the Group acquired additional 5% of the equity interest in Xingda Network from a third party. Upon completion of the acquisition, the Group increased equity interest shareholding in Xingda Network from 46% to 51% and Xingda Network became a subsidiary of the Group.

- (v) In November 2020, the Group invested 40% of the equity interest in Nanjing Yunhuihua Wisdom Technology Co., Ltd. (“Nanjing Yunhuihua”) through capital injection of RMB2,000,000. The investment in Nanjing Yunhuihua increases the Group’s involvement in consumer electronics market. In June 2021, the Group disposed its equity interest in Nanjing Yunhuihua at a consideration of RMB2,000,000.
- (vi) In January 2021, the Group entered into an agreement and agreed to invest 40% of the equity interest in Fenxing Tongda Liquor (Henan) Co., Ltd. (“Fenxing Tongda”) at a consideration of RMB2,000,000. As of September 30, 2021, nil capital contribution was made by the Group.
- (vii) In March 2021, the Group entered into an agreement and agreed to invest 35% of the equity interest in Shanghai Huidapuzhao Information Technology Co., Ltd. (“Shanghai Huidapuzhao”) at a consideration of RMB3,500,000. As of September 30, 2021, nil capital contribution was made by the Group.

All of the above associates are accounted for using the equity method in the consolidated financial statements during the Relevant Periods, except for Fujian Yishengtong and Xingda Network became subsidiaries of the Group in 2021.

The Group assesses whether this is any objective evidence that its interest in the associates are impaired at the end of each reporting period by considering the associates’ business development process, any significant financial difficulty, default or bankruptcy encountered by the associates and adverse change in technological, market, economic or legal environment. Based on the assessment above, the Group concluded that no impairment indicator was identified at the end of each reporting period and no impairment loss of interest in associates is considered necessary to be recognized in the consolidated statements of profit or loss.

Aggregate information of associates that are not individually material:

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	–	–	18,042	2,046

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate amounts of the Group’s share of those associates’					
Loss from continuing operations	–	–	1,408	583	1,048
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	1,408	583	1,048

(unaudited)

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Equity securities designated at FVOCI (non-recycling)				
– Unlisted equity securities	2,000	2,000	2,000	2,000

The unlisted equity security at FVOCI (non-recycling), represent investment in unlisted equity interest of a private entity incorporated in the PRC. This entity is principally engaged in offering pawns services to individuals or small and medium enterprises.

The Group designated these investments at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received on this investment during the Relevant Periods.

The analysis on the fair value measurement of the above financial asset is disclosed in Note 34(e).

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVPL				
– Structured deposits and wealth management products	1,365,540	3,607,396	1,073,930	3,243,036

The Company

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVPL				
– Structured deposits and wealth management products	1,263,687	3,607,199	1,060,429	3,227,593

The current balances of financial assets at FVPL mainly represent structured deposits and wealth management products issued by various financial institutions in the PRC with a floating return which will be paid together with the principal on the maturity date.

As at December 31, 2018, 2019 and 2020 and September 30, 2021, structured deposits and wealth management products of RMB290,203,000, RMB895,610,000, RMB467,602,000 and RMB855,200,000 were pledged as security for issuance of bills payable, respectively.

The analysis on the fair value measurement of the above financial assets is disclosed in Note 34(e).

18 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	At December 31,			At September 30,
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Merchandise	2,538,866	3,029,480	2,182,345	2,950,375
Goods in transit	70,038	123,980	147,039	194,405
	2,608,904	3,153,460	2,329,384	3,144,780
Write down of inventories	(99,801)	(139,359)	(78,801)	(73,314)
	<u>2,509,103</u>	<u>3,014,101</u>	<u>2,250,583</u>	<u>3,071,466</u>

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Carrying amount of inventories sold	28,551,853	41,951,219	46,799,026	32,641,921	44,992,480
Provision for write-down of inventories	71,415	55,643	54,191	58,306	3,321
	<u>28,623,268</u>	<u>42,006,862</u>	<u>46,853,217</u>	<u>32,700,227</u>	<u>44,995,801</u>

As at December 31, 2018, 2019 and 2020 and September 30, 2021, inventories of RMB7,153,000, RMB7,096,000, RMB12,522,000 and RMB10,524,000 were pledged as security for issuance of letters of credit, respectively.

All inventories are expected to be recovered within one year.

19 TRADE AND BILLS RECEIVABLES

The Group

	At December 31,			At September 30,
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	514,653	763,099	951,910	1,312,479
Less: loss allowance	(32,504)	(42,928)	(24,271)	(42,401)
	482,149	720,171	927,639	1,270,078
Bills receivable	644,998	587,821	919,765	1,037,451
	<u>1,127,147</u>	<u>1,307,992</u>	<u>1,847,404</u>	<u>2,307,529</u>

The Company

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	550,383	641,641	722,205	889,276
Less: loss allowance.	(14,142)	(18,251)	(737)	(575)
	536,241	623,390	721,468	888,701
Bills receivable	35,290	21,754	139,560	29,028
	571,531	645,144	861,028	917,729

All of the trade and bills receivables are expected to be recovered within one year.

Bills receivable primarily represent short-term bank acceptance notes receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 12 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable. The Group from time to time endorses bills receivable to suppliers in order to settle trade and other payables.

As at December 31, 2018, 2019 and 2020 and September 30, 2021, the Group endorsed certain bank acceptance bills to suppliers for settling trade and other payables of the same amount on a full recourse basis. The Group has derecognized these bills receivable and payables to suppliers in their entirety. These derecognized bank acceptance bills had a maturity date of less than nine months from the end of the reporting period. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at December 31, 2018, 2019 and 2020 and September 30, 2021, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB383,886,000, RMB249,110,000, RMB500,284,000 and RMB601,434,000, respectively.

Certain bills receivable were discounted to financial institutions with recourse, where substantially the risks and rewards of ownership had not been transferred. Since the Group has continuing involvement in the transferred assets, discounted bills receivable of RMB2,879,000, RMB nil, RMB23,700,000 and RMB1,904,000, respectively, were therefore not derecognized as at December 31, 2018, 2019 and 2020 and September 30, 2021.

As at December 31, 2018, 2019 and 2020 and September 30, 2021, trade receivables of RMB nil, RMB42,581,000, RMB4,040,000 and RMB46,639,000 were pledged as security for bank loans and other borrowings, respectively.

Aging analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivable, based on the invoice date and net of loss allowance, is as follows:

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	1,088,081	1,108,699	1,753,897	2,085,051
Over 3 months but within 12 months	22,675	75,267	77,674	190,640
Over 12 months	16,391	124,026	15,833	31,838
	1,127,147	1,307,992	1,847,404	2,307,529

Trade receivables are due within 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 34(a).

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments.	4,589,619	6,144,419	5,795,940	11,124,448
Value added tax recoverable.	128,336	201,953	162,829	163,272
Refund receivables from suppliers . . .	234,428	384,155	156,174	180,505
Amounts due from former subsidiaries.	29,277	214,372	319,617	305,010
Other deposits and receivables	51,366	180,218	285,885	360,362
	5,033,026	7,125,117	6,720,445	12,133,597
Less: loss allowance.	(174,887)	(249,087)	(100,435)	(120,509)
	<u>4,858,139</u>	<u>6,876,030</u>	<u>6,620,010</u>	<u>12,013,088</u>

The Company

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments.	5,162	19,264	9,814	4,677
Value added tax recoverable.	836	1,325	3,783	893
Amounts due from subsidiaries.	2,706,357	2,738,357	2,782,298	4,759,937
Amounts due from former subsidiaries.	29,277	214,372	319,617	305,010
Other deposits and receivables	49,641	146,013	257,636	297,964
	2,791,273	3,119,331	3,373,148	5,368,481
Less: loss allowance.	(136,138)	(184,046)	(53,888)	(72,883)
	<u>2,655,135</u>	<u>2,935,285</u>	<u>3,319,260</u>	<u>5,295,598</u>

All of prepayments, deposits and other receivables are expected to be recovered or recognized as expense within one year.

As at December 31, 2018, 2019 and 2020 and September 30, 2021, prepayments of RMB nil, RMB43,004,000, RMB6,801,000 and RMB13,601,000 were pledged as security for bank loans and other borrowings, respectively.

Movement in the loss allowance in respect of the Group's prepayments, deposits and other receivables during the Relevant Periods is as follows:

	12-month ECL	Lifetime ECL-not credit- impaired	Lifetime ECL-credit- impaired	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2018.	400	6,751	77,865	85,016
Impairment losses (reversed)/ recognized	(47)	10,869	111,760	122,582
Transfer to lifetime ECL-not credit- impaired	(70)	70	–	–
Transfer to lifetime ECL-credit- impaired	–	(713)	713	–
Write-off	–	–	(19,421)	(19,421)
Disposal of interests in subsidiaries.	(71)	(3,629)	(9,590)	(13,290)
As at December 31, 2018 and January 1, 2019.	212	13,348	161,327	174,887
Impairment losses recognized	1,669	34,204	68,780	104,653
Transfer to lifetime ECL-not credit- impaired	(58)	58	–	–
Transfer to lifetime ECL-credit- impaired	–	(2,447)	2,447	–
Write-off	–	–	(20,389)	(20,389)
Disposal of interests in subsidiaries.	(6)	(219)	(9,839)	(10,064)
As at December 31, 2019 and January 1, 2020.	1,817	44,944	202,326	249,087
Impairment losses (reversed)/ recognized	(86)	26,829	49,167	75,910
Transfer to lifetime ECL-not credit- impaired	(529)	529	–	–
Transfer to lifetime ECL-credit- impaired	–	(27,359)	27,359	–
Write-off	–	–	(90,100)	(90,100)
Disposal of interests in subsidiaries.	(34)	(1,787)	(132,641)	(134,462)
As at December 31, 2020 and January 1, 2021.	1,168	43,156	56,111	100,435
Impairment losses recognized	1,720	19,742	21,565	43,027
Transfer to lifetime ECL-not credit- impaired	(655)	655	–	–
Transfer to lifetime ECL-credit- impaired	–	(9,254)	9,254	–
Write-off	–	–	(17,745)	(17,745)
Disposal of interests in subsidiaries.	(923)	(639)	(3,646)	(5,208)
As at September 30, 2021.	1,310	53,660	65,539	120,509

21 PLEDGED DEPOSITS AND TIME DEPOSITS

(a) Pledged deposits comprise:

The Group

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion	2,955,861	2,814,776	4,006,904	5,185,105
Non-current portion	–	–	630,000	1,875,000
Pledged deposits for issuance of bill payables, letters of credit and bank loans	2,955,861	2,814,776	4,636,904	7,060,105

The Company

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion	2,265,763	1,597,563	3,211,395	3,362,032
Non-current portion	–	–	630,000	1,875,000
Pledged deposits for issuance of bill payables, letters of credit and bank loans	2,265,763	1,597,563	3,841,395	5,237,032

The pledged deposits will be released upon the settlement of the relevant bills payable and letters of credit and repayment of relevant bank loans.

(b) Time deposits comprise:

The Group and the Company

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion	–	–	160,000	30,000
Non-current portion	–	90,000	530,000	140,000
	–	90,000	690,000	170,000

22 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	2,500,500	1,167,672	4,315,499	2,276,404
Cash in hand	468	37	478	14
	<u>2,500,968</u>	<u>1,167,709</u>	<u>4,315,977</u>	<u>2,276,418</u>

The Company

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	2,449,972	923,320	4,213,139	1,314,376
	<u>2,449,972</u>	<u>923,320</u>	<u>4,213,139</u>	<u>1,314,376</u>

(b) Reconciliation of loss before taxation to cash (used in)/generated from operations

	Note	Year ended December 31,			Nine months ended September 30,	
		2018	2019	2020	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Loss before taxation.		(193,383)	(246,532)	(198,521)	(270,317)	(82,858)
Adjustments for:						
Depreciation.	6(c)	54,175	74,991	79,951	59,759	58,503
Impairment loss on trade and other receivables.	6(c)	145,296	130,024	89,652	82,815	67,572
Provision for write-down of inventories	6(c)	71,415	55,643	54,191	58,306	3,321
Increase/(decrease) in provisions.	6(c)	5,734	5,218	(11,552)	(3,394)	(843)
Finance costs	6(a)	436,420	633,467	704,878	528,412	621,854
Finance income	6(a)	(35,952)	(52,730)	(101,006)	(62,269)	(101,003)
Net loss/(gain) on disposal of property, plant and equipment	5(b)	44	(2,083)	396	(227)	(139)
Net realized and unrealized gains on financial assets at fair value through profit or loss	5(b)	(91,531)	(106,068)	(113,238)	(87,024)	(104,406)
Net (gain)/loss on disposal of interests in subsidiaries	5(b)	(9,963)	(23,581)	(6,971)	1,736	(7,985)
Net gain on disposal of associates.	5(b)	–	–	–	–	(79)
Share of losses of associates.	15	–	–	1,408	583	1,048
Changes in working capital:						
(Increase)/decrease in inventories		(741,882)	(628,813)	361,167	(3,264,205)	(1,240,108)
Increase in trade and other receivables		(1,616,076)	(2,432,075)	(901,990)	(599,590)	(6,042,610)
(Increase)/decrease in pledged deposits for issuance of bills payable and letters of credit		(316,247)	141,085	(1,822,128)	(1,692,426)	(1,998,201)
Increase in trade and other payables.		1,182,111	1,701,173	3,191,420	5,203,503	7,247,538
Increase/(decrease) in contract liabilities		663,508	1,442,283	(786,835)	723,258	1,369,974
(Decrease)/increase in deferred income.		(1,604)	15,356	(688)	(563)	–
Cash (used in)/generated from operations		<u>(447,935)</u>	<u>707,358</u>	<u>540,134</u>	<u>678,357</u>	<u>(208,422)</u>

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Bank loans and other borrowings	Loans from non-controlling shareholders of subsidiaries	Lease liabilities	Redeemable capital contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 23)</i>	<i>(Note 24)</i>	<i>(Note 25)</i>	<i>(Note 30)</i>	
At January 1, 2018	272,207	12,668	86,967	2,029,073	2,400,915
Changes from financing cash flows:					
Proceeds from new bank loans and other borrowings	415,500	–	–	–	415,500
Repayment of bank loans and other borrowings	(454,970)	–	–	–	(454,970)
New loans from non-controlling shareholders of subsidiaries	–	496,765	–	–	496,765
Repayment of loans from non-controlling shareholders of subsidiaries	–	(363,415)	–	–	(363,415)
Capital element of lease rentals paid	–	–	(41,660)	–	(41,660)
Interest element of lease rentals paid	–	–	(4,232)	–	(4,232)
Proceeds from redeemable capital contributions	–	–	–	2,500,000	2,500,000
Interest paid	(31,802)	–	–	–	(31,802)
Total changes from financing cash flows	(71,272)	133,350	(45,892)	2,500,000	2,516,186
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	65,278	–	65,278
Interest expenses <i>(Note 6(a))</i>	29,823	2,465	4,232	399,900	436,420
Redeemable capital contributions recognized from Series D Investments <i>(as defined in Note 30)</i>	–	–	–	2,000,000	2,000,000
Disposal of interests in subsidiaries <i>(Note 22(e))</i>	–	–	(579)	–	(579)
Total other changes	29,823	2,465	68,931	2,399,900	2,501,119
At December 31, 2018 and January 1, 2019	230,758	148,483	110,006	6,928,973	7,418,220

	Bank loans and other borrowings	Loans from non-controlling shareholders of subsidiaries	Lease liabilities	Redeemable capital contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 23)</i>	<i>(Note 24)</i>	<i>(Note 25)</i>	<i>(Note 30)</i>	
Changes from financing cash flows:					
At January 1, 2019	230,758	148,483	110,006	6,928,973	7,418,220
Proceeds from new bank loans and other borrowings	700,923	–	–	–	700,923
Repayment of bank loans and other borrowings	(447,443)	–	–	–	(447,443)
New loans from non-controlling shareholders of subsidiaries	–	442,135	–	–	442,135
Repayment of loans from non-controlling shareholders of subsidiaries	–	(510,124)	–	–	(510,124)
Capital element of lease rentals paid	–	–	(57,724)	–	(57,724)
Interest element of lease rentals paid	–	–	(5,494)	–	(5,494)
Interest paid	(67,266)	(3,294)	–	–	(70,560)
Total changes from financing cash flows	186,214	(71,283)	(63,218)	–	51,713
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	103,422	–	103,422
Interest expenses <i>(Note 6(a))</i>	67,567	6,089	5,494	554,317	633,467
Disposal of interests in subsidiaries <i>(Note 22(e))</i>	–	(3,623)	(3,767)	–	(7,390)
Total other changes	67,567	2,466	105,149	554,317	729,499
At December 31, 2019 and January 1, 2020	484,539	79,666	151,937	7,483,290	8,199,432

	Bank loans and other borrowings	Loans from non-controlling shareholders of subsidiaries	Lease liabilities	Redeemable capital contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 23)</i>	<i>(Note 24)</i>	<i>(Note 25)</i>	<i>(Note 30)</i>	
Changes from financing cash flows:					
At January 1, 2020	484,539	79,666	151,937	7,483,290	8,199,432
Proceeds from new bank loans and other borrowings	783,943	–	–	–	783,943
Repayment of bank loans and other borrowings	(1,055,453)	–	–	–	(1,055,453)
New loans from non-controlling shareholders of subsidiaries	–	127,449	–	–	127,449
Repayment of loans from non-controlling shareholders of subsidiaries	–	(144,890)	–	–	(144,890)
Capital element of lease rentals paid	–	–	(46,876)	–	(46,876)
Interest element of lease rentals paid	–	–	(6,021)	–	(6,021)
Proceeds from redeemable capital contributions	–	–	–	1,200,000	1,200,000
Interest paid	(94,981)	(1,633)	–	–	(96,614)
Total changes from financing cash flows	(366,491)	(19,074)	(52,897)	1,200,000	761,538
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	34,979	–	34,979
Interest expenses <i>(Note 6(a))</i>	94,734	1,983	6,021	602,140	704,878
Disposal of interests in subsidiaries <i>(Note 22(e))</i>	–	(21,987)	(3,986)	–	(25,973)
Total other changes	94,734	(20,004)	37,014	602,140	713,884
At December 31, 2020 and 1 January 2021	212,782	40,588	136,054	9,285,430	9,674,854

	Bank loans and other borrowings	Loans from non-controlling shareholders of subsidiaries	Lease liabilities	Redeemable capital contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 23)</i>	<i>(Note 24)</i>	<i>(Note 25)</i>	<i>(Note 30)</i>	
At January 1, 2021	212,782	40,588	136,054	9,285,430	9,674,854
Changes from financing cash flows:					
Proceeds from new bank loans and other borrowings	1,328,084	–	–	–	1,328,084
Repayment of bank loans and other borrowings	(954,363)	–	–	–	(954,363)
New loans from non-controlling shareholders of subsidiaries	–	150,060	–	–	150,060
Repayment of loans from non-controlling shareholders of subsidiaries	–	(129,644)	–	–	(129,644)
Capital element of lease rentals paid	–	–	(58,175)	–	(58,175)
Interest element of lease rentals paid	–	–	(3,998)	–	(3,998)
Interest paid	(107,634)	(3,895)	–	–	(111,529)
Total changes from financing cash flows	266,087	16,521	(62,173)	–	220,435
Other changes:					
Increase in lease liabilities from entering into new leases during the period	–	–	33,159	–	33,159
Interest expenses <i>(Note 6(a))</i>	111,267	2,529	3,998	504,060	621,854
Disposal of interests in subsidiaries <i>(Note 22(e))</i>	(6,810)	(207)	(13,667)	–	(20,684)
Reclassification of redeemable capital contributions as equity ..	–	–	–	(935,475)	(935,475)
Total other changes	104,457	2,322	23,490	(431,415)	(301,146)
At September 30, 2021	583,326	59,431	97,371	8,854,015	9,594,143

	Bank loans and other borrowings	Loans from non-controlling shareholders of subsidiaries	Lease liabilities	Redeemable capital contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note 23)</i>	<i>(Note 24)</i>	<i>(Note 25)</i>	<i>(Note 30)</i>	
(Unaudited)					
At January 1, 2020	484,539	79,666	151,937	7,483,290	8,199,432
Changes from financing cash flows:					
Proceeds from new bank loans and other borrowings	689,342	-	-	-	689,342
Repayment of bank loans and other borrowings	(815,497)	-	-	-	(815,497)
New loans from non-controlling shareholders of subsidiaries	-	80,276	-	-	80,276
Repayment of loans from non-controlling shareholders of subsidiaries	-	(103,747)	-	-	(103,747)
Capital element of lease rentals paid	-	-	(46,428)	-	(46,428)
Interest element of lease rentals paid	-	-	(4,593)	-	(4,593)
Interest paid	(77,436)	(2,764)	-	-	(80,200)
Total changes from financing cash flows	(203,591)	(26,235)	(51,021)	-	(280,847)
Other changes:					
Increase in lease liabilities from entering into new leases during the period	-	-	24,586	-	24,586
Interest expenses <i>(Note 6(a))</i>	77,240	1,510	4,593	445,069	528,412
Disposal of interests in subsidiaries <i>(Note 22(e))</i>	-	(4,282)	(2,814)	-	(7,096)
Total other changes	77,240	(2,772)	26,365	445,069	545,902
At September 30, 2020	358,188	50,659	127,281	7,928,359	8,464,487

(d) Total cash flow for leases

Amounts included in the consolidated cash flow statements for leases comprise the following:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Within operating cash flows	51,115	55,074	49,439	36,080	30,045
Within financing cash flows	45,892	63,218	52,897	51,021	62,173
	97,007	118,292	102,336	87,101	92,218

These amounts relate to the following:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Lease rentals paid	97,007	118,292	102,336	87,101	92,218

(e) **Disposal of interests in subsidiaries**

During the Relevant Periods, the Group disposed its interests in certain subsidiaries, which were principally engaged in the merchandise sales in commerce business in the PRC. None of these disposed subsidiaries are individually material to the Group.

Aggregate of assets and liabilities at the date of disposal over which control was lost:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Property, plant and equipment (Note 11)	1,287	1,747	774	343	341
Right-of-use assets (Note 12) . . .	609	3,996	4,323	2,878	13,786
Deferred tax assets (Note 31(b))	2,669	6,619	10,818	1,464	2,250
Inventories	51,280	68,172	348,161	123,885	415,904
Cash and cash equivalents	4,837	6,555	11,075	4,908	16,130
Trade and bills receivables	9,325	37,694	248,209	24,266	39,889
Prepayments, deposits and other receivables	102,637	125,181	326,063	204,886	166,485
Bank loans and other borrowings (Note 22(c))	–	–	–	–	(6,810)
Trade payables	(19,717)	(79,405)	(105,725)	(37,455)	(329,594)
Other payables and accruals	(46,829)	(1,235)	(375,877)	(135,993)	(93,317)
Loans from non-controlling shareholders of subsidiaries (Note 22(c))	–	(3,623)	(21,987)	(4,282)	(207)
Contract liabilities (Note 28)	(46,309)	(53,947)	(271,103)	(99,429)	(101,348)
Lease liabilities (Note 22(c))	(579)	(3,767)	(3,986)	(2,814)	(13,667)
Deferred income	(270)	–	–	–	–
Taxation (payable)/recoverable (Note 31(a))	(397)	1,156	(746)	–	(60)
Deferred tax liabilities (Note 31(b))	(7)	(57)	(84)	(16)	(30)
Non-controlling interests	(9,223)	(44,311)	(89,218)	(24,814)	(45,321)
Net assets disposed	49,313	64,775	80,697	57,827	64,431

Net gain on disposal of interests in subsidiaries:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Consideration	59,276	88,356	87,668	56,091	72,416
Net assets disposed of	(49,313)	(64,775)	(80,697)	(57,827)	(64,431)
Net gain/(loss) on disposal of interests in subsidiaries (<i>Note 5(b)</i>) .	<u>9,963</u>	<u>23,581</u>	<u>6,971</u>	<u>(1,736)</u>	<u>7,985</u>

Analysis of net cash in respect of the disposal of interests in subsidiaries is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Consideration	59,276	88,356	87,668	56,091	72,416
Less: cash and cash equivalents disposed of	(4,837)	(6,555)	(11,075)	(4,908)	(16,130)
Increase in consideration receivables	(3,254)	(60,458)	(14,351)	(2,115)	(11,348)
Proceeds received for disposal of interests in subsidiaries . .	<u>51,185</u>	<u>21,343</u>	<u>62,242</u>	<u>49,068</u>	<u>44,938</u>

23 BANK LOANS AND OTHER BORROWINGS

The maturity profile for the interest-bearing bank loans of the Group at the end of each reporting period is as follows:

The Group

	At December 31,			At September 30,
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year or on demand	230,758	484,539	212,782	583,326

The Company

	At December 31,			At September 30,
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year or on demand	220,000	370,464	150,143	492,658

At the end of each reporting period, the bank loans and other borrowings were secured as follows:

The Group

	At December 31,			At September 30,
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans and other borrowings				
– secured	209,434	435,584	184,503	549,949
– unsecured	21,324	48,955	28,279	33,377
	230,758	484,539	212,782	583,326

The Company

	At December 31,			At September 30,
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans and other borrowings				
– secured	200,000	350,000	150,000	487,805
– unsecured	20,000	20,464	143	4,853
	220,000	370,464	150,143	492,658

Notes:

- (i) The bank loans and other borrowings were secured by certain assets of the Group. An analysis of the carrying value of these assets is as follows:

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (Note 19) . . .	–	42,581	4,040	46,639
Bills receivable (Note 19)	2,879	–	23,700	1,904
Prepayments (Note 20)	–	43,004	6,801	13,601
Pledged deposits (Note 21(a)) . .	–	–	–	425,000

- (ii) At December 31, 2018, 2019 and 2020 and September 30, 2021, certain bank facilities granted to the Group for bank loans were guaranteed by Mr. Wang Jianguo as the single largest shareholder of the Group, Mr. Xu Xiuxian as the executive director of the Company, Five Star Holdings Group Co., Ltd. and its affiliate Hosjoy Comfortable Smart Home Co., Ltd., and were pledged with Mr. Wang Jianguo's equity interest in Five Star Holdings Group Co., Ltd. Guarantees and pledges issued by related parties for bank loans at September 30, 2021 will be expired by June 28, 2022 at the latest.

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans with guarantees and pledges issued by related parties.	220,000	370,000	150,000	101,000

- (iii) As at December 31, 2018, 2019 and 2020 and September 30, 2021, the Group had unutilized banking facilities for bank loans and bills payable totaling RMB3,255,334,000, RMB4,570,518,000, RMB3,888,058,000 and RMB5,386,845,000, respectively.

24 LOANS FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Loans from non-controlling shareholders of subsidiaries . .	148,483	79,666	40,588	59,431

At December 31, 2018, 2019 and 2020 and September 30, 2021, loans from non-controlling shareholders of subsidiaries were subject to an interest rate, ranging from 4.35% to 7% per annum, were unsecured and expected to be settled within one year or repayable on demand.

25 LEASE LIABILITIES

At the end of the reporting periods, the lease liabilities were repayable as follows:

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	40,651	50,653	56,427	35,513
After 1 year but within 2 years .	29,543	32,611	26,789	23,953
After 2 years but within 5				
years	33,716	45,932	35,075	24,586
After 5 years	6,096	22,741	17,763	13,319
	69,355	101,284	79,627	61,858
	110,006	151,937	136,054	97,371

At December 31, 2018, 2019 and 2020 and September 30, 2021, lease liabilities of RMB25,139,000, RMB19,067,000, RMB12,735,000 and RMB nil related to rental payments under certain tenancy agreements were guaranteed by Five Star Holdings Group Co., Ltd., respectively.

26 TRADE AND BILLS PAYABLES

The Group

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	1,093,827	1,220,441	1,338,206	1,739,906
Bills payable	6,086,965	7,272,917	10,081,129	16,522,612
	7,180,792	8,493,358	11,419,335	18,262,518

The Company

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	22,484	4,795	88,851	24,079
Bills payable	5,293,091	6,047,035	9,258,437	11,273,818
	5,315,575	6,051,830	9,347,288	11,297,897

As of the end of the reporting period, the ageing analysis of the Group's trade and bills payable, based on the Group's invoice date, is as follows:

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	4,154,646	4,820,556	4,412,451	9,549,846
3 to 12 months	2,972,776	3,562,342	6,916,119	8,619,245
Over 12 months	53,370	110,460	90,765	93,427
	<u>7,180,792</u>	<u>8,493,358</u>	<u>11,419,335</u>	<u>18,262,518</u>

All of the trade and bills payables are expected to be settled within one year or repayable on demand.

At December 31, 2018, 2019 and 2020 and September 30, 2021, certain bank facilities granted to the Group for issuance of bills payable were guaranteed by Mr. Wang Jianguo as the single largest shareholder of the Group, Mr. Xu Xiuxian as the executive director of the Company, Five Star Holdings Group Co., Ltd. and its affiliate Hosjoy Comfortable Smart Home Co., Ltd. Guarantees issued by related parties for bills payable at September 30, 2021 will be fully released by September 29, 2022 at the latest.

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable with guarantees issued by related parties	<u>2,878,295</u>	<u>3,581,356</u>	<u>5,077,929</u>	<u>9,426,870</u>

27 OTHER PAYABLES AND ACCRUALS

The Group

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses	168,753	169,373	223,580	196,788
Payable for staff related costs	62,646	69,952	77,046	38,498
Other taxes payable	34,056	29,000	51,072	71,847
Deposits received	18,904	308,340	33,083	23,697
Logistics cost payables	14,542	13,144	22,055	27,859
Amounts due to former subsidiaries . .	8,446	24,882	16,804	22,112
Dividends payable to shareholders of subsidiaries	4,469	3,010	1,274	1,274
Others	<u>37,287</u>	<u>39,373</u>	<u>18,847</u>	<u>47,402</u>
	<u>349,103</u>	<u>657,074</u>	<u>443,761</u>	<u>429,477</u>

The Company

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts from subsidiaries	206,012	253,313	518,444	492,618
Accrued expenses	12,276	3,648	16,173	15,404
Payable for staff related costs	36,643	35,456	34,788	7,068
Other taxes payable	7,570	6,504	10,833	2,004
Deposit received	–	35,529	2,115	351
Amounts due to former subsidiaries . .	8,446	24,882	16,804	22,112
Others	12,675	27,448	10,345	33,451
	<u>283,622</u>	<u>386,780</u>	<u>609,502</u>	<u>573,008</u>

Accrued expenses primarily comprise marketing and promotion expenses, service costs and other expenses.

All of the other payables and accruals are expected to be settled within one year or repayable on demand.

28 CONTRACT LIABILITIES

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year/period	1,185,610	1,802,809	3,191,145	2,133,207
Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(1,139,801)	(1,749,862)	(2,921,242)	(1,921,436)
Increase in contract liabilities as a result of receiving advance payments during the year/period	1,803,309	3,192,145	2,134,407	3,291,410
Business combinations (<i>Note 37</i>)	–	–	–	11,100
Decrease in contract liabilities as a result of disposal of interests in subsidiaries (<i>Note 22(e)</i>)	(46,309)	(53,947)	(271,103)	(101,348)
Balance at the end of the year/period	<u>1,802,809</u>	<u>3,191,145</u>	<u>2,133,207</u>	<u>3,412,933</u>

29 PROVISIONS

	At December 31,			At September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
As at the beginning of the year/period	1,443	7,177	12,395	843
Accrual/(reversal) for the year/period	5,734	5,218	(11,552)	(843)
As at the end of the year/period	<u>7,177</u>	<u>12,395</u>	<u>843</u>	<u>–</u>

30 REDEEMABLE CAPITAL CONTRIBUTIONS

In 2015, the Company entered into an investment agreement with certain investors, pursuant to which, these investors agreed to invest RMB500,000,000 to acquire 10% of the then equity interest of the Company (referred as “Series A Investment”). In the same year, the Company further entered into an investment agreement with certain investors, pursuant to which the investors agreed to invest RMB500,000,000 to acquire 8.34% of the then equity interest of the Company (referred as “Series A+ Investment”).

In 2016, the Company entered into an investment agreement with an investor, pursuant to which, the investor agreed to invest RMB300,000,000 to acquire 4.41% of the then equity interest of the Company (referred as “Series B Investment”).

In 2017, the Company entered into an investment agreement with an investor, pursuant to which, the investor agreed to invest RMB500,000,000 to acquire 4.76% of the then equity interest of the Company (referred as “Series C Investment”).

In 2018, the Company and certain existing investors of the Company entered into an investment agreement with an investor, pursuant to which, the investor agreed to invest RMB2,500,000,000 in the Company and pay the existing investors RMB2,000,000,000 to acquire 20% of the then equity interest of the Company (referred as “Series D Investment”).

In 2020, the Company entered into an investment agreement with certain investors, pursuant to which, these investors agreed to invest RMB1,200,000,000 to acquire 4.58% of the then equity interest of the Company (referred as “Series E Investment”).

The investors of the Pre-IPO Investments are entitled to the same voting rights and dividend rights as other founding shareholders of the Company. Certain key special rights attributable to the investors of the Pre-IPO Investments are summarized as follows:

Redemption rights

Shares issued by the Company in the Series A, Series A+ and Series D Investments shall be redeemable by the Company and the founding shareholders of the Company upon the occurrence of certain events, with the main conditions being: (i) a qualified public offering does not occur within the stipulated time frame (before June 30, 2020 for Series A Investments; December 31, 2020 for Series A+ Investments; April 26, 2022 for Series D Investments) or (ii) any breach of contractual terms or misconducts by the Company or the founding shareholders of the Company.

Shares issued by the Company in the Series B Investments shall be redeemable by the Company and the founding shareholders of the Company upon the occurrence of certain events, with the main conditions being: (i) a qualified public offering does not occur before December 31, 2019; (ii) changes to the Company’s beneficial controlling shareholder; or (iii) any breach of contractual terms or misconducts by the Company or the founding shareholders of the Company.

Shares issued by the Company in the Series C Investments shall be redeemable by the Company and the founding shareholders of the Company upon the occurrence of any breach of contractual terms or misconducts by the Company or the founding shareholders of the Company.

Shares issued by the Company in the Series E Investments shall be redeemable by the Company and the founding shareholders of the Company upon the occurrence of certain events, with the main conditions being: (i) a qualified public offering does not occur within 4 years upon the completion of the Series E Investments; (ii) the Company or the founding shareholders of the Company has received the redemption requests from the investors of other series of Pre-IPO Investments; (iii) certain founding shareholders of the Company dispose or pledge their shares of the Company prior to the earlier of a qualified public offering and 5 years upon the completion of the Series E Investments; (iv) changes to the Company's beneficial controlling shareholder; (v) certain founding shareholders of the Company resign or are unable to act as the key management or core staff due to any subjective reason; or (vi) any breach of contractual terms or misconducts by the Company or the founding shareholders of the Company.

The redemption price of the shares issued in the Pre-IPO Investments shall equal to the aggregate of the original issue price for the respective series plus an amount accruing daily at 8% of the original preferred shares issue price per annum minus all paid dividends.

Liquidation preference

In the event of any liquidation including deemed liquidation, dissolution, bankruptcy or winding up of the Company, the founding shareholders of the Company shall ensure that the investors of the Pre-IPO Investments are entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to founding shareholders in order of priority, an amount equals to the higher of (i) and (ii) below.

- (i) the aggregate of the original issue price for the respective series plus an amount accruing daily at 8% of the original preferred shares issue price per annum minus all paid dividends;
- (ii) the fair market value of the relevant series of shares on the date of liquidation.

Anti-dilution right

If the Company increases its share capital at a price lower than the price paid by the investors of the Pre-IPO Investments on a per share capital basis prior to a qualified public offering, the investors have a right to require the founding shareholders of the Company to transfer for nil consideration to the investors, so that the total amount paid by the investors divided by the total amount of share capital obtained is equal to the price per share capital in the new issuance.

Presentation and classification

The redemption obligations give rise to financial liabilities, which are measured at the highest of those amounts that could be payable, and on a present value basis. The financial liabilities arising from the Pre-IPO Investments are measured at the transaction price at initial recognition, and subsequently at amortized cost at an effective interest rate of 8%.

During the nine months ended September 30, 2021, the investor in Series B Investment transferred 2.72% of the equity interest of the Company to a limited partnership in the PRC; certain investors in Series A+ and Series C Investments transferred an aggregate of 3.39% of the equity interest of the Company to an investor in Series E Investment; and an investor in Series A Investment transferred 0.08% of the equity interest of the Company to a third party limited partnership in the PRC. The special rights attributable to these investors of the Pre-IPO Investments, including the redemption rights, are not transferable pursuant to the shareholders' agreement and were terminated upon the completion of such transfers. Accordingly, redeemable capital contributions of RMB935,475,000, being the carrying amount of the financial liabilities arising from these transferred equity interest of the Company on the respective dates of transfers, was reclassified as equity during the nine months ended September 30, 2021.

The movements of redeemable capital contributions during the Relevant Periods are set out in Note 22(c).

At the end of each reporting period, considering that (i) completion of a qualified public offering within the stipulated time frame is beyond the control of the Group; and (ii) shares issued by the Company in the Series E Investments shall be redeemable if the Company or the founding shareholders of the Company has received the redemption requests from the investors of other series of Pre-IPO Investments, the Company does not have an unconditional right to defer redemption of the capital contributions from the issue of shares in the Pre-IPO Investments for at least twelve months after the end of each reporting period. Therefore, these redeemable capital contributions were classified as current liabilities in the consolidated statement of financial position.

31 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	At December 31,			At
	2018	2019	2020	September 30,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
At the beginning of the year/period . . .	33,846	36,637	21,516	50,260
Provision for PRC Corporate Income Tax for the year/period	94,875	77,145	97,361	96,374
Tax paid	(91,687)	(93,422)	(67,871)	(92,448)
Disposal of interests in subsidiaries (Note 22(e))	(397)	1,156	(746)	(60)
At the end of the year/period	<u>36,637</u>	<u>21,516</u>	<u>50,260</u>	<u>54,126</u>
Represented by:				
Taxation recoverable	–	(1,574)	(562)	–
Taxation payable	<u>36,637</u>	<u>23,090</u>	<u>50,822</u>	<u>54,126</u>
	<u>36,637</u>	<u>21,516</u>	<u>50,260</u>	<u>54,126</u>

(b) Deferred tax assets and liabilities recognized:

(i) The components of deferred tax assets recognized in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Credit loss allowance	Inventory provision	Deductible tax losses	Fair value change of financial assets	Deferred income	Provisions	Other temporary differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018	7,302	15,316	7,172	–	743	361	4,681	35,575
Recognized in profit or loss	4,689	2,588	9,169	–	(485)	716	(1,954)	14,723
Disposal of interests in subsidiaries (Note 22(e))	(150)	(726)	(1,793)	–	–	–	–	(2,669)
At December 31, 2018 and January 1, 2019	11,841	17,178	14,548	–	258	1,077	2,727	47,629
Recognized in profit or loss	9,750	2,043	(797)	1,262	2,395	782	2,955	18,390
Disposal of interests in subsidiaries (Note 22(e))	(340)	(590)	(5,689)	–	–	–	–	(6,619)
At December 31, 2019 and January 1, 2020	21,251	18,631	8,062	1,262	2,653	1,859	5,682	59,400
Recognized in profit or loss	17,205	(6,837)	9,996	(1,262)	(103)	(1,733)	(505)	16,761
Disposal of interests in subsidiaries (Note 22(e))	(475)	(3,388)	(6,955)	–	–	–	–	(10,818)
At December 31, 2020 and January 1, 2021	37,981	8,406	11,103	–	2,550	126	5,177	65,343
Recognized in profit or loss	4,282	2,663	16,242	–	–	(126)	805	23,866
Disposal of interests in subsidiaries (Note 22(e))	(282)	(1,103)	(865)	–	–	–	–	(2,250)
Business combinations (Note 37)	7	–	–	–	–	–	–	7
At September 30, 2021	<u>41,988</u>	<u>9,966</u>	<u>26,480</u>	<u>–</u>	<u>2,550</u>	<u>–</u>	<u>5,982</u>	<u>86,966</u>

- (ii) The components of deferred tax liabilities recognized in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Fair value change of financial assets	Depreciation charge of right-of-use assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2018	–	–	–
Recognized in profit or loss	761	1,317	2,078
Disposal of interests in subsidiaries (Note 22(e))	–	(7)	(7)
At December 31, 2018 and January 1, 2019	761	1,310	2,071
Recognized in profit or loss	(761)	297	(464)
Disposal of interests in subsidiaries (Note 22(e))	–	(57)	(57)
At December 31, 2019 and January 1, 2020	–	1,550	1,550
Recognized in profit or loss	1,174	(303)	871
Disposal of interests in subsidiaries (Note 22(e))	–	(84)	(84)
At December 31, 2020 and January 1, 2021	1,174	1,163	2,337
Recognized in profit or loss	2,341	183	2,524
Disposal of interests in subsidiaries (Note 22(e))	–	(30)	(30)
At September 30, 2021	<u>3,515</u>	<u>1,316</u>	<u>4,831</u>

- (iii) Reconciliation to the consolidated statements of financial position:

	At December 31,			At September 30,
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets recognized in the consolidated statements of financial position	47,629	59,400	65,343	86,966
Deferred tax liabilities recognized in the consolidated statements of financial position	(2,071)	(1,550)	(2,337)	(4,831)
Net deferred tax asset recognized in the consolidated statement of financial position	<u>45,558</u>	<u>57,850</u>	<u>63,006</u>	<u>82,135</u>

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(r), the Group did not recognize deferred tax assets of RMB8,252,000, RMB19,467,000, RMB17,939,000 and RMB18,399,000, respectively, in respect of cumulative tax losses RMB57,540,000, RMB85,478,000, RMB182,406,000 and RMB195,330,000 as at December 31, 2018, 2019, 2020 and September 30, 2021 respectively. The Group did not recognize deferred tax assets of RMB4,251,000, RMB1,274,000, RMB4,997,000 and RMB8,279,000, respectively, in respect of cumulative time differences RMB29,639,000, RMB5,594,000, RMB50,812,000 and RMB66,532,000 as at December 31, 2018, 2019, 2020 and September 30, 2021 respectively. It was not probable that future taxable profits against which the losses and time differences can be utilized will be available in the relevant tax jurisdiction and entities.

32 DEFERRED INCOME

As at December 31, 2018, 2019 and 2020 and September 30, 2021, deferred income of the Group represented unamortized conditional government grants amounting to RMB2,332,000, RMB17,688,000, RMB17,000,000 and RMB17,000,000, for stimulating the development of strategic emerging industries.

Deferred income is recognized as income upon the satisfaction of certain acceptance standards of the Group's business project.

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Reserves			Total
		Share capital	Capital reserve	Accumulated losses	
		RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2018		431,432	(217,709)	(215,924)	(2,201)
Changes in equity for 2018:					
Loss for the year.		–	–	(424,128)	(424,128)
Issue of ordinary shares	33(c)	53,929	2,446,071	–	2,500,000
Recognition of redeemable capital contributions as current liabilities.	30	–	(4,500,000)	–	(4,500,000)
Balance at December 31, 2018 and January 1, 2019		485,361	(2,271,638)	(640,052)	(2,426,329)
Changes in equity for 2019:					
Loss for the year.		–	–	(626,514)	(626,514)
Balance at December 31, 2019 and January 1, 2020		485,361	(2,271,638)	(1,266,566)	(3,052,843)
Changes in equity for 2020:					
Loss for the year.		–	–	(512,976)	(512,976)
Issue of ordinary shares	33(c)	23,297	1,176,703	–	1,200,000
Recognition of redeemable capital contributions as current liabilities.	30	–	(1,200,000)	–	(1,200,000)
Balance at December 31, 2020 and January 1, 2021		508,658	(2,294,935)	(1,779,542)	(3,565,819)
Changes in equity for the nine months ended September 30, 2021:					
Loss for the period		–	–	(424,114)	(424,114)
Reclassification of redeemable capital contributions as equity.	30	–	935,475	–	935,475
Balance at September 30, 2021		<u>508,658</u>	<u>(1,359,460)</u>	<u>(2,203,656)</u>	<u>(3,054,458)</u>

(b) Dividends

The directors of the Company did not propose the payment of any dividend during the Relevant Periods.

(c) Share capital

	<i>Note</i>	<i>Number of shares</i>	<i>RMB'000</i>
Ordinary shares, issued and fully paid:			
At January 1, 2018		431,431,754	431,432
Ordinary shares issued	(i)	53,928,969	53,929
At December 31, 2018 and 2019		485,360,723	485,361
Ordinary shares issued	(ii)	23,297,314	23,297
At December 31, 2020 and September 30, 2021		508,658,037	508,658

Notes:

- (i) In 2018, the Company entered into an investment agreement with an investor, pursuant to which, the investor agreed to invest RMB2,500,000,000 in the Company in exchange of 53,928,969 shares of the Company. During the year ended December 31, 2018, the share capital of the Company increased from RMB431,431,754 to RMB485,360,723 by issue of additional 53,928,969 ordinary shares at RMB1 per share.
- (ii) In 2020, the Company entered into an investment agreement with certain investors, pursuant to which, these investors agreed to invest RMB1,200,000,000 in the Company in exchange of 23,297,314 shares of the Company. During the year ended December 31, 2020, the share capital of the Company increased from RMB485,360,723 to RMB508,658,037 by issue of additional 23,297,314 ordinary shares at RMB1 per share.

(d) Capital reserve

The capital reserve represents (i) the difference between consideration received for ordinary shares subscription net of any transaction costs directly attributable to the subscription and the par value of the ordinary shares subscribed; (ii) the amount arises from the purchasing or disposing the interests in subsidiaries from or to non-controlling shareholders while the Group retains the control of subsidiaries; and (iii) the amount arises from the adjustment of redeemable capital contributions as current liabilities.

During the Relevant Periods, the Group acquired additional equity interests in certain subsidiaries, which were principally engaged in the merchandise sales in commerce business in the PRC, from the respective non-controlling interests and further increased its ownership in these subsidiaries while the Group retains the control. The acquisition of non-controlling interests resulted in a decrease in capital reserve of RMB1,002,000, RMB33,048,000, RMB333,936,000, RMB29,927,000 and RMB119,343,000 for the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, respectively, being the difference between the cash consideration paid to non-controlling interests and the carrying amount of non-controlling interests acquired on the date of the acquisition.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities but excludes redeemable capital contributions) less cash and cash equivalents and time deposits. Adjusted capital comprises all components of equity and redeemable capital contributions.

The Group's adjusted net debt-to-capital ratio as at December 31, 2018, 2019 and 2020 and September 30, 2021 were as follows:

	Note	At December 31,			At
		2018	2019	2020	September 30,
		RMB'000	RMB'000	RMB'000	2021
				RMB'000	
Current liabilities:					
Bank loans and other borrowings	23	230,758	484,539	212,782	583,326
Loans from non-controlling shareholders of subsidiaries	24	148,483	79,666	40,588	59,431
Lease liabilities	25	40,651	50,653	56,427	35,513
		419,892	614,858	309,797	678,270
Non-current liabilities:					
Lease liabilities	25	69,355	101,284	79,627	61,858
Total debt		489,247	716,142	389,424	740,128
Less: Cash and cash equivalents					
equivalents	22(a)	(2,500,968)	(1,167,709)	(4,315,977)	(2,276,418)
Time deposits	21(b)	–	(90,000)	(690,000)	(170,000)
Adjusted net debt		(2,011,721)	(541,567)	(4,616,553)	(1,706,290)
Total deficit		(1,277,586)	(1,451,365)	(2,044,491)	(1,395,319)
Add: Redeemable capital contributions	30	6,928,973	7,483,290	9,285,430	8,854,015
Adjusted capital		5,651,387	6,031,925	7,240,939	7,458,696
Adjusted net debt-to-capital ratio		N/A	N/A	N/A	N/A

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, pledged deposits, time deposits and bills receivable is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

Except for those set out in Note 35, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these provisions at the end of the reporting period is disclosed in Note 34(b).

Credit risk arising from trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2018, 2019 and 2020 and September 30, 2021, nil, 6.2% nil and 17.6% of the total trade receivables was due from the Group's largest customer and 0.6%, 6.2%, 20.7% and 18.7% was due from the Group's five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

At December 31, 2018			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Current (not past due)	1.8%	436,500	8,058
Less than 3 months past due	7.7%	35,470	2,737
More than 3 months but less than 12 months past due	15.9%	18,212	2,889
More than 12 months but less than 24 months past due	44.9%	10,251	4,600
More than 24 months past due	100.0%	14,220	14,220
		<u>514,653</u>	<u>32,504</u>

At December 31, 2019			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Current (not past due)	1.2%	486,300	6,063
Less than 3 months past due	6.9%	70,407	4,866
More than 3 months but less than 12 months past due	11.9%	189,517	22,512
More than 12 months but less than 24 months past due	39.7%	12,262	4,874
More than 24 months past due	100.0%	4,613	4,613
		<u>763,099</u>	<u>42,928</u>

At December 31, 2020			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	<i>RMB'000</i>	<i>RMB'000</i>
Current (not past due)	0.7%	824,700	5,562
Less than 3 months past due	5.9%	57,322	3,371
More than 3 months but less than 12 months past due	9.5%	53,576	5,093
More than 12 months but less than 24 months past due	35.1%	9,348	3,281
More than 24 months past due	100.0%	6,964	6,964
		<u>951,910</u>	<u>24,271</u>

At September 30, 2021			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	<i>RMB'000</i>	<i>RMB'000</i>
Current (not past due)	0.7%	1,013,449	7,159
Less than 3 months past due	5.5%	211,448	11,593
More than 3 months but less than 12 months past due	8.7%	52,496	4,563
More than 12 months but less than 24 months past due	38.1%	25,845	9,845
More than 24 months past due	100.0%	9,241	9,241
		<u>1,312,479</u>	<u>42,401</u>

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year/period is as follows:

	As at December 31,			At September 30,
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at the beginning of the year/period	16,060	32,504	42,928	24,271
Impairment loss recognized	22,714	25,371	13,742	24,545
Amounts written off during the year/period	(5,877)	(4,040)	(44)	-
Disposal of interests in subsidiaries	(393)	(10,907)	(32,355)	(6,415)
	<u>32,504</u>	<u>42,928</u>	<u>24,271</u>	<u>42,401</u>

The following significant changes in the gross carrying amounts of trade receivables contributed to the change in the loss allowance during the Relevant Periods:

- origination of new trade receivables net of those settled resulted in an increase of RMB4,122,000, a decrease of RMB1,995,000, a decrease of RMB501,000 and an increase of RMB1,597,000 in loss allowance, respectively;
- change in past due trade receivables resulted in an increase of RMB18,592,000, RMB27,366,000, RMB14,243,000 and RMB22,948,000 in loss allowance, respectively;
- a write-off of trade receivables with a gross carrying amount of RMB5,877,000, RMB4,040,000, RMB44,000 and RMB nil resulted in a decrease in loss allowance, respectively; and
- disposal of interests in subsidiaries resulted in a decrease of RMB393,000, RMB10,907,000, RMB32,355,000 and RMB6,415,000 in loss allowance, respectively.

Credit risk arising from other receivables

For other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In order to minimize credit risk, the Group has tasked its operation management to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit rating information is drawn from the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Details of the ECLs in respect of the Group's other receivables during the Relevant Periods is disclosed in Note 20.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

At December 31, 2018						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31, 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans and other borrowings	239,162	–	–	–	239,162	230,758
Lease liabilities	44,333	31,756	36,031	6,334	118,454	110,006
Loans from non-controlling shareholders of subsidiaries	151,336	–	–	–	151,336	148,483
Trade and bills payables	7,180,792	–	–	–	7,180,792	7,180,792
Other payables and accruals	349,103	–	–	–	349,103	349,103
Redeemable capital contributions	7,483,291	–	–	–	7,483,291	6,928,973
	<u>15,448,017</u>	<u>31,756</u>	<u>36,031</u>	<u>6,334</u>	<u>15,522,138</u>	<u>14,948,115</u>

At December 31, 2019						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31, 2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans and other borrowings	493,642	–	–	–	493,642	484,539
Lease liabilities	56,063	36,211	51,395	25,182	168,851	151,937
Loans from non-controlling shareholders of subsidiaries	79,988	–	–	–	79,988	79,666
Trade and bills payables	8,493,358	–	–	–	8,493,358	8,493,358
Other payables and accruals	657,074	–	–	–	657,074	657,074
Redeemable capital contributions	8,081,953	–	–	–	8,081,953	7,483,290
	<u>17,862,078</u>	<u>36,211</u>	<u>51,395</u>	<u>25,182</u>	<u>17,974,866</u>	<u>17,349,864</u>

At December 31, 2020

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at December 31, 2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	216,034	–	–	–	216,034	212,782
Lease liabilities	60,774	29,643	39,115	19,257	148,789	136,054
Loans from non-controlling shareholders of subsidiaries	40,704	–	–	–	40,704	40,588
Trade and bills payables	11,419,335	–	–	–	11,419,335	11,419,335
Other payables and accruals	443,761	–	–	–	443,761	443,761
Redeemable capital contributions	10,028,264	–	–	–	10,028,264	9,285,430
	<u>22,208,872</u>	<u>29,643</u>	<u>39,115</u>	<u>19,257</u>	<u>22,296,887</u>	<u>21,537,950</u>

At September 30, 2021

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at September 30, 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	590,618	–	–	–	590,618	583,326
Lease liabilities	39,072	26,178	27,685	14,216	107,151	97,371
Loans from non-controlling shareholders of subsidiaries	60,127	–	–	–	60,127	59,431
Trade and bills payables	18,262,518	–	–	–	18,262,518	18,262,518
Other payables and accruals	429,477	–	–	–	429,477	429,477
Redeemable capital contributions	9,208,176	–	–	–	9,208,176	8,854,015
	<u>28,589,988</u>	<u>26,178</u>	<u>27,685</u>	<u>14,216</u>	<u>28,658,067</u>	<u>28,286,138</u>

As at December 31, 2018, 2019 and 2020 and September 30, 2021, the Group's maximum liquidity risk exposure in respect of provisions is RMB717,675,000, RMB739,996,000 and RMB45,981,000 and RMB nil within 1 year or on demand, respectively.

(c) Interest rate risk

The Group's interest-bearing financial instruments at variable rates as at December 31, 2018, 2019 and 2020 and September 30, 2021 are the cash at bank except for fixed deposits, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short maturity is not considered significant. The Group's interest-bearing financial instruments at fixed interest rates as at December 31, 2018, 2019 and 2020 and September 30, 2021 are fixed deposits, bank loans and other borrowing, loans from non-controlling shareholders of subsidiaries and lease liabilities that are measured at amortized cost, and the change of market interest rate does not expose the Group to fair value interest risk. Overall speaking, the Group's exposure to interest rate risk is not significant.

(d) Currency risk

As at December 31, 2018, 2019 and 2020 and September 30, 2021, the Group is not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of the Company and its subsidiaries are not significant.

(e) Fair value measurement**(i) Financial assets and liabilities measured at fair value***Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Analysis on fair value measurement of financial instruments as at December 31, 2018, 2019 and 2020 and September 30, 2021 are as follows:

	Fair value at December 31, 2018	Fair value measurement at December 31, 2018 categorized into		
		Level 1	Level 2	Level 3
	<i>RMB'000</i>			
Recurring fair value measurement				
<i>Assets:</i>				
Financial assets at FVOCI				
– Unlisted equity securities . . .	2,000	–	–	2,000
Financial assets at FVPL				
– Structured deposits and wealth management products	1,365,540	–	–	1,365,540

	Fair value at December 31, 2019	Fair value measurement at December 31, 2019 categorized into		
		Level 1	Level 2	Level 3
	<i>RMB'000</i>			
Recurring fair value measurement				
<i>Assets:</i>				
Financial assets at FVOCI				
– Unlisted equity securities . .	2,000	–	–	2,000
Financial assets at FVPL				
– Structured deposits and wealth management products	3,607,396	–	–	3,607,396
	<i>RMB'000</i>			
	Fair value at December 31, 2020	Fair value measurement at December 31, 2020 categorized into		
		Level 1	Level 2	Level 3
	<i>RMB'000</i>			
Recurring fair value measurement				
<i>Assets:</i>				
Financial assets at FVOCI				
– Unlisted equity securities . .	2,000	–	–	2,000
Financial assets at FVPL				
– Structured deposits and wealth management products	1,073,930	–	–	1,073,930
	<i>RMB'000</i>			
	Fair value at September 30, 2021	Fair value measurement at September 30, 2021 categorized into		
		Level 1	Level 2	Level 3
	<i>RMB'000</i>			
Recurring fair value measurement				
<i>Assets:</i>				
Financial assets at FVOCI				
– Unlisted equity securities . .	2,000	–	–	2,000
Financial assets at FVPL				
– Structured deposits and wealth management products	3,243,036	–	–	3,243,036

During the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, there were no transfers, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted equity securities	Valuation multiples (Note i)	Changing trend of medium market multiples of comparable companies
Structured deposits and wealth management products	Discounted cash flow (Note ii)	Expected return rate

Notes:

- (i) The fair value of certain unlisted equity security is determined using valuation multiples adjusted for changing trend of medium market multiples of comparable companies. The fair value measurement is positively correlated to the changing trend of medium market multiples of comparable companies. As at December 31, 2018, 2019 and 2020 and September 30, 2021, it is estimated that with all other variables held constant, an increase/decrease in change of medium market multiples of comparable companies by 5% would have increased/decreased the Group's other comprehensive income by RMB75,000, RMB75,000, RMB75,000 and RMB75,000, respectively.
- (ii) The fair value of structured deposits and wealth management products is calculated by discounting the expected future cash flows. The fair value measurement is negatively correlated to expected return rate. As at December 31, 2018, 2019 and 2020 and September 30, 2021, it is estimated that with all other variables held constant, a decrease/increase in fair value of structured deposits and wealth management products by 5% would have increased/decreased the Group's loss for the year/period by RMB57,690,000, RMB153,314,000, RMB45,676,000 and RMB137,770,000, respectively.

The fair value of unlisted equity security is determined using valuation multiples technique with comparable companies. The fair values of the structured deposits and wealth management products have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	Financial assets at FVOCI	Financial assets at FVPL	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2018	2,000	261,300	263,300
Net realized and unrealized gains on financial assets at fair value through profit or loss	–	91,531	91,531
Purchases	–	17,581,364	17,581,364
Sales and settlements.	–	(16,568,655)	(16,568,655)
As at December 31, 2018 and January 1, 2019	<u>2,000</u>	<u>1,365,540</u>	<u>1,367,540</u>

	Financial assets at FVOCI	Financial assets at FVPL	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net realized and unrealized gains on financial assets at fair value through profit or loss	–	106,068	106,068
Purchases	–	20,789,580	20,789,580
Sales and settlements.	–	(18,653,792)	(18,653,792)
As at December 31, 2019 and January 1, 2020	<u>2,000</u>	<u>3,607,396</u>	<u>3,609,396</u>
Net realized and unrealized gains on financial assets at fair value through profit or loss	–	113,238	113,238
Purchases	–	17,164,232	17,164,232
Sales and settlements.	–	(19,810,936)	(19,810,936)
As at December 31, 2020 and January 1, 2021	<u>2,000</u>	<u>1,073,930</u>	<u>1,075,930</u>
Net realized and unrealized gains on financial assets at fair value through profit or loss	–	104,406	104,406
Purchases	–	17,987,260	17,987,260
Sales and settlements.	–	(15,922,560)	(15,922,560)
As at September 30, 2021	<u>2,000</u>	<u>3,243,036</u>	<u>3,245,036</u>

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognized in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to accumulated losses.

The gains arising from the remeasurement of the structured deposits and wealth management products are presented in the "Other net gain" line item in the consolidated statements of profit or loss.

All financial instruments carried at cost or amortized cost are at amounts not materially different from their values as at December 31, 2018, 2019 and 2020 and September 30, 2021.

35 CONTINGENT LIABILITIES

As at December 31, 2018, 2019 and 2020 and September 30, 2021, except for the maximum exposure in respect of provisions as set out in Note 34(b), the Group does not have any material contingent liabilities.

36 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Short-term employee benefits	8,129	8,100	8,931	4,174	4,790
Contributions to defined contribution retirement plans	219	186	16	16	178
	8,348	8,286	8,947	4,190	4,968

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Names and relationships of the related parties that had other material transactions with the Group during the Relevant Periods:

Name of related party	Relationship
Mr. Wang Jianguo	Single largest shareholder of the Group
Mr. Xu Xiuxian	Executive director of the Company
Mr. Xing Jianhong	Vice president of the Company
Five Star Holdings Group Co., Ltd. ("Five Star") and its affiliates	Company and its affiliates controlled by the single largest shareholder of the Group
Nanjing Qingying Technology Co., Ltd. ("Qingying") and its affiliates	Company and its affiliates controlled by the single largest shareholder of the Group
Alibaba (China) Network Technology Co., Ltd. ("Alibaba China") and its affiliates	The Group's significant shareholder and its affiliates
Jiangsu Bestbond Investment Management Co., Ltd. ("Bestbond") and its affiliates	Company and its affiliates controlled by a non-executive director of the Company
Nanjing Yunhuihua	The former associate of the Group*
Xingda Network	The former associate of the Group*
Shanghai Huidapuzhao	The associate of the Group

(c) Guarantees and pledges issued by related parties

Certain bank facilities granted to the Group and rental payments were guaranteed or secured with pledges issued by related parties. An analysis of the carrying value of these liabilities is as follows:

	At December 31,			At
	2018	2019	2020	September 30,
	RMB'000	RMB'000	RMB'000	2021
Net exposure on:				RMB'000
Bank loans (Note 23)	220,000	370,000	150,000	101,000
Lease liabilities (Note 25)	25,139	19,067	12,735	–
Bills payable (Note 26)	2,878,295	3,581,356	5,077,929	9,426,870
	<u>2,923,434</u>	<u>3,970,423</u>	<u>5,240,664</u>	<u>9,527,870</u>

At December 31, 2018, 2019 and 2020 and September 30, 2021, certain bank facilities granted to the Group for bank loans in Note 23 were guaranteed by Mr. Wang Jianguo as the single largest shareholder of the Group, Mr. Xu Xiuxian as the executive director of the Company, Five Star and its affiliate Hosjoy Comfortable Smart Home Co., Ltd., and were pledged with Mr. Wang Jianguo's equity interest in Five Star. Guarantees and pledges issued by related parties for bank loans at September 30, 2021 will be expired by June 28, 2022 at the latest.

At December 31, 2018, 2019 and 2020, the Group's lease liabilities in Note 25 related to rental payments under certain tenancy agreements were guaranteed by Five Star.

At December 31, 2018, 2019 and 2020 and September 30, 2021, certain bank facilities granted to the Group for issuance of bills payable in Note 26 were guaranteed by Mr. Wang Jianguo as the single largest shareholder of the Group, Mr. Xu Xiuxian as the executive director of the Company, Five Star and its affiliate Hosjoy Comfortable Smart Home Co., Ltd. Guarantees issued by related parties for bills payable at September 30, 2021 will be expired by September 29, 2022 at the latest.

(d) Other significant related party transactions

During the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, the Group had following transactions with related parties:

	Year ended December 31,			Nine months ended	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of goods					
Five Star and its affiliates	319	272	3	–	192
Alibaba China and its affiliates . .	1,163	13,661	108,932	108,895	–
Xingda Network	–	–	185	–	–
	<u>1,482</u>	<u>13,933</u>	<u>109,120</u>	<u>108,895</u>	<u>192</u>

(unaudited)

	Year ended December 31,			Nine months ended September 30,	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Purchase of services					
Five Star and its affiliates	–	310	193	30	60
Alibaba China and its affiliates . .	2,377	7,832	7,288	3,281	20,320
Shanghai Huidapuzhao	–	–	–	–	187
	<u>2,377</u>	<u>8,142</u>	<u>7,481</u>	<u>3,311</u>	<u>20,567</u>
Sales of goods					
Five Star and its affiliates	8,407	983	6,870	5,838	8,745
Alibaba China and its affiliates . .	–	98,754	49,270	33,253	56,865
Bestbond and its affiliates	55	221	–	–	–
Xingda Network	–	–	499	–	–
	<u>8,462</u>	<u>99,958</u>	<u>56,639</u>	<u>39,091</u>	<u>65,610</u>
Rendering of services					
Five Star and its affiliates	89	49	1	–	–
Shanghai Huidapuzhao	–	–	–	–	1,186
	<u>89</u>	<u>49</u>	<u>1</u>	<u>–</u>	<u>1,186</u>
Increase/(decrease) in advances from associates					
Nanjing Yunhuihua	–	–	4,155	–	(4,155)
Xingda Network	–	–	8,023	–	(5,597)
	<u>–</u>	<u>–</u>	<u>12,178</u>	<u>–</u>	<u>(9,752)</u>
Acquisition of non-controlling interests					
Mr. Xing Jianhong	–	–	–	–	1,000
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,000</u>
Disposal of interests in subsidiaries					
Five Star	2,000	–	–	–	–
Qingying and its affiliates	–	–	54,030	42,000	–
	<u>2,000</u>	<u>–</u>	<u>54,030</u>	<u>42,000</u>	<u>–</u>

(e) Significant related party balances

At December 31, 2018, 2019 and 2020 and September 30, 2021, the Group had following balances with related parties:

Trade in nature	At December 31,			At
	2018	2019	2020	September 30,
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Trade receivables				
Alibaba China and its affiliates	–	3,680	–	5,770
Qingying and its affiliates	–	–	5,260	4,988
	–	3,680	5,260	10,758
Prepayments, deposits and other receivables				
Five Star and its affiliates	41	8	30	206
Alibaba China and its affiliates	172	4,020	3,728	2,776
Qingying and its affiliates	–	–	24,571	19,006
Shanghai Huidapuzhao	–	–	–	862
	213	4,028	28,329	22,850
Trade payables				
Alibaba China and its affiliates	–	69	796	900
Other payables and accruals				
Five Star and its affiliates	9	75	156	77
Alibaba China and its affiliates	123	40	–	1,978
	132	115	156	2,055
Contract liabilities				
Five Star and its affiliates	1,062	30	76	736
Alibaba China and its affiliates	–	4	305	248
	1,062	34	381	984
Non-trade in nature				
				At
				September 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables and accruals				
Nanjing Yunhuihua	–	–	4,155	–*
Xingda Network	–	–	8,023	–*
	–	–	12,178	–

- * Upon completion of the acquisition of additional equity interest in Xingda Network in February 2021, the Group increased equity interest shareholding in Xingda Network from 46% to 51% and Xingda Network became a subsidiary of the Group. Upon the Group's disposal of its equity interest in Nanjing Yunhuihua in June 2021, Nanjing Yunhuihua ceased to be an associate or a related party of the Group.

37 BUSINESS COMBINATIONS

In October 2020, the Group invested 40% of the equity interest in Fujian Yishengtong through capital injection of RMB8,000,000. The investment in Fujian Yishengtong increases the Group's involvement in vehicle accessories market. On January 1, 2021, in order to further achieve development of the business, the Group entered into an agreement with one of the other third party investors of Fujian Yishengtong that the investor agrees to act in a concert with the Group and Fujian Yishengtong became a subsidiary of the Group.

In May 2020, the Group invested 46% of the equity interest in Xingda Network through capital injection of RMB4,600,000. The investment in Xingda Network increases the Group's involvement in vehicle accessories market. On February 3, 2021, the Group acquired additional 5% of the equity interest in Xingda Network from a third party. Upon completion of the acquisition, the Group increased equity interest shareholding in Xingda Network from 46% to 51% and Xingda Network became a subsidiary of the Group.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the respective dates of acquisitions:

	Fair value on acquisition
	<i>RMB'000</i>
Property, plant and equipment (<i>Note 11</i>)	62
Deferred tax assets (<i>Note 31(b)</i>)	7
Trade and bills receivables	7,116
Prepayments, deposits and other receivables	36,413
Cash and cash equivalents	1,914
Trade and bills payables	(1,649)
Other payables and accruals	(2,622)
Contract liabilities (<i>Note 28</i>)	(11,100)
Identified net assets of Fujian Yishengtong and Xingda Network	30,141
Less: Non-controlling interests, based on their proportionate interests in the identified net assets	(17,114)
Group's share of net assets of Fujian Yishengtong and Xingda Network	<u>13,027</u>
Satisfied by:	
	<i>RMB'000</i>
Carrying amount of interests in associates prior to business combination	<u>13,027</u>
Group's share of net assets of Fujian Yishengtong and Xingda Network	<u>13,027</u>
Goodwill arising from the acquisition has been recognized as below:	
	<i>RMB'000</i>
Fair value of pre-existing of equity interests in associates	13,027
Non-controlling interests, based on their proportionate interests in the recognized amounts of net assets	17,114
Fair value of identifiable net assets of Fujian Yishengtong and Xingda Network	<u>(30,141)</u>
Goodwill	<u>–</u>

From the dates of acquisitions to September 30, 2021, Fujian Yishengtong and Xingda Network contributed revenue of RMB908,151,000 and RMB253,831,000 and net profit of RMB4,982,000 and RMB742,000, respectively. During the nine months ended September 30, 2021, Fujian Yishengtong and Xingda Network contributed revenue of RMB908,151,000 and RMB277,974,000 and net profit of RMB4,982,000 and RMB582,000, respectively, had the acquisition been completed as at January 1, 2021.

38 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2018, 2019 and 2020 and September 30, 2021, the directors consider that the Group has no immediate and ultimate controlling party.

39 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

Up to date of issue of the Historical Financial Information, the IASB has issued a number of amendments and a new standard, IFRS 17, *Insurance Contracts*, which are not yet effective for the nine months ended September 30, 2021 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, <i>Reference to the Conceptual Framework</i>	<i>January 1, 2022</i>
Amendments to IAS 16, <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	<i>January 1, 2022</i>
Amendments to IAS 37, <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	<i>January 1, 2022</i>
Annual Improvements to IFRSs 2018-2020 Cycle	<i>January 1, 2022</i>
Amendments to IAS 1, <i>Classification of Liabilities as Current or Non-current</i>	<i>January 1, 2023</i>
IFRS 17, <i>Insurance contracts</i>	<i>January 1, 2023</i>
Amendments to IAS 1 and IFRS Practice Statement 2, <i>Disclosure of Accounting Policies</i>	<i>January 1, 2023</i>
Amendments to IAS 8, <i>Definition of Accounting Estimates</i>	<i>January 1, 2023</i>
Amendments to IAS 12, <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	<i>January 1, 2023</i>
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	<i>No mandatory effective date yet determined</i>

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

40 SUBSEQUENT EVENTS

Subsequent to September 30, 2021, there is no significant subsequent event.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to September 30, 2021.

The information set forth in this appendix does not form part of the accountants' report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, 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 accountants' report set forth in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below for the purpose to illustrate the effect of the Global Offering on the consolidated net tangible liabilities attributable to equity shareholders of the Company as of September 30, 2021 as if it had taken place on September 30, 2021.

The statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of September 30, 2021 or at any future date.

	Consolidated net tangible liabilities attributable to the equity shareholders of the Company as of September 30, 2021 ⁽¹⁾	Estimated net proceeds from this Global Offering ⁽²⁾⁽⁵⁾	Estimated impact upon the derecognition of redeemable capital contributions ⁽³⁾	Unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share	
					RMB ⁽⁴⁾	HK\$ ⁽⁵⁾
		<i>(in millions of RMB)</i>				
Based on an Offer Price of HK\$43.00 per Share	(2,764.2)	1,735.2	8,854.0	7,825.0	13.97	17.13
Based on an Offer Price of HK\$48.00 per Share	(2,764.2)	1,939.2	8,854.0	8,029.0	14.33	17.58

Notes:

- (1) The consolidated net tangible liabilities attributable to equity shareholders of the Company as of September 30, 2021 is calculated based on the audited consolidated total deficit attributable to the equity shareholders of the Company as of September 30, 2021 of RMB2,764.2 million extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from this Global Offering are based on the expected issuance of 51,606,200 H shares and the indicative Offer Prices of HK\$43.00 and HK\$48.00 per H Share, respectively, being the lower end price and higher end price of the stated Offer Price range, after deduction of the estimated underwriting fees and other estimated related expenses payable of the Group of RMB73.7 million and RMB80.1 million respectively, payable by the Group (excluding listing expenses which have been expensed prior to September 30, 2021) and does not take into account of any shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The carrying amount of redeemable capital contributions was RMB8,854.0 million as of September 30, 2021 (as set out in Note 30 to the Historical Financial Information included in the Accountants' Report in Appendix I to this prospectus). Upon the Listing and completion of the Global Offering, special rights attributable to the investors of the redeemable capital contributions will be removed, and these redeemable capital contributions will be derecognized as liabilities and transferred to equity.
- (4) The unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share is arrived at after the above adjustment and on the basis that a total of 560,264,237 shares were in issue immediately following the completion of the Global Offering assuming the Global Offering had been completed on September 30, 2021 without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (5) For illustrative purpose, the estimated net proceeds from the Global Offering is converted from the Hong Kong Dollar into Renminbi and the unaudited pro forma adjusted net tangible assets attributable to the equity shareholders of the Company per Share is converted from Renminbi into Hong Kong Dollar at the exchange rate of HK\$1 to RMB0.81518. No representation is made that the Hong Kong Dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate.
- (6) No adjustment has been made to the unaudited pro forma adjusted net tangible assets attributable to equity shareholder of the Company to reflect any trading results or other transactions entered into subsequent to September 30, 2021.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.



INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

**TO THE DIRECTORS OF 匯通達網絡股份有限公司 HUITONGDA NETWORK CO.,
LTD.***

We have completed our assurance engagement to report on the compilation of pro forma financial information of 匯通達網絡股份有限公司 Huitongda Network Co., Ltd.* (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at September 30, 2021 and related notes as set out in Appendix II to the prospectus dated January 31, 2022 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at September 30, 2021 as if the Global Offering had taken place at September 30, 2021. As part of this process, information about the Group's financial position as at September 30, 2021 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 behaviour.

* For identification purpose only.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” 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 Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 (“HKSAE”) 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 events or transactions as at September 30, 2021 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

January 31, 2022

A. BASES

The Directors have prepared the estimate of the consolidated loss attributable to equity shareholders of the Company for the year ended December 31, 2021 based on the audited consolidated results of the Group for the nine months ended September 30, 2021, the unaudited consolidated results based on the management accounts of the Group for the two months ended November 30, 2021 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2021.

The estimate has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

B. LOSS ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2021

On the basis set out in Appendix III to this prospectus, and in the absence of unforeseen circumstances, we estimate that our unaudited consolidated loss attributable to equity shareholders of our Company is as follows:

Estimated consolidated loss attributable to equity shareholders of our Company for the year ended December 31, 2021	Not more than RMB353.5 million
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C. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the purpose of inclusion in this prospectus, from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in relation to the Group's loss estimate for the year ended December 31, 2021.

**The Board of Directors**

匯通達網絡股份有限公司 Huitongda Network Co., Ltd.*

China International Capital Corporation Hong Kong Securities Limited

Citigroup Global Markets Asia Limited

China Renaissance Securities (Hong Kong) Limited

Dear Sirs,

匯通達網絡股份有限公司 Huitongda Network Co., Ltd.* (the “**Company**”)

Loss Estimate for Year Ended December 31, 2021

We refer to the estimate of the consolidated loss attributable to equity shareholders of the Company for the year ended December 31, 2021 (the “**Loss Estimate**”) set forth in the section headed “Financial Information – Loss Estimate for the year ended December 31, 2021” in the prospectus of the Company dated January 31, 2022 (the “**Prospectus**”).

Directors’ Responsibilities

The Loss Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended September 30, 2021, the unaudited consolidated results based on the management accounts of the Group for the two months ended November 30, 2021, and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2021.

The Company’s directors are solely responsible for the Loss Estimate.

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 Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

* For identification purpose only.

The firm applies Hong Kong Standard on Quality Control 1 “*Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*” 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 Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Loss Estimate based on our procedures. We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “*Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness*” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Loss Estimate in accordance with the bases adopted by the directors and as to whether the Loss Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Loss Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated January 31, 2022, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road,
Central, Hong Kong

January 31, 2022

D. LETTER FROM THE JOINT SPONSORS

The following is the text of a letter prepared for inclusion in this prospectus by the Joint Sponsors in connection with the estimate of consolidated loss attributable to equity holders of the Company for the year ended December 31, 2021.

January 31, 2022

The Directors

Huitongda Network Co., Ltd.
Huitongda Building
No. 50 Zhongling Street
Nanjing
Jiangsu Province
PRC

Dear Sirs,

We refer to the estimate of the consolidated loss attributable to the equity holders of Huitongda Network Co., Ltd. (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, hereinafter collectively referred to as the “**Group**”) for the year ended December 31, 2021 (the “**Loss Estimate**”) as set out in this Prospectus issued by the Company dated January 31, 2022 (the “**Prospectus**”).

The Loss Estimate, for which you as the directors of the Company (the “**Directors**”) are solely responsible, has been prepared based on the audited consolidated results of the Group for the nine months ended September 30, 2021, the unaudited consolidated results based on the management accounts of the Group for the two months ended November 30, 2021 and an estimate of the consolidated results of the Group for the remaining one month ended December 31, 2021.

We have discussed with you the bases made by the Directors as set out in Appendix III to this Document upon which the Loss Estimate has been made. We have also considered the letter dated January 31, 2022 addressed to you and us from KPMG regarding the accounting policies and calculations upon which the Loss Estimate has been made.

On the basis of the information comprising the Loss Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Loss Estimate, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
China International Capital Corporation Hong Kong Securities Limited
Barry Chan
Managing Director

For and on behalf of
Citigroup Global Markets Asia Limited
Guorong Jiang
Managing Director

For and on behalf of
China Renaissance Securities (Hong Kong) Limited
Dennis Leung
Managing Director

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to Special Regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation*Taxation on Dividends**Individual Investor*

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the “IIT Law”), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Enterprise Investors

In accordance with the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) issued by SCNPC on March 16, 2007 and latest amended on December 29, 2018 and the Implementation Provisions of the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on April 23, 2019 (hereinafter collectively referred to as the “CIT Law”), the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular of the State Administration of Tax on Issues Relating to the Withholding and Remitting of Corporate Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the State Administration of Taxation (hereinafter referred to as SAT) on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《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》) (hereinafter referred to as the “the Arrangement”), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company unless a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<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>第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

*Taxation on Share Transfer**VAT and Local Additional Tax*

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (hereinafter referred to as “Circular 36”), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as “Local Additional Tax”), which shall be usually subject to 12% of the value-added tax, business tax and consumption tax actually paid (if any).

*Income tax**Individual Investors*

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the State Administration of Tax on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The State Administration of Taxation has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended Individual Income Tax Law.

However, on December 31, 2009, the Ministry of Finance, SAT and China Securities Regulatory Commission jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on December 31, 2009, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued and implemented by such departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the CIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》), which was issued on August 6, 1988 and latest amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》), which came into effect on September 29, 1988, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

HONG KONG TAXATION**Taxation on Dividends**

No tax is payable in Hong Kong in respect of dividends paid by our Company.

Profits Tax

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Shareholders should take advice from their own professional advisors as to their particular tax position.

Stamp Duty

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.26% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of Shares.

Estate Duty

Hong Kong estate duty was abolished effective from February 11, 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

See “Regulatory Overview” of this prospectus.

TAXATION OF OUR COMPANY IN HONG KONG**Profits Tax**

Our Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%. Dividend income derived by our Company from its subsidiaries will be excluded from Hong Kong profits tax.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (hereinafter referred to as “SAFE”), with the authorization of the People’s Bank of China (hereinafter referred to as “PBOC”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) (the “Foreign Exchange Control Regulations”), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on 5 August, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange 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》), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on 30 December, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

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This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, see “Regulatory Overview” in this prospectus.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the “Constitution”) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2015 revision) (《中華人民共和國立法法(2015年修訂)》) (the “Legislation Law”), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

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The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

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According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常委委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "Supreme People's Court") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The PRC Civil Procedure Law (2017 revision) (《中華人民共和國民事訴訟法(2017年修訂)》) (the "Civil Procedure Law"), which was adopted in 1991 and amended in 2007, 2012 and 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

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If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in the PRC:

- The PRC Company Law which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on October 26, 2018;
- The Special Regulations of the State Council on Share Offering and Listing Overseas by Joint-Stock Limited Liability Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "Special Regulations") which were promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the Company Law in force at that time, and were applicable, to the overseas share subscription and listing of joint stock limited companies; and
- The Mandatory Provisions of Articles of Association of Companies Listing Overseas (《到境外上市公司章程必備條款》) (the "Mandatory Provisions") which were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, stating the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled "Appendix VI – Summary of Articles of Association of the Company" in this prospectus.

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Set out below is a summary of the major provisions of the Company Law, the Special Regulations and the Mandatory Provisions applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Special Regulations, SOEs or enterprises with the majority of their assets owned by the PRC government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

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A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong, the Macau and Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as Domestic Shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the China Securities Regulatory Commission (the "CSRC"). Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

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The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares." Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares." Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

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Registered Shares

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall also be in registered form.

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;

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- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

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Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;

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- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;

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- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the

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Mandatory Provisions, such notice shall be delivered to all the registered shareholders 45 days in advance to the meeting, and the matters to be considered and time and venue of the meeting shall be specified. The written reply of shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholder's general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again of the matters to be considered and time and venue of the meeting to shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the Special Regulations, where the company convenes annual shareholder's general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholder's general meeting shall be placed in the agenda of the meeting.

Under the Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

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Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

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Board Meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

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- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

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Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors, while according to the Opinions on Supplementary Amendment to Articles of Associations by Companies to be listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》), a resolution of the board of supervisors shall be passed by more than two-thirds of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

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Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person in charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;

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- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

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If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

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Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the company's approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

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The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

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Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issue within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法(2019年修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

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SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council. to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

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ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the “Arbitration Law”) was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people’s court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer. Matters in arbitration include any disputes or claims in relation to the issuer’s affairs or as a result of any rights or obligations arising under its articles of association, the Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer’s register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) (“CIETAC”) in accordance with its rules or the Hong Kong International Arbitration center (“HKIAC”) in accordance with its Securities Arbitration Rules (the “Securities Arbitration Rules”). Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules. In accordance with the Arbitration Regulations of CIETAC (《中國國際經濟貿易仲裁委員會仲裁規則》) which was amended on November 4, 2014 and implemented on January 1, 2015, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, based on an agreement of the parties, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin, Chongqing, Zhejiang, Hubei, Fujian, Shanxi, Jiangsu, Sichuan and Shandong.

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Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement.

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“Choice of court agreement in written” refers to a written agreement defining the exclusive jurisdiction of either the People’s Court of China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and Hong Kong Securities and Futures Commission (“HKSF”) issued the Joint Announcement of China Securities Regulatory Commission and Hong Kong Securities and Futures Commission – Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is Expected to be Implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (“Shanghai-Hong Kong Stock Connect”) by the Shanghai Stock Exchange (“SSE”), the Stock Exchange, China Securities Depository and Clearing Co., Ltd. (“CSDC”) and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by HKSF that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, CSRC and HKSF issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

On September 30, 2016, CSRC issued the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

**APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG
LEGAL AND REGULATORY PROVISIONS**

**SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC
COMPANY LAW**

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

The Hong Kong company law does not provide for authorized share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and becomes a company's share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The Company Law does not provide for authorized share capital, either. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and file with the relevant PRC governmental and regulatory authorities.

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

Under the Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong Law.

Restrictions on Shareholding and Transfer of Shares

Generally, overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors as allowed under Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities (《合格境內機構投資者境外證券投資管理試行辦法》). If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange.

Financial Assistance for Acquisition of Shares

The Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The Company Law has no special provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except:

- (i) If there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions;
- (ii) If there are not relevant provisions in the articles of associations, then (1) with the consent in writing of at least three fourths of the total voting rights of holders of the shares in the class in question, or (2) with the approval of a special resolution of the holders of the relevant class at a separate meeting.

Directors, Senior Management and Supervisors

The Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respects of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisors committee. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irreparable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

Notice of Shareholders' Meetings

Under the Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' General Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law. For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

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Financial Disclosure

Under the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years now and would be extended to three years according to PRC Civil Code (《中華人民共和國民法典》), promulgated on 28 May, 2020 and to become effective on 1 January 2021. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

APPENDIX V SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Section 674 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years now or three years beginning from 1 January, 2021. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

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Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This appendix summarizes the principal provisions of the Company's Articles of Association approved on May 10, 2021, which are effective since the date of listing of the H Shares on the Stock Exchange. As the primary purpose of this appendix is to provide potential investors with an overview of the Company's Articles of Association, it does not necessarily contain all of the information that is important to potential investors.

SHARES

1 Shares and Registered Capital

Shares of the Company adopt the form of share certificates.

The issue of the shares of the Company shall be based on the principle of fairness and impartiality, and shall rank *pari passu* in all respects with the shares of the same class. Shares of the same class issued at the same time shall be issued under the same condition and at the same price; the same price shall be paid for each of the shares subscribed for by any entity or individual.

The Company shall have ordinary shares at all times. The Company may create other classes of shares if necessary, upon approval by the examining and approving departments authorized by the State Council.

Subject to approval of securities regulatory authority of the State Council, the Company may issue shares to qualified domestic investors and overseas investors. Upon the approval of the plan for issuing overseas listed foreign shares and domestic shares by the securities regulatory authority of the State Council, the Board of Directors of the Company (the "Board") may arrange for the implementation of such plan by means of separate issues. The Company's plan for separate issues of overseas listed foreign shares and domestic shares in accordance with the preceding paragraph may be implemented separately within 15 months from the date of approval by the securities regulatory authority of the State Council. If the Company issues overseas listed foreign shares and domestic shares separately within the total amount of shares specified in the issue plan, such issues shall be fully subscribed for at their respective offerings; if the shares cannot be fully subscribed for once due to special circumstances, the shares may, subject to the approval of the securities regulatory authority of the State Council, be issued in several stages.

2 Increase and Reduction in Capital and Repurchase of Shares

In accordance with the laws and regulations, the Company may, based on its operating and development needs and the resolution of the general meeting, increase its capital by the following methods:

- (I) by offering new shares to non-specified investors;
- (II) by offering new shares to specified persons;

- (III) by placing or allotting new shares to existing shareholders;
- (IV) by capitalizing its capital reserve;
- (V) by any other methods which is permitted by the laws and administrative regulations.

The Company's increase in capital by issuing new shares shall be handled in accordance with the procedures provided for in the relevant laws, administrative regulations and Hong Kong Listing Rules after having been approved in accordance with the Articles of Association.

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the Company Law and other relevant provisions and the procedures stipulated in the Articles of Association. In case of reduction of registered capital of the Company, a balance sheet and assets list shall be formulated. The Company shall notify its creditors within 10 days from the date of passing of the resolution for the reduction of registered capital and shall publish a notice in a newspaper within 30 days thereof. The creditors shall, within 30 days since the date of receiving the notice or within 45 days since the date of the first public announcement for those who have not received a written notice, be entitled to require the Company to pay off its debts in full or to provide a corresponding guarantee for repayment.

Under the following circumstances, the Company may repurchase its shares in accordance with the provisions of the relevant laws, administrative regulations, departmental rules and Articles of Association:

- (I) to reduce the registered capital of the Company;
- (II) to merge with other companies that hold the shares of the Company;
- (III) to use the shares for Employee Stock Ownership Plan or as equity incentive;
- (IV) the shareholders disagreeing with the merger or separation resolution made by the general meeting ask the Company to acquire their shares;
- (V) to use the shares in the conversion of the convertible corporate bonds issued by the Company;
- (VI) necessary to protect the company value and the shareholders' equity;
- (VII) any other circumstances required by the laws, administrative regulations, departmental rules, regulation rules of the place where the Company's shares are listed, etc.

Except for the above situations, the Company shall not engage in the activity of trading its shares.

The Company may proceed to buy back its shares in one of the following manners:

- (I) by issuing repurchase offer to all the shareholders based on the same proportion;
- (II) through public trading on stock exchange;
- (III) through agreement outside the stock exchange;
- (IV) other methods permitted by the laws, administrative statutes and regulatory authorities.

The repurchase of shares of the Company through agreement outside the stock exchange shall be approved in advance by the general meeting in accordance with the provisions of the Articles of Association. With prior approval by shareholders at general meeting obtained in the same manner, the Company may rescind or amend contracts concluded in the manner set forth above or waive any of its rights under such contracts. The contract to repurchase shares referred to above includes but not limited to such agreement for the commitment to fulfill the obligations of share repurchase and acquisition of the rights to repurchase shares. The Company shall not assign a contract for the repurchase of its own shares or any of its rights thereunder. Where the Company has the right to purchase redeemable share, the purchase price shall be limited to a maximum price if the purchases are not made through the market or by tender; if purchases are by tender, tenders shall be made available to all shareholders on the same terms.

3 Share Transfer

Unless otherwise specified in the laws, administrative regulations and by the securities regulatory authorities in the place where the shares of the Company are listed, the paid up shares of the Company can be freely transferred in accordance with the laws and are not subject to any lien. The shares of the Company may be donated, inherited and pledged in accordance with the relevant laws, administrative regulations and the Articles of Association. The transfer of shares shall be registered with the local stock registration institution entrusted by the Company.

4 Financial Assistance for the Purchase of Company Shares

The Company or its subsidiaries (including affiliates of the Company) shall not at any time by way of gift, advance, guarantee, compensation or loans to provide any financial assistance to purchasers or potential purchasers of the Company's shares in any way. The aforesaid purchasers include persons directly or indirectly undertaking obligations because of the purchase of the Company's shares. The Company or its subsidiaries (including affiliates of the Company) shall not at any time or in any form provide any financial assistance to the aforesaid obligors for the purpose of reducing or discharging their obligations.

The acts listed below are not prohibited by Article 33 of the Articles of Association, subject to any prohibitions by the relevant laws, administrative regulations, departmental rules and normative documents:

- (I) the provision of financial assistance by the Company in good faith for the benefit of the Company and the main purpose of the financial assistance is not to purchase shares in the Company, or the financial assistance is an incidental part of a master plan of the Company;
- (II) the lawful distribution of the Company's assets as dividends;
- (III) the distribution of dividends in the form of shares;
- (IV) a reduction of registered capital, a repurchase of shares, capital restructuring, etc. in accordance with the Articles of Association;
- (V) the provision of loans by the Company within its scope of business and in the ordinary course of its business (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance was paid out of the Company's distributable profits);
- (VI) contributions made by the Company to the ESOP (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance was paid out of the Company's distributable profits).

5 Share Certificates and Register of Shareholders

The share certificates of the Company shall be in registered form. The share certificates of the Company shall contain the particulars as required by the Company Law, and any other items as required by any stock exchange on which the shares of the Company are listed.

The Company shall keep a register of members containing the following particulars or register shareholders pursuant to the provisions of the laws, administrative regulations, departmental rules and the Hong Kong Listing Rules:

- (I) the name (title), address (domicile), occupation or nature of each shareholder;
- (II) the class and number of shares held by each shareholder;
- (III) the amount paid or payable on the shares held by each shareholder;
- (IV) the serial numbers of the shares held by each shareholder;

(V) the date on which each shareholder was registered as a shareholder; and

(VI) the date on which each shareholder ceased to be a shareholder.

The register of shareholders shall be sufficient evidence of the shareholders' shareholding in Company, unless there is evidence to the contrary.

Transfer of shares shall be recorded in the register of members. The Company may, in accordance with the understanding and agreement reached between the securities regulatory agency under the State Council and the overseas securities regulatory agency, keep the register of shareholders of overseas listed foreign shares outside China and appoint overseas agencies to maintain such register. The original register of shareholders of overseas listed foreign shares listed in Hong Kong shall be maintained at Hong Kong.

Copies of the register of shareholders for overseas listed foreign shares shall be kept at the Company's legal address. Appointed overseas agencies shall from time to time maintain the consistency of the original register of shareholders for overseas listed foreign shares and the copies thereof. In case of any inconsistency between the original and copies of the register of shareholders of overseas listed foreign shares, the original shall prevail.

SHAREHOLDER AND GENERAL MEETING

6 Shareholders

The shareholders of the Company are those who lawfully hold the shares of the Company and have their names registered in the register of shareholders. The shareholders shall enjoy the rights and assume the obligations according to the class and amount of the shares they hold; the shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

Shareholders of ordinary shares of the Company shall enjoy the following rights:

- (I) to receive dividend and other forms of distribution of interest in proportion to their respective shareholdings;
- (II) to legally request, convene, preside over, attend or dispatch shareholder's agent to attend the general meeting and exercise the corresponding voting rights;
- (III) to supervise the business operations of the Company and to make suggestions or inquiries;

- (IV) to transfer, bestow or pledge the shares they hold according to the laws, administrative regulations and the Articles of Association;
- (V) to access relevant information according to the provisions of the Articles of Association, including:
1. a set of the Articles of Association upon payment of a fee covering the cost;
 2. the rights to inspect and obtain photocopies of the following information upon payment of a reasonable charge:
 - (1) all parts of the register of members (the list of all shareholders at the close of trading on the record date of the Company's latest periodic report);
 - (2) personal particulars of the directors, supervisors, general manager and other senior management of the Company, including:
 - (a) current and previous names and aliases;
 - (b) main address (domicile);
 - (c) nationality;
 - (d) full-time and all other part-time jobs and titles;
 - (e) identity documents and numbers.
 - (3) status of the share capital of the Company;
 - (4) reports (breakdown by domestic shares and foreign shares (and, if applicable, H Shares)) showing the aggregate par value, number of shares, and maximum and minimum prices paid in respect of each class of shares repurchased by the Company since the last fiscal year, as well as all the expenses paid by the Company therefore;
 - (5) meeting minutes of general meetings (only available for shareholders' inspection) and copies of the Company's resolutions of general meetings, Board meetings and meeting of Supervisory Committee;
 - (6) the latest audited financial statements and accounting reports of the Board, auditors and Supervisory Committee;

- (7) copies of the annual return for the latest period that has been filed with China's Administration for Market Regulation or other authorities;
- (8) special resolutions of the Company.

3. bond record of the Company.

The Company shall make the documents in items 2(1), (3), (4), (5), (6), (7) and (8) above available for inspection by the public and holders of H shares free of charge at the Company's address in Hong Kong as required by the Hong Kong Listing Rules (except for the minutes of general meetings which are only available for inspection by shareholders). A shareholder requesting for inspection of information or access to aforesaid materials shall provide the Company with written documents evidencing the class and number of shares of the Company that such shareholder holds. The Company shall provide such information and materials as requested by the shareholder after confirming the identity of the shareholder;

- (VI) to participate in the distribution of remaining assets of the Company in proportion to the number of shares held in the event of the termination or liquidation of the Company;
- (VII) to request the Company to buy back his/her shares if a shareholder opposes the merger or division of the Company at the general meeting;
- (VIII) for shareholders individually or jointly holding more than 3% of the shares of the Company, to raise temporary proposal and submit it to the convener in writing 10 days before the general meeting is held;
- (IX) other rights conferred by the laws, administrative regulations, departmental rules, regulation rules of the place where the Company's shares are listed and the Articles of Association.

The shareholders are entitled to request the people's court to invalidate the resolution of the general meeting and board meeting which violates the laws and administrative regulations.

The shareholders are entitled to request the people's court to cancel the relevant resolution within 60 days after the resolution is adopted if the convening procedure and voting method of the general meeting or board meeting violates the laws, administrative regulations or the Articles of Association, or the resolution content breaches the Articles of Association.

If a director and senior management personnel causes losses to the Company for violation of the requirements of the laws, administrative regulations or the Articles of Association during the performance of his/her duties, shareholders who hold more than 1%, individually or jointly, of the Company's shares for more than 180 days continuously, have the right to request the Supervisory Committee to bring a suit to the people's court; if the Supervisory Committee

causes losses to the Company for violation of the requirements of the laws, administrative regulations or the Articles of Association during the performance of its duties, the aforesaid shareholders can request the Board in written form to file a suit in the people's court.

Upon receipt of the written request by the shareholders as stipulated in the preceding paragraph, in case the Supervisory Committee and/or the Board refuses to file a litigation or fails to file a litigation within 30 days from receipt of such request, or under urgent circumstances that failure in filing a litigation immediately, the Company will suffer from irreparable damages, the aforesaid shareholders shall have the right to file a litigation with a people's court directly in their own name for protection of the Company's interests.

In the event that any person infringes the legal interests of the Company causing losses to the Company, the shareholders specified in the first paragraph may file a litigation with a people's court in accordance with the provisions of the preceding two paragraphs.

In the event of violation of the laws, administrative regulations or the provisions under the Articles of Association by a director or senior management personnel in performing his/her duties resulting damage to the shareholders' interest, the shareholders may file a litigation with a people's court.

Shareholders of ordinary shares of the Company shall assume the following obligations:

- (I) to abide by the laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are listed and the Articles of Association;
- (II) to pay subscription moneys for the shares subscribed in accordance with the agreed manner of payment;
- (III) not to withdraw from the Company except for the circumstances set out in the relevant laws, regulations and the Articles of Association;
- (IV) not to abuse shareholder's rights to damage the interests of the Company or other shareholders; not to abuse the independent legal person status of the Company and the limited liability of shareholders to damage the interests of the creditors of the Company;

If any shareholder of the Company abuses the shareholder's rights and causes loss to the Company or other shareholders, he/she shall be liable for the compensation;

If any shareholder of the Company abuses the independent legal person status of the Company and the limited liability of shareholders to evade debts and severely damage the interests of the creditors of the Company, he/she shall bear joint liability for the debts of the Company;

- (V) to assume other obligations required by the laws, administrative regulations, regulation rules of the place where the Company's shares are listed and the Articles of Association.

Shareholders shall not be liable for making any additional contribution to the share capital other than according to the terms agreed by the subscriber of the shares at the time of subscription.

7 General Provisions of General Meetings

The General Meeting of Shareholders acts as the organ of authority of the Company which, according to the laws, exercises the following authorities:

- (I) to decide the management policies and investment plans of the Company;
- (II) to elect and replace directors and supervisors who are not staff representatives, and to decide on matters relating to their remuneration;
- (III) to review and approve the reports of the Board;
- (IV) to review and approve the reports of the Supervisory Committee;
- (V) to review and approve the annual financial budget plans and accounting plans of the Company;
- (VI) to review and approve the profit distribution plan and loss recovery plan of the Company;
- (VII) to make resolutions on the increase or reduction of the Company's registered capital;
- (VIII) to make resolutions on the issuance of corporate bonds or other securities and public listing plans;
- (IX) to make resolutions on matters such as the merger, division, dissolution, liquidation or change in the organizational form of the Company;
- (X) to amend the Articles of Association;
- (XI) to make resolutions on the appointment or dismissal or non-renewal of engagement of accounting firms by the Company;
- (XII) to examine and approve the external guarantees of the Company that require the approval by the general meetings;

- (XIII) to consider the Company's purchase or disposal of major assets within one year of an aggregate value exceeding 30% of the latest audited total assets of the Company;
- (XIV) to examine material transactions and connected transaction which should be submitted to the general meeting for examination in accordance with the relevant laws, administrative regulations, regulatory rules of the place where the Company's shares are listed and the Articles of Association;
- (XV) to review and approve stock incentive plan;
- (XVI) to consider proposals raised by shareholder(s), individually or collectively representing over 3% of the Company's voting shares;
- (XVII) to review and approve the change of use of proceeds;
- (XVIII) to consider other matters that should be decided by the general meeting according to the laws, administrative regulations, departmental rules, Hong Kong Listing Rules or the Articles of Association.

Under the condition of not breaching any laws and regulations and mandatory provisions of the laws and regulations of the listing place, the general meeting may authorize or entrust the Board to handle the matters as authorized or entrusted.

The general meetings shall be divided into the annual general meetings and the extraordinary general meetings. The general meeting shall be convened by the Board. The annual general meeting shall be convened once a year, and shall be held within six months after the prior accounting year ends.

The Board shall convene an extraordinary general meeting within two months under any of the following circumstances:

- (I) when the number of directors is less than the number specified in the Company Law or two-thirds of the number required by the Articles of Association;
- (II) when the uncovered loss of the Company reaches one-third of the total paid-in share capital of the Company;
- (III) at the request of shareholders who individually or collectively hold more than 10% of the Company's issued voting shares;
- (IV) when the Board considers it necessary;
- (V) when the Supervisory Committee proposes such a meeting be held;
- (VI) as proposed by more than two independent non-executive directors;

(VII) any other circumstances required by the laws, administrative regulations, departmental rules, regulation rules of the place where the Company's shares are listed and the Articles of Association.

The number of shares held under the item (III) above shall be calculated from the date of such shareholder's written request.

8 Convening of the General Meeting

The general meeting shall be convened by the Board, the chairman of which shall also act as the chairman of the meeting; when the Chairman of the Board is unable or fails to perform his duties, the Board can designate a director of the Company to convene the meeting on his/her behalf and act as the chairman of the meeting; when the chairman of the meeting is not designated, the shareholders present at the meeting can elect one person to serve as the chairman; if the shareholders are unable to elect the chairman of the meeting for any reason, the shareholder present who holds the greatest number of voting shares (including his/her proxy) shall serve as the chairman of meeting.

If the Board is unable to perform or does not perform the duty of convening a general meeting, the Supervisory Committee of the Company shall convene and preside over the meeting; if the Supervisory Committee does not convene and preside over the meeting, shareholders who individually or collectively hold more than ten percent of the shares of the Company for more than ninety consecutive days may convene and preside over the meeting themselves.

9 Proposals and Notices of the General Meeting

Where the Company convenes a general meeting, the Board, Supervisory Committee, and shareholder(s) individually or jointly holding more than 3% shares of the Company may make proposals to the Company.

The shareholders individually or jointly holding more than 3% of the shares of the Company may raise temporary proposal and submit it to the convener in writing 10 days before the general meeting is held. The convener shall, within 2 days after the receipt of the proposal, issue a supplementary notice to inform the general meeting of the contents of the temporary proposal.

10 Voting and Resolutions of the General Meeting

The resolutions of a general meeting are classified into ordinary resolutions and special resolutions.

Ordinary resolutions of the general meeting shall be passed by more than half of the voting rights held by the shareholders (including proxies) present at the meeting.

Special resolutions of the general meeting shall be passed by more than two-thirds of the voting rights held by the shareholders (including proxies) present at the meeting.

The following matters shall be resolved by way of ordinary resolution of the general meeting:

- (I) work reports of the Board and the Supervisory Committee;
- (II) profit distribution proposals and proposals for making up losses formulated by the Board;
- (III) appointment, dismissal and remuneration of the members of the Board and the Supervisory Committee and the method of payment of the remuneration;
- (IV) annual financial budgets, final accounts, balance sheet, income statement and other financial statements of the Company;
- (V) annual report of the Company;
- (VI) other matters required by the laws, administrative regulations, regulation rules of the place where the Company's shares are listed or the Articles of Association to be passed by special resolutions.

The following matters shall be resolved by way of special resolution of the general meeting:

- (I) increase or reduction of the Company's registered capital, issuance of any class of shares, options and other similar types of securities;
- (II) issuance of corporate bonds;
- (III) division, merger, dissolution and liquidation or change of organizational form of the Company;
- (IV) amendment to the Articles of Association;
- (V) purchase and disposal of material assets by the Company within one year, or a guarantee amount exceeding 30% of the audited total assets in the most recent period of the Company;
- (VI) the equity incentive scheme;

- (VII) other matters required by the laws, administrative regulations, regulation rules of the place where the Company's shares are listed or the Articles of Association, and matters which, according to an ordinary resolution of the general meeting, may have a significant impact on the Company and shall be adopted by way of a special resolution.

Shareholders (including proxies) shall exercise their voting rights by the number of voting shares they represent at the general meeting, and each share shall have one vote. The Company shares held by the Company have no voting right, and those shares are not included in the total number of voting shares present at the general meeting.

11 Special Voting Procedures for Shareholders of Different Classes

Shareholders who hold different classes of shares shall be class shareholders.

If the Company intends to change or abrogate the rights of class shareholders, it may do so only after such change or abrogation has been approved by way of a special resolution at the general meeting and by a separate class meeting convened by the affected shareholders of that class in accordance with the Articles of Association.

The rights of shareholders of a certain class shall be deemed to have been amended or canceled in the following circumstances:

- (I) to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- (II) to effect an exchange of all or part of the shares of such class into shares of another class, or to effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;
- (III) to remove or reduce rights to accrued dividends or cumulative dividends attached to shares of such class;
- (IV) to reduce or remove a dividend preference or property distribution preference during the liquidation of the Company attached to shares of such class;
- (V) to add, remove or reduce share conversion rights, options, voting rights, transfer rights, preemptive rights to rights issues or rights to acquire securities of the Company attached to shares of such class;
- (VI) to remove or reduce rights to receive amounts payable by the Company in a particular currency attached to shares of such class;

- (VII) to create a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- (VIII) to restrict or impose additional restrictions on the transfer of ownership of shares of such class;
- (IX) to issue rights to subscribe for, or convert into, shares of such class or another class;
- (X) to increase the rights and privileges of shares of another class;
- (XI) to restructure the Company where the proposed restructuring will result in different classes of shareholders having to bear liability to different extents;
- (XII) to amend or cancel the articles of this Chapter.

Shareholders of the affected class, whether or not originally having the right to vote at general meetings, shall have the right to vote at class meetings in respect of matters referred to in items (II) to (VIII) and (XI) to (XII) above, except that interested shareholders shall not have the right to vote at class meetings.

Resolutions of class meeting may be passed only by more than two-thirds of the voting rights of that class represented at the meeting.

The special voting procedures for approval by a class of shareholders shall not apply:

- (I) where, as approved by way of a special resolution of the general meeting, the Company issues, either separately or concurrently, domestic shares and overseas listed foreign shares every 12 months, and the number of the domestic shares and overseas listed foreign shares intended to be issued does not exceed 20% of the issued and outstanding shares of the respective class;
- (II) where the plan for issuance of domestic shares and overseas listed foreign shares upon the establishment of the Company is completed within 15 months after being approved by the securities regulatory body under the State Council;
- (III) where, with the approval of the securities regulatory body under the State Council and the Hong Kong Stock Exchange, the holders of domestic shares of the Company transfer all or part of the shares held by them to foreign investors and list them overseas, or the holders of domestic shares of the Company are approved to convert all or part of their domestic shares into foreign shares, and the converted foreign shares can be listed and traded on overseas stock exchanges.

DIRECTORS AND THE BOARD OF DIRECTORS

12 Directors

Directors are elected by the general meeting with a term of office of three years. Upon expiration of the term, the directors may be re-elected and serve consecutive terms. Directors are not required to hold shares in the Company.

If a director fails to attend the board meeting in person (a director who participates in a board meeting or vote by means of communication is considered to be present in person) or entrust any other director to attend the meeting on his/her behalf for two consecutive times, it shall be deemed that he/she cannot perform his/her duties, and the Board shall recommend the general meeting to remove such director.

A director may resign before the end of his tenure. The director shall submit a written resignation report to the board of director. The Board will disclose the relevant information within 2 days.

13 Independent Non-executive Directors

The Company has independent directors (equivalent to independent non-executive directors under the Hong Kong Listing Rules) and the issues including conditions of appointment, nomination and election procedures, tenure of office, resignation and powers of the independent directors are implemented in accordance with the relevant provisions of the laws, administrative regulations, departmental rules and regulation rules of the place where the shares of the Company are listed.

Independent directors shall faithfully perform their duties and safeguard the interests of the Company, with particular attention to ensuring that the legitimate rights and interests of public shareholders are not jeopardized, so as to ensure that the interests of all shareholders are adequately represented. The functions and powers of the independent non-executive directors and the related matters shall be subject to the relevant provisions of the laws, administrative regulations, departmental rules and the regulation rules of the place where the Company's shares are listed.

14 The Board

The Board is composed of 9 directors, including one chairman. At all times, the Board should have at more than one-third independent directors, and the total number of independent directors should not be less than three, at least one of whom should have appropriate professional qualifications in line with regulatory requirements, or appropriate accounting or related financial management expertise.

The Board shall be accountable to the general meeting and exercise the following powers:

- (I) to convene a shareholders' general meeting and report to the meeting on the work of the Board;
- (II) to implement the resolutions of the general meeting;
- (III) to decide on the business plan and investment scheme of the Company;
- (IV) to formulate the annual financial budgetary plans and final accounting plans of the Company;
- (V) to formulate the profit distribution plan and loss recovery plan of the Company;
- (VI) to formulate plans of increasing or decreasing the Company's registered capital, issuing corporate bonds or other securities and going public;
- (VII) to formulate plans for substantial acquisition, repurchase of shares, or merger, division, dissolution and change of corporate form of the Company;
- (VIII) to examine and approve the guarantees of the Company that require the approval by the general meetings;
- (IX) to examine and approve the transactions under Article 142 of the Articles of Association;
- (X) to examine and approve the matters required to be passed by the Board as stipulated in the Management Measures on Connected Transactions;
- (XI) to determine the setup of the Company's internal management structure;
- (XII) to appoint or dismiss the general manager and secretary to the Board of the Company; to appoint or dismiss senior management personnel such as financial officer according to the nomination of the general manager, and to decide on matters of remuneration, rewards and punishments;
- (XIII) to formulate the basic management system of the Company;
- (XIV) to formulate the proposals for any amendment to the Articles of Association;
- (XV) to request the general meeting to engage or replace the accounting firm that provides audit for the Company;
- (XVI) to debrief the work report of the general manager of the Company and check the works of the general manager;

(XVII) to manage the information disclosure of the Company;

(XVIII) any other functions and powers granted by the laws, administrative regulations, departmental rules, regulation rules of the place where the Company's shares are listed or the Articles of Association.

For matters resolved by the Board in the preceding paragraph, except for items (VI), (VII), (VIII) and (XIV) which must be approved by a vote of at least two-thirds of the directors, the remaining items may be approved by a vote of more than half of the directors.

For the disposal of fixed assets by the Board, in the event that the aggregate amount of the expected value of the proposed disposal of fixed assets and the value of the disposed fixed assets during the four months prior to this proposed disposal exceeds 33% of the value of fixed assets shown in the latest balance sheet as considered at the general meeting, the Board shall not dispose or agree to dispose of such fixed asset without obtaining approval at the general meeting.

The chairman of the Board shall exercise the following powers:

(I) to preside over general meetings and convening and presiding over Board meetings;

(II) to procure and examining the implementation of resolutions of the Board;

(III) to sign share certificates, corporate bonds and other securities issued by the Company;

(IV) to sign important documents of the Board;

(V) to exercise the special disposal power on the Company affairs in line with the interests of the Company in accordance with the provisions of the laws and regulations in case of an emergency of force majeure such as a major natural disaster, and reporting to the Board or the general meeting of the Company afterwards; and

(VI) to exercise other powers as set forth by the Board or in the laws, administrative regulations and regulatory rules of the place where the Company's shares are listed.

The Board shall authorize the chairman expressly by the resolutions of the Board, and provide clear and specific authorization matters, content and authorities. All matters involving the Company's material interests shall be collectively determined by the Board. The Board shall not authorize the chairman or any director to determine such matter.

Board meetings are composed of regular meetings and extraordinary meetings. The Board shall hold at least four meetings each year, which shall be convened by the Chairman and notified to all the directors and supervisors 14 days prior to the meeting in writing. Written notice shall be given to all directors and supervisors five days prior to the convening of an extraordinary Board meeting. In case of emergency and it is necessary to convene an extraordinary Board meeting as soon as possible, the convening of the meeting shall not be subject to the time limit as set out above.

A Board meeting shall not be held unless more than half of the directors are present. A resolution made by the Board must be approved by more than half of all the directors. When the Board considers the external guarantee provided by the Company, consent by more than two-thirds of directors is required. Each director shall have one vote for the resolutions of the Board. In the event of a tie between for and against, the Board chairman is entitled to one additional vote.

The directors shall attend the Board meeting in person. If a director is unable to attend the meeting for some reason, he/she may entrust another director in writing to attend the meeting on his/her behalf. The power of attorney shall specify the name, matters entrusted to, scope of authorization and term of validity of the proxy, and shall be signed or sealed by the principal. The director who attend the meeting on behalf of another director shall exercise the rights of the directors within the scope of authorization. If a director fails to attend a Board meeting or to appoint a proxy, he/she shall be deemed to have waived his/her right to vote at that meeting.

15 Special Committees of the Board

The Board of the Company sets up the Audit Committee, and sets up relevant special committees, such as the Nomination Committee, the Remuneration and Appraisal Committee, and the Strategy Committee, as necessary. The special committees shall be accountable to the Board and shall perform their duties in accordance with the Articles of Association and the authorization of the Board. Their proposals shall be submitted to the Board for deliberation and decision.

16 General Manager and Other Senior Officers

The Company has one general manager and one board secretary. The general manager, the deputy general manager, the board secretary, and the finance officer are senior officers of the Company and shall be appointed or dismissed by the Board.

The general manager of the Company shall be liable to the Board and exercise the following powers:

- (I) to manage the production and operation management of the Company, organizing execution of the Board's resolutions, and reporting the relevant work to the Board;

- (II) to organize the implementation of the annual business plan and investment scheme of the Company;
- (III) to prepare proposal for the internal management organization setting scheme of the Company;
- (IV) to prepare proposal for the basic management system of the Company;
- (V) to develop the specific rules of the Company;
- (VI) to propose the appointment or termination of the deputy general manager or financial officer of the Company to the Board;
- (VII) to decide to appoint or remove the officers other than those subject to the decision of the Board;
- (XIII) to deal with transactions that are not stipulated in the Articles of Association and whose approving standards need to be deliberated by the general meeting or the Board; and
- (IX) other powers granted by the Articles of Association or the Board.

The general manager may attend the Board meetings. The general manager who is not a director has no right to vote at the Board meetings.

17 Supervisory Committee

The Company shall have a Supervisory Committee, which shall consist of three supervisors, including one chairman. The appointment or dismissal of the chairman of the Supervisory Committee shall be determined by two-thirds or more of the members of the Supervisory Committee. The chairman of the Supervisory Committee shall convene and preside over the meeting of the Supervisory Committee. When the chairman of the Supervisory Committee is unable or fails to perform his or her duty, a supervisor jointly recommended by more than half of the supervisors shall convene and preside over the meeting of the Supervisory Committee.

The directors, general manager and other senior officers of the Company shall not serve concurrently as supervisors.

Meetings of the Supervisory Committee are composed of regular meetings and extraordinary meetings. The Supervisory Committee shall hold at least one regular meeting every six months and at least two meetings every year. The chairman of the Supervisory Committee shall be responsible for convening meetings of the Supervisory Committee. The supervisors may propose to convene an extraordinary meeting of the Supervisory Committee.

The Supervisory Committee shall be accountable to the general meeting and exercise the following powers:

- (I) to examine the Company's financial affairs;
- (II) to supervise the acts of the directors and senior officers, and proposing dismissal of directors and senior officers who violate the laws, administrative regulations, the Articles of Association, or resolutions of general meetings;
- (III) when the actions of any directors or senior officers are found to damage the interests of the Company, to urge them to make correction;
- (IV) to propose the convening of extraordinary general meetings and, in case the Board does not perform the obligations to convene and preside over the general meetings in accordance with Company Law and the Articles of Association, convening and presiding over the general meetings;
- (V) to submit proposals to the general meetings;
- (VI) to liaise with directors or prosecute directors on behalf of the Company;
- (VII) to conduct investigation if there is any unusual circumstances in the Company's operations; and if necessary, engaging a law firm, accounting firm, or other professional institutions to assist in their work with expenses to be borne by the Company;
- (VIII) to verify financial information such as financial reports, business reports, profit distribution plans, etc. that the Board intends to submit to the general meeting and, if in doubt, appointing a registered accountant or practicing auditor in the name of the Company to assist in reviewing such information; and
- (IX) to exercise other powers prescribed in the Articles of Association of the Company.

18 Qualifications and Duties of the Directors, Supervisors and Senior Officers of the Company

None of the following persons may serve as a director, supervisor, general manager or other senior officer of the Company:

- (I) persons without capacity or with limited capacity for civil acts;

- (II) persons who were sentenced for crimes of corruption, bribery, encroachment or embezzlement of property or disruption of the social and economic order, where five years have not lapsed following the serving of the sentence, or persons who were deprived of their political rights for committing a crime, where five years have not lapsed following the serving of the sentence;
- (III) persons who acted as directors, or factory managers or managers of companies or enterprises which were bankrupt or liquidated due to poor performance and management and who should bear personal liability for the bankruptcy or liquidation of such companies or enterprises, where three years have not lapsed following the date of completion of such bankruptcy or liquidation;
- (IV) the legal representatives of companies or enterprises that had their business licenses revoked as a result of violating the law, and where such representatives bear personal liability therefore and three years have not lapsed following the date of revocation of such business licenses;
- (V) persons with relatively heavy individual debts that have not been settled upon maturity;
- (VI) persons against whom a case has been established for investigation by the judicial authorities as a result of suspected violation of the criminal law, and such case has not been closed;
- (VII) persons who may not act as leaders of enterprises by virtue of the laws and administrative regulations;
- (VIII) non-natural persons;
- (IX) persons ruled by a relevant organization in charge to have violated securities-related regulations, where such violation involved fraudulent or dishonest acts and five years have not lapsed following the date of the ruling; and
- (X) circumstances specified in the laws, administrative regulations, the listing rules of the place where the Company's shares are listed, and the relevant laws and regulations of the place where the Company's shares are listed.

Any election, designation or appointment of directors, supervisors, general manager or other senior officers in violation of this provision shall be invalid. The Company shall dismiss the director, supervisor, general manager or other senior officers if they are involved in the said circumstances during their respective term of office.

The validity of an act of a director, general manager or other senior officer of the Company on behalf of the Company towards a bona fide third party shall not be affected by any irregularity in his current position, election or qualifications.

In addition to obligations imposed by the laws, administrative regulations or listing rules of the place where the Company's shares are listed, the Company's directors, supervisors, general manager and other senior officers shall owe the following obligations to each shareholder in the exercise of the functions and powers granted to them by the Company:

- (I) not to cause the Company to act beyond the scope of business as stipulated in its business license;
- (II) to act in good faith in the best interests of the Company;
- (III) not to deprive the property of the Company in any form, including (but not limited to) any opportunity favorable to the Company; and
- (IV) not to deprive the individual rights and interests of the shareholders, including (but not limited to) any distribution rights and voting rights, but excluding any plan of reorganization of the Company submitted to the general meeting for approval in accordance with the Articles of Association.

The Company's directors, supervisors, general manager and other senior officers shall, in the exercise of their duties, abide by the principles of honesty and creditability and shall not place themselves in a position where there is a possible conflict between their personal interests and their duties. This principle shall include (but not limited to) the fulfillment of the following obligations:

- (I) to act in good faith in the best interests of the Company;
- (II) to exercise powers within the scope of their functions and powers and not to act beyond such powers;
- (III) to personally exercise the discretion vested in him/her, not to allow himself/herself to be manipulated by another person and, not to delegate the exercise of his/her discretion to another party unless permitted by the laws and administrative regulations or with the consent of the general meeting that has been informed;
- (IV) to treat shareholders of the same class equally and to be impartial to shareholders of different classes;
- (V) not to conclude a contract or enter into a transaction or arrangement with the Company except as otherwise provided in the Articles of Association or with the consent of the general meeting that has been informed;
- (VI) not to use Company property for his/her own benefit in any way without the consent of the general meeting that has been informed;

- (VII) not to use his/her functions and powers as a means for accepting bribes or other forms of illegal income, and not to illegally appropriate Company assets in any way, including (but not limited to) any opportunities that are favorable to the Company;
- (VIII) not to accept commissions in connection with Company transactions without the consent of the general meeting that has been informed;
- (IX) to abide by the Articles of Association, perform his/her duties faithfully, protect the interests of the Company and not to seek personal gain with his/her position, functions and powers in the Company;
- (X) not to compete with the Company in any way without the consent of the general meeting that has been informed;
- (XI) not to embezzle the Company's funds or lend the Company's funds to others, not to deposit the Company's assets in accounts opened in his own or in another's name, and unless otherwise specified by the laws, regulations and the Articles of Association, not to use the Company's assets as security for the debts of the Company's shareholders or other persons; and
- (XII) not to disclose confidential information relating to the Company that was acquired by him/her during his/her office without the consent of the general meeting that has been informed, and not to use such information except in the interests of the Company; however, such information may be disclosed to the court or other government authorities if:
 - 1. required by law;
 - 2. required for the public interest; or
 - 3. required for the interest of such director, supervisor or other senior officer of the Company.

The obligation of honesty and credibility of the Company's directors, supervisors, general manager and other senior officers does not necessarily cease with the termination of their office. Their confidentiality obligation in relation to the Company's trade secrets shall continue after the termination of their office. The term for which other obligations shall continue shall be decided upon in accordance with the principle of fairness, depending on the time lapse between the termination and the occurrence of the matter as well as the circumstances and conditions under which the relationship with the Company is terminated.

If a director, supervisor, general manager or other senior officer of the Company has directly or indirectly been vested a material interest in a contract, transaction or arrangement concluded or planned by the Company (except for his/her employment contract with the Company), he/she shall disclose the nature and extent of his/her interest to the Board at the earliest opportunity, whether or not the matter is normally subject to the approval of the Board.

Except as provided for in note 1 appended to Appendix 3 to the Listing Rules or approved by Hong Kong Stock Exchange, the director shall not vote on any contract or arrangement or any other proposed resolution of the Board in which he/she has a material interest through himself/herself or any of his/her close associates (as defined in the Listing Rules); nor shall he/she be counted when determining whether a quorum is present at the meeting, unless otherwise stipulated by the laws, administrative regulations, normative documents, and securities regulatory authority at the place where the Company's shares are listed,

Unless the interested director, supervisor, general manager or other senior officer of the Company has disclosed such interest to the Board as required under the preceding paragraphs of this Article and the matter has been approved by the Board at a meeting in which he/she was not counted in the quorum and had refrained from voting, the Company shall have the right to void the contract, transaction or arrangement, except where the other party is a bona fide party acting without knowledge of the breach of obligation by the director, supervisor, general manager or other senior officer concerned.

A director, supervisor, general manager and other senior officer of the Company shall be deemed to have an interest in any contract, transaction or arrangement in which a connected person of that director, supervisor, president and senior officer has an interest.

19 Financial and Accounting Systems and Distribution of Profits

The Company shall formulate its own financial and accounting systems in accordance with the laws, administrative regulations and rules of the relevant authorities of the state. If the securities regulatory authorities at the place where the Company's shares are listed stipulate otherwise, the relevant provisions shall prevail.

The Company shall publish its financial report twice a fiscal year, that is, its interim financial report shall be published within 60 days after the end of the first 6 months of the fiscal year and its annual financial report shall be published within 120 days after the end of the fiscal year.

The reserve fund of the Company shall be used to cover the Company's losses, expand its production and operation or to increase its registered capital. However, the capital reserve fund shall not be used to cover the loss of the Company. The capital reserve fund consists of the following:

- (I) the premium from the issuance of shares in excess of their face value; and

- (II) other income to be included in the capital reserve fund as stipulated by the competent financial department of the State Council.

When the statutory reserve fund is converted into registered capital, the remaining statutory reserve fund shall be no less than 25% of the registered capital of the Company before the capital increase.

20 Employment of Accounting Firms

The Company shall employ an independent accounting firm that complies with relevant state regulations to perform audit of the annual financial reports and other financial reports of the Company.

The first accounting firm of the Company may be appointed by the founding meeting prior to the first annual general meeting, and the term of office of the accounting firm shall expire at the end of the first annual general meeting. The Board shall exercise the foregoing functions and powers of the founding meeting if the meeting does not exercise them. Employing an accounting firm for the Company shall be decided by the general meeting. The Board shall not appoint an accounting firm before a general meeting is held. The term of office of an accounting firm employed by the Company shall be from the end of the current annual general meeting of the Company until the end of the next annual general meeting.

An accounting firm employed by the Company shall have the following rights:

- (I) the right of access at all times to the account books, records or vouchers of the Company and the right to require the directors, general manager and other senior officers of the Company to provide relevant information and explanations;
- (II) the right to require the Company to take all reasonable measures to obtain from its subsidiaries the information and explanations necessary for the accounting firm to perform its duties; and
- (III) the right to attend general meetings and to receive a notice or other information concerning any meeting which any shareholder has a right to receive, and to make speech at any general meeting on any matter which relates to it as the accounting firm of the Company.

If the position of accounting firm becomes vacant, the Board may appoint an accounting firm to fill such vacancy before a general meeting is held, provided that such appointment shall be confirmed at the next general meeting. However, if there are other accounting firms holding the position as an accounting firm of the Company while such vacancy still exists, such accounting firms may continue to act.

21 Notice and Announcement

The Company's notices (including but not limited to the notice of the general meetings, the Board meetings and the meetings of the Supervisory Committee) may be given or provided in the following means:

- (I) by personal delivery;
- (II) by fax;
- (III) by post;
- (IV) by email;
- (V) by announcement;
- (VI) by publication in newspaper or other designated media;
- (VII) by publishing them on the website of the Company and the website designated by the stock exchange on which the Company's shares are listed in accordance with the laws, administrative regulations, departmental rules, normative documents, and the Articles of Association; and
- (VIII) by other means acceptable to the securities regulatory authorities at the place where the Company's shares are listed or stipulated in the Articles of Association.

Giving notices to shareholders with the registered address outside Hong Kong is not prohibited in the Articles of Association.

If a notice of the Company is sent by way of announcement, once public announcement is made, it is deemed that all relevant personnel have received the notice. If the securities regulatory authorities at the place where the Company's shares are listed stipulate otherwise, the relevant provisions shall prevail.

Notwithstanding any requirement of the Articles of Association with regard to the provision or notice form of any document, notice or other corporate communications, the Company may choose to adopt the form of notice as stipulated under item 7 of paragraph 1 of this article in substitution for the sending of written materials to the shareholders of overseas listed foreign shares by way of personal delivery or by way of prepaid post, provided that relevant regulations of securities regulatory authority at the place where the Company's shares are listed have been complied with. The corporate communications refer to any documents issued or to be issued by the Company for information or action of shareholders, including but not limited to annual reports (including annual financial reports), interim reports (including interim financial reports), reports of the Board (with its balance sheets and income statements), notices of general meeting, circulars and other communication documents.

The Company issues announcements and information disclosure to shareholders of domestic shares through the laws, administrative regulations or information disclosure newspapers and websites designated by the relevant domestic regulatory authorities. If an announcement is to be made to holders of H shares under the Articles of Association, such announcement shall also be published in designated newspapers, websites and/or the website of the Company in accordance with the method provided for in the Hong Kong Listing Rules. All notices or other documents required to be lodged with the Hong Kong Stock Exchange under Chapter 13 of the Hong Kong Listing Rules shall be in English or accompanied by a signed and certified English translation.

22 Merger, Division, Capital Increase and Reduction, Dissolution and Liquidation

Merger of the Company may take two forms: merger by absorption and merger by new establishment.

In the case of a merger, parties to the merger shall execute a merger agreement, and shall prepare the balance sheets and a schedule of assets. The Company shall notify its creditors within a period of 10 days since the date on which the resolution to proceed with the merger is passed, and publish announcements on the merger in newspaper within 30 days. The creditors shall, within 30 days since the date of receiving a written notice or within 45 days since the date of the first public announcement for those who have not received a written notice, be entitled to require the Company to pay off its debts in full or to provide a corresponding guarantee.

In case of reduction of registered capital of the Company, a balance sheet and assets list shall be formulated. The Company shall notify its creditors within 10 days from the date of passing of the resolution for the reduction of registered capital and shall publish a notice in a newspaper within 30 days thereof. The creditors shall, within 30 days since the date of receiving the notice or within 45 days since the date of the first public announcement for those who have not received a written notice, be entitled to require the Company to pay off its debts in full or to provide a corresponding guarantee.

Where the merger or division of the Company results in a change in its registered particulars, such change shall be registered with the company registry according to law. Where the Company is dissolved, it shall cancel its registration according to law. Where a new company is established, its establishment shall be registered according to law.

The Company shall be dissolved if:

- (I) business term specified in the Articles of Association expires or other dissolution reasons as stipulated in the Articles of Association arise;
- (II) the general meeting resolves to dissolve the Company;
- (III) dissolution is required due to merger or division of the Company;

- (IV) the Company is declared bankrupt according to law because it is unable to pay its debts as they fall due;
- (V) the Company is revoked of business license, ordered to close or canceled according to law; or
- (VI) there is severe difficulty in the operation and management of the Company, and the continued existence of the Company will have material prejudice to the interests of the shareholders and there is no other way to resolve, shareholders who hold an aggregate of over 10% of the whole voting rights can make a petition to the People's Court to dissolve the Company.

The liquidation committee shall exercise the following functions and powers during liquidation:

- (I) to thoroughly examine the assets of the Company and preparing a balance sheet and a schedule of assets respectively;
- (II) to notify the creditors by a notice or public announcement;
- (III) to handle the outstanding business of the Company in connection with liquidation;
- (IV) to repay all outstanding tax payment and the tax payment which arise in the course of the liquidation process;
- (V) to clear up claims and debts;
- (VI) to deal with the remaining assets after full payment of the Company's debts; and
- (VII) to participate in civil litigation on behalf of the Company.

The liquidation committee shall notify its creditors within a period of 10 days since the date it is established, and publish relevant announcements on in newspaper at least three times within 60 days. Creditors shall, within 30 days since the date of receiving the notice, or for creditors who do not receive the notice, within 45 days since the date of the public announcement, report their creditors' rights to the liquidation committee.

After the liquidation committee has thoroughly examined the Company's assets and prepared a balance sheet and schedule of assets, it shall formulate a liquidation plan and submit such plan to the general meeting or the people's court for confirmation.

The remaining property of the Company after paying the liquidation expenses, wages owed to employees of the Company, labor insurance fees and statutory compensation, outstanding taxes and debts of the Company shall be distributed by the class of shares held by shareholders and in proportion to the number of shares held by shareholders.

During the liquidation period, the Company still exists but shall not carry out any business activities not related to liquidation. The property of the Company shall not be distributed to the shareholders until all liabilities have been paid off in accordance with the preceding paragraph.

Following the completion of liquidation, the liquidation committee shall formulate a liquidation report, a revenue and expenditure statement and financial account books in respect of the liquidation period and, after verification thereof by an accountant registered in the PRC, submit the same to the general meeting or the relevant competent authorities for confirmation. Within 30 days from the date of confirmation of the above-mentioned documents by the general meeting or the relevant competent authorities, the liquidation committee shall deliver the same to the company registry, apply for cancellation of the Company's registration and publicly announce the Company's termination.

23 Amendment to the Articles of Association

The Company shall amend the Articles of Association under any of the following circumstances:

- (I) after the Company Law or relevant laws and administrative regulations are amended, the provisions of the Articles of Association are in conflict with the provisions of the amended laws;
- (II) there has been a change to the Company, resulting in inconsistency with the contents in the Articles of Association; and
- (III) the general meeting decides to amend the Articles of Association.

Any amendment to the articles of association involving the contents of the Mandatory Provisions shall come into effect after being approved by the examination and approval department authorized by the State Council and the securities regulatory authority under the State Council (if applicable). Where the Company's registered items are involved, change registration shall be made according to law.

Where any amendment to the Articles of Association, as approved by way of a resolution at the general meeting, is subject to the approval of the relevant administrative authority, it shall be submitted to the relevant administrative authorities for approval; where the Company's registered items are involved, change registration shall be made according to law.

24 Dispute Resolution

The Company shall abide by the following principles for dispute resolution:

- (I) If any dispute or claim arises between a shareholder of overseas listed foreign shares and the Company, or between a shareholder of foreign shares (either overseas listed foreign shares or unlisted foreign shares) and a director, supervisor, general manager or other senior officer of the Company, or between a shareholder of overseas listed foreign shares and a shareholder of unlisted foreign shares or a shareholder of domestic shares, in connection with the rights and obligations relating to the Company's affairs and as regulated by the Articles of Association, the Company Law, the Special Regulations or other relevant laws and administrative regulations, the parties concerned shall submit the dispute or claim for arbitration.

When a dispute or claim as described above is submitted for arbitration, such dispute or claim shall be in its entirety, and all persons being the Company or shareholders, directors, supervisors general manager or other senior offers of the Company that have a cause of action due to the same facts or whose participation is necessary for the settlement of such dispute or claim shall abide by the arbitration.

Disputes concerning the definition of shareholders and the register of shareholders are not required to be settled by means of arbitration.

- (II) A dispute or claim submitted for arbitration may be arbitrated, at the option of the arbitration applicant, by either China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or Hong Kong International Arbitration Center in accordance with its securities arbitration rules. After the arbitration applicant has submitted the dispute or claim for arbitration, the other party shall participate in the arbitration in the arbitration institution selected by the applicant.

If the arbitration applicant opts for arbitration by Hong Kong International Arbitration Center, either party may request for the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of Hong Kong International Arbitration Center.

- (III) Unless otherwise prescribed by the laws or administrative regulations, the laws of the People's Republic of China shall apply to the settlement by means of arbitration of the disputes or claims referred to in item (I).
- (IV) The award made by the arbitration institution shall be final and binding on all the parties involved.

1. FURTHER INFORMATION ABOUT OUR COMPANY**A. Incorporation**

Our Company was established as a limited liability company in the PRC on December 6, 2010 and converted into a joint stock company with limited liability on December 15, 2015. As of the Latest Practicable Date, the registered share capital of our Company was RMB508,658,037, divided into 508,658,037 Shares with a nominal value of RMB1.00 each.

The registered address of our Company is Huitongda Building, No. 50 Zhongling Street, Nanjing, Jiangsu Province, PRC. We have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 3, 2021 and our principal place of business in Hong Kong is at 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. Ms. Au Wai Ching is the authorized representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As the Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices IV and V to this prospectus.

B. Changes in the Share Capital of Our Company

On December 25, 2020, the registered share capital of the Company was increased from RMB485,360,723 to RMB508,658,037. The increased share capital was subscribed by SOE IIF and China Structural Reform Fund.

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this prospectus.

For details of changes in our share capital, see "History, Development and Corporate Structure" of this prospectus.

C. Resolutions Passed by Our Shareholders' General Meeting in Relation to the Global Offering

At the extraordinary general meeting of the Shareholders held on May 10, 2021, the following resolutions, among others, were duly passed:

- (i) the issue by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;
- (ii) the number of H shares to be issued shall be up to 89.76 million, and the grant of the Over-allotment Option in respect of no more than 15% of the number of H Shares issued pursuant to the Global Offering;

- (iii) subject to the CSRC's approval, upon completion of the Global Offering, all Domestic Shares held by existing Shareholders (excluding Huaxia Life) will be converted into H Shares on a 25.67% basis;
- (iv) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the Global Offering, the issue and listing of H Shares on the Hong Kong Stock Exchange; and
- (v) subject to the completion of the Global Offering, the conditional adoption of the revised Articles of Association, which shall become effective on the Listing Date.

D. Changes in Share Capital of Our Subsidiaries

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus.

On March 2, 2020, the registered capital of Huitong Digital Intelligent Technology Co., Ltd. (匯通數科智能科技有限公司) was increased from RMB50.00 million to RMB52.12 million.

On May 13, 2020, the registered capital of Jiangsu Xinglihui Network Technology Co., Ltd. (江蘇星立暉網絡科技有限公司) was increased from RMB10 million to RMB11 million.

On May 19, 2020, the registered capital of Ganzhou Jurong Network Technology Co., Ltd. (贛州巨榕網絡科技有限公司) was decreased from RMB4.2 million to RMB2.7 million.

On May 19, 2020, the registered capital of Nanjing Shumei Network Technology Co., Ltd. (南京市數美網絡科技有限公司) was increased from RMB5 million to RMB6 million.

On July 22, 2020, the registered capital of Nanjing Yuefanyun Network Technology Co., Ltd. (南京市悅梵雲網絡科技有限公司) was increased from RMB5 million to RMB10 million.

On July 28, 2020, the registered capital of Shanghai Yikoutian Network Technology Co., Ltd. (上海壹口田網絡科技有限公司) was increased from RMB3 million to RMB10 million.

On July 30, 2020, the registered capital of Jiangsu Xinglihui Network Technology Co., Ltd. (江蘇星立暉網絡科技有限公司) was increased from RMB11 million to RMB12 million.

On August 31, 2020, the registered capital of Beijing Huide Chengda Network Technology Co., Ltd. (北京匯德誠達網絡科技有限公司) was increased from RMB4 million to RMB10 million.

On September 24, 2020, the registered capital of Nanjing Huixianglai Network Co., Ltd. (南京匯享萊網絡有限公司) was decreased from RMB10 million to RMB5 million.

On November 23, 2020, the registered capital of Gansu Ruitongda Network Technology Co., Ltd. (甘肅瑞通達網絡科技有限公司) was decreased from RMB2 million to RMB0.5 million.

On December 8, 2020, the registered capital of Henan Huiju Tire Co., Ltd. (河南匯聚輪胎有限公司) was decreased from RMB3.6 million to RMB2.4 million.

On December 9, 2020, the registered capital of Shanghai Daxun Network Technology Co., Ltd. (上海達勳網絡科技有限公司) was decreased from RMB1.2 million to RMB0.3 million.

On December 15, 2020, the registered capital of Shenzhen Tiandi Huiheng Network Technology Co., Ltd. (深圳市天地匯恒網絡科技有限公司) was decreased from RMB5 million to RMB4.6 million.

On December 16, 2020, the registered capital of Shenzhen Huimeida Network Technology Co., Ltd. (深圳市匯美達網絡科技有限公司) was decreased from RMB5.1 million to RMB3 million.

On December 17, 2020, the registered capital of Guangzhou Huizhilianqu Network Technology Co., Ltd. (廣州匯智聯趣網絡科技有限公司) was decreased from RMB4.8 million to RMB2 million.

On December 30, 2020, the registered capital of Guangzhou Huiruyi Network Co., Ltd. (廣州市匯如宜網絡有限責任公司) was decreased from RMB2.4 million to RMB1.5 million.

On December 31, 2020, the registered capital of Hunan Sanhuifu Automobile Sales Service Co., Ltd. (湖南三匯富汽車銷售服務有限公司) was decreased from RMB6 million to RMB3 million.

On January 6, 2021, the registered capital of Shanghai Cangju Network Technology Co., Ltd. (上海蒼聚網絡科技有限公司) was decreased from RMB10 million to RMB3 million.

On February 9, 2021, the registered capital of Suzhou Bohui Building Material Co., Ltd. (蘇州玻匯建材有限公司) was decreased from RMB2.25 million to RMB1.8 million.

On May 6, 2021, the registered capital of Daman (Nanjing) Network Technology Co., Ltd. (達曼(南京)網絡科技有限公司) was decreased from RMB5 million to RMB1 million.

On August 30, 2021, the registered capital of Guangdong Tonglida Network Co., Ltd. (廣東通力達網絡有限公司) was decreased from RMB8 million to RMB5.3 million.

On September 23, 2021, the registered capital of Yangzhou Runmei Electric Co., Ltd. (揚州潤美電器有限公司) was decreased from RMB10 million to RMB5 million.

On September 28, 2021, the registered capital of Xuzhou Jinkai Glass Technology Co., Ltd. (徐州金開玻璃科技有限公司) was increased from RMB0.5 million to RMB3 million.

On December 17, 2021, the registered capital of Wuhan Xinnongda Trading Company (武漢鑫農達商貿有限公司) was decreased from RMB20 million to RMB10 million.

On December 28, 2021, the registered capital of Wuxi Qinyu Information Technology Co., Ltd. (無錫市沁俞信息技術有限公司) was increased from RMB0.5 million to RMB5 million.

Save as disclosed above, there has been no alteration in the authorized or issued share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

- (i) the cornerstone investment agreement dated January 28, 2022 entered into among our Company, Skyworth Overseas Investment Holdings Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and China Renaissance Securities (Hong Kong) Limited pursuant to which Skyworth Overseas Investment Holdings Limited agreed to subscribe for such number of H Shares of our Company at the Offer Price in an aggregate amount of US\$50 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy in respect of such number of H Shares of our Company);
- (ii) the cornerstone investment agreement dated January 28, 2022 entered into among our Company, Golden Feather Corporation, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and China Renaissance Securities (Hong Kong) Limited pursuant to which Golden Feather Corporation agreed to subscribe for such number of H Shares of our Company at the Offer Price in an aggregate amount of US\$40 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy in respect of such number of H Shares of our Company);
- (iii) the cornerstone investment agreement dated January 28, 2022 entered into among our Company, Windfall T&L SPC (on behalf of and for the account of SANDS CAPITAL T&L SPC SP2), China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and China Renaissance

Securities (Hong Kong) Limited pursuant to which Windfall T&L SPC (on behalf of and for the account of SANDS CAPITAL T&L SPC SP2) agreed to subscribe for such number of H Shares of our Company at the Offer Price in an aggregate amount of US\$20 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy in respect of such number of H Shares of our Company);

- (iv) the cornerstone investment agreement dated January 28, 2022 entered into among our Company, Heilan Group Co., Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and China Renaissance Securities (Hong Kong) Limited pursuant to which Heilan Group Co., Limited agreed to subscribe for such number of H Shares of our Company at the Offer Price in an aggregate amount of US\$20 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy in respect of such number of H Shares of our Company);
- (v) the cornerstone investment agreement dated January 28, 2022 entered into among our Company, SensePower Management Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and China Renaissance Securities (Hong Kong) Limited pursuant to which SensePower Management Limited agreed to subscribe for such number of H Shares of our Company at the Offer Price in an aggregate amount of US\$10 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy in respect of such number of H Shares of our Company);
- (vi) the cornerstone investment agreement dated January 28, 2022 entered into among our Company, Greenwoods Asset Management Hong Kong Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited and China Renaissance Securities (Hong Kong) Limited pursuant to which Greenwoods Asset Management Hong Kong Limited agreed to subscribe for such number of H Shares of our Company at the Offer Price in an aggregate amount of US\$10 million (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the Financial Reporting Council transaction levy in respect of such number of H Shares of our Company); and
- (vii) the Hong Kong Underwriting Agreement.

B. Our Intellectual Property Rights

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which were material to our Group's business.

Trademarks – registered

As of the Latest Practicable Date, we have registered the following trademarks which we considered to be material to our business:

No.	Registered Owner	Trademark Name	Place of Registration	Registration No.	Class	Period of Validity
1.	the Company		PRC	9359340	35	May 7, 2012 to May 6, 2022
2.	the Company		PRC	12532461	42	October 7, 2014 to October 6, 2024
3.	the Company		PRC	20536385	9	October 14, 2017 to October 13, 2027
4.	the Company		PRC	20543056	35	October 21, 2017 to October 20, 2027
5.	the Company		PRC	20544166	9	August 28, 2017 to August 27, 2027
6.	the Company		PRC	20536415/ 20543048/ 20544191	9/35/42	August 28, 2017 to August 27, 2027
7.	the Company		PRC	31382325	9	July 14, 2019 to July 13, 2029
8.	the Company		PRC	31389309	35	June 14, 2019 to June 13, 2029
9.	the Company		PRC	31387411	42	March 14, 2019 to March 13, 2029
10.	the Company		PRC	20497884/ 20497306	42/35	August 21, 2017 to August 20, 2027
11.	the Company		Hong Kong	305584951	16/35/42	September 21, 2021 to September 20, 2031
12.	the Company		Hong Kong	305584979	16/35/42	September 21, 2021 to September 20, 2031

Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we considered to be material to our business:

<u>No.</u>	<u>Registered Owner</u>	<u>Domain Name</u>	<u>Period of Validity</u>
1	the Company	htd.cn	April 17, 2026

Software Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we considered to be material to our business:

<u>No.</u>	<u>Copyright</u>	<u>Registered Owner</u>	<u>Version</u>	<u>Registration Number</u>	<u>Registration Date</u>
1	Super Boss APP	the Company	V1.0	2017SR120974	April 17, 2017
2	Huixianggou APP (Android version)	Huitong Datatech Smart Technology Co., Ltd.	V4.0.0	2020SR0277530	March 19, 2020
3	Super Manager	the Company	V2.0	2017SR123198	April 18, 2017
4	Huitongda Cloud-native business mid-table systems	the Company	V1.0	2020SR0455458	May 14, 2020
5	Huitongda e-commerce ERP-proprietary business system	the Company	V1.0	2020SR0817804	July 23, 2020

Save as disclosed herein, there are no other trademarks, copyrights, domain names, patents or other intellectual or industrial property rights which are or may be material to our business.

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we will enter into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of the Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

B. Remuneration of Directors and Supervisors

For each of the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, the total remuneration paid to our Directors amounted to RMB2.54 million, RMB2.68 million, RMB2.56 million and RMB2.15 million, respectively.

For each of the years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021, the total remuneration paid to our Supervisors amounted to RMB1.82 million, RMB1.70 million, RMB2.46 million and RMB1.37 million, respectively.

Under the arrangement currently in force, we estimate the total fixed remuneration (excluding bonus) payable to Directors and Supervisors for the year ending 31 December 2021 will be approximately RMB2.87 million and RMB1.83 million, respectively.

C. Personal Guarantees

Save as disclosed in the section headed "Relationship with Single Largest Shareholder", as of the Latest Practicable Date, our Directors and Supervisors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to us.

D. Agency Fees or Commissions Received

None of the Directors or any of the persons whose names are listed in the paragraph "– 5. Other Information – G. Qualification of Experts" had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this prospectus.

4. DISCLOSURE OF INTEREST

A. Disclosure of Interests of Directors, Supervisors and Chief Executive of the Company

Immediately following the completion of the Global Offering and Conversion of Domestic Shares into H Shares, assuming that the Over-allotment Option is not exercised, the interest and short position of each of our Directors, Supervisors and Chief Executive Officer in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) will be as follows:

Interest in our Company

<u>Name</u>	<u>Position</u>	<u>Class of Shares to be held after the Global Offering</u>	<u>Number of Shares to be held after the Global Offering</u>	<u>Nature of interest</u>	<u>Approximate percentage of Shareholding in the Relevant Class of Shares after the Global Offering</u>	<u>Approximate percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering</u>
Mr. Wang . .	Non-executive Director	H Shares	39,516,334	Beneficial Owner	22.21%	7.05%
		Domestic Shares	114,439,526	Beneficial Owner	29.93%	20.43%
		H Shares	2,991,759	Interest in a controlled corporation	1.68%	0.53%
		Domestic Shares	8,664,152	Interest in a controlled corporation	2.27%	1.55%

Name	Position	Class of Shares to be held after the Global Offering	Number of Shares to be held after the Global Offering	Nature of interest	Approximate	Approximate
					percentage of Shareholding in the Relevant Class of Shares after the Global Offering	percentage of Shareholding in the Total Issued Share Capital of our Company immediately after the Global Offering
Mr. Xu Xiuxian . . .	Executive Director	H Shares	18,295,661	Beneficial Owner	10.28%	3.27%
		Domestic Shares	52,984,339	Beneficial Owner	13.86%	9.46%
Mr. Wang Jian	Non- executive Director	H Shares	7,455,912	Beneficial Owner	4.19%	1.33%
		Domestic Shares	21,592,364	Beneficial Owner	5.65%	3.85%
Mr. Li Wei	Supervisor	H Shares	745,591	Beneficial Owner	0.42%	0.13%
		Domestic Shares	2,159,237	Beneficial Owner	0.56%	0.39%

B. Disclosure of Interests of Substantial Shareholders

(a) *Interest in the Shares of our Company*

For information on the persons who will, immediately following the completion of the Global Offering and Conversion of Domestic Shares into H Shares, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, see “Substantial Shareholders”.

(b) *Interests of the substantial shareholders of other members of our Group*

As of the Latest Practicable Date, so far as our Directors are aware, the following persons (other than our Directors or chief executive of our Company) were 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 other member of our Group:

	<u>Name of Members of our Group</u>	<u>Name of Shareholder</u>	<u>Percentage of Shareholding</u>
1	陝西匯隆達供應鏈管理有限公司 (Shanxi Huilongda Supplier Chain Management Co., Ltd.)	宋丹 (Song Dan)	49%
2	浙江匯超網絡科技有限公司 (Zhejiang Huichao Network Technology Co., Ltd.)	沈國金 (Shen Guojin)	49%
3	無錫市沁俞信息技術有限公司 (Wuxi Qinyu Information Technology Co., Ltd.)	祁苗苗 (Qi Miaomiao)	49%
4	杭州景威電子商務有限公司 (Hangzhou Jingwei Electronic Commerce Co., Ltd.)	金輝 (Jin Hui)	49%
5	徐州金開玻璃科技有限公司 (Xuzhou Jinkai Glass Technology Co., Ltd.)	梁晴晴 (Liang Qingqing)	49%
6	山東鑫德通橡膠科技有限公司 (Shandong Xindetong Rubber Technology Co., Ltd.)	山東君誠橡膠科技 有限公司 (Shandong Juncheng Rubber Technology Co., Ltd.)	49%
7	杭州匯義匯科技有限公司 (Hangzhou Huiyihui Technology Co., Ltd.)	鬱仕傑 (Yu Shijie)	49%
8	廣州市匯信網絡有限公司 (Guangzhou Huixin Network Co., Ltd.)	陳培章 (Chen Peizhang)	49%
9	達曼(南京)網絡科技有限公司 (Daman (Nanjing) Network Technology Co., Ltd.)	浙江諾伊曼實業 有限公司 (Zhejiang Noyoke Industrial Co., Ltd.)	49%
10	嘉興匯聞科技有限公司 (Jiaxing Huiwen Technology Co., Ltd.)	邵俊傑 (Shao Junjie)	49%
11	南京匯春泰酒業銷售有限公司 (Nanjing Huichuntai Wine Sales Co., Ltd.)	泰州市梅蘭春酒業銷 售有限公司 (Taizhou Meilanchun Wine Sales Co., Ltd.)	49%
12	南京市聚勢樂通網絡科技有限公司 (Nanjing Jushi Letong Network Technology Co., Ltd.)	代亮 (Dai Liang)	49%
13	陝西太信通數字科技有限公司 (Shaanxi Taixintong Digital Technology Co., Ltd.)	唐繼宏 (Tang Jihong)	49%
14	寧波匯峻商貿有限公司 (Ningbo Huijun Trading Co., Ltd.)	黃國均 (Huang Guojun)	49%
15	河南匯一照明科技有限公司 (Henan Huiyi Lighting Technology Co., Ltd.)	張眾 (Zhang Zhong)	49%
16	海南新錦成科技有限公司 (Hainan Xinjincheng Technology Co., Ltd.)	張瑞芳 (Zhang Ruifang)	49%
17	杭州樂潮匯科技有限責任公司 (Hangzhou Lechaohui Technology Co., Ltd.)	杭州樂秀電子科技 有限公司 (Hangzhou Lexiu Electronic Technology Co., Ltd.)	49%

	Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
18	湖南阡耘禾佳智慧農業有限公司 (Hunan Qianyun Hejia Smart Agriculture Co., Ltd.)	謝風英 (Xie Fengying)	49%
19	佛山三鼎海通網絡科技有限公司 (Foshan Sanding Haitong Network Technology Co., Ltd.)	樊奇 (Fan Qi)	49%
20	河南尚夏科技發展有限公司 (Henan Shangxia Technology Development Co., Ltd.)	李金平 (Li Jinping)	49%
21	河南前一甲網絡科技有限公司 (Henan Qianyijia Network Technology Co., Ltd.)	原延鵬 (Yuan Yanpeng)	49%
22	南京美特嘉網絡科技有限公司 (Nanjing Meitejia Network Technology Co., Ltd.)	寧化維克投資有 限公司 (Ninghua Weike Investment Co., Ltd.)	40%
23	南京諾仕博網絡科技有限公司 (Nanjing Nuoshibo Network Technology Co., Ltd.)	劉楊 (Liu Yang)	45%
24	鹽城艾特網絡有限公司 (Yancheng Aite Network Co., Ltd.)	史宏軍 (Shi Hongjun)	45%
25	徐州晟美網絡科技有限公司 (Xuzhou Shengmei Network Technology Co., Ltd.)	何煒煒 (He Weiwei)	45%
26	湖南富喜康農牧有限責任公司 (Hunan Fuxikang Agriculture and Animal Husbandry Co., Ltd.)	鐘玲 (Zhong Ling)	45%
27	無錫艾瑞奇互聯網科技有限公司 (Wuxi Airuiqi Internet Technology Co., Ltd.)	青島亨正智造投資合 夥企業(有限合夥) (Qingdao Hengzheng Intelligent Manufacturing Investment Partnership (Limited Partnership))	45%
28	廣東通力達網絡有限公司 (Guangdong Tonglida Network Co., Ltd.)	廣東綠萌生物科技 有限公司 (Guangdong Lvmeng Biological Technology Co., Ltd.)	45%
29	匯眾天下 (江蘇)新能源科技有限公司 (Huizhong Tianxia (Jiangsu) New Energy Technology Co., Ltd.)	眾聯天下汽車銷售 服務有限公司 (Zhonglian Tianxia Automobile Sales Service Co., Ltd.)	45%
30	安徽金匯達網絡科技有限公司 (Anhui Jinhuida Network Technology Co., Ltd.)	安徽金種子酒業股份 有限公司 (Anhui Golden Seed Winery Co., Ltd.)	44%
31	常熟蘇匯網絡有限公司 (Changshu Suhui Network Co., Ltd.)	黃麗芳 (Huang Lifang)	42%

	<u>Name of Members of our Group</u>	<u>Name of Shareholder</u>	<u>Percentage of Shareholding</u>
32	明光市匯成商貿有限公司 (Mingguang Huicheng Trading Co., Ltd.)	秦之銀 (Qin Zhiyin)	40%
33	宣城匯通達農村電子商務有限公司 (Xuancheng Huitongda Rural Electronic Commerce Co., Ltd.)	肖富庭 (Xiao Futing)	40%
34	江蘇居家運通商貿有限公司 (Jiangsu Jollyhome Trading Co., Ltd.)	王加葉 (Wang Jiaye)	40%
35	南通三創商貿有限公司 (Nantong Sanchuang Trading Co., Ltd.)	李廣林 (Li Guanglin)	40%
36	南通匯潔信商貿有限公司 (Nantong Huijiexin Trading Co., Ltd.)	季勇 (Ji Yong)	40%
37	南京匯特威商貿有限公司 (Nanjing Huitewei Trading Co., Ltd.)	倪世驥 (Ni Shiji)	40%
38	常州匯潔信商貿有限公司 (Changzhou Huijiexin Trading Co., Ltd.)	潘振紅 (Pan Zhenhong)	40%
39	淮安市滙豐達商貿有限公司 (Huai'an Huifengda Trading Co., Ltd.)	張俊榮 (Zhang Junrong)	40%
40	濟南匯格通貿易有限公司 (Jinan Huigetong Trading Co., Ltd.)	楊孝民 (Yang Xiaomin)	40%
41	射陽縣美創商貿有限公司 (Sheyang County Meichuang Trading Co., Ltd.)	劉延冬 (Liu Yandong)	40%
42	宿遷盱齊商貿有限公司 (Suqian Xuanqi Trading Co., Ltd.)	張媛 (Zhang Yuan)	40%
43	南京炯耀商貿有限公司 (Nanjing Jiongyao Trading Co., Ltd.)	王雲龍 (Wang Yunlong)	40%
44	濟南匯盟商貿有限公司 (Jinan Huimeng Trading Co., Ltd.)	楊玉鳳 (Yang Yufeng)	40%
45	徐州匯天宇商貿有限公司 (Xuzhou Huitianyu Trading Co., Ltd.)	劉敬峰 (Liu Jingfeng)	40%
46	揚州萬晟電氣有限公司 (Yangzhou Wansheng Electric Co., Ltd.)	蔣貝貝 (Jiang Beibei)	40%
47	菏澤市彙聚網絡科技有限公司 (Heze Huiju Network Technology Co., Ltd.)	高傑 (Gao Jie)	40%
48	宣城市匯和商貿有限公司 (Xuancheng Huihe Trading Co., Ltd.)	黃峰 (Huang Feng)	40%
49	阜陽匯松達電器銷售有限公司 (Fuyang Huisongda Electric Appliance Sales Co., Ltd.)	姚越 (Yao Yue)	40%
50	淮安匯安達電器貿易有限公司 (Huai'an Huianda Electrical Appliance Trading Co., Ltd.)	馮鐳射 (Feng Leishe)	40%
51	濟南匯騰網絡科技有限公司 (Jinan Huiteng Network Technology Co., Ltd.)	範世奎 (Fan Shikui)	40%
52	濟南匯尼特網絡技術有限公司 (Jinan Huinite Network Technology Co., Ltd.)	丁嘉琪 (Ding Jiaqi)	40%
53	滁州市昂揚商貿有限公司 (Chuzhou Angyang Trading Co., Ltd.)	昂開崗 (Ang Kaigang)	40%
54	無錫匯之利商貿有限公司 (Wuxi Huizhili Trading Co., Ltd.)	潘克建 (Pan Kejian)	40%

	<u>Name of Members of our Group</u>	<u>Name of Shareholder</u>	<u>Percentage of Shareholding</u>
55	杭州匯甯美商貿有限公司 (Hangzhou Huiningmei Trading Co., Ltd.)	陳敏華 (Chen Minhua)	40%
56	淮安匯百通商貿有限公司 (Huai'an Huibaitong Trading Co., Ltd.)	朱躍 (Zhu Yue)	40%
57	寧波雲匯達電器有限公司 (Ningbo Yunhuida Electric Appliance Co., Ltd.)	毛寅峰 (Mao Yinfeng)	40%
58	靖江匯恒電器有限公司 (Jingjiang Huiheng Electric Co., Ltd.)	祁銘 (Qi Ming)	40%
59	溫州匯耀貿易有限公司 (Wenzhou Huiyao Trading Co., Ltd.)	李馳 (Li Chi)	40%
60	諸暨市雲匯達商貿有限公司 (Zhujiaji Yunhuida Trading Co., Ltd.)	趙月忠 (Zhao Yuezhong)	40%
61	連雲港匯豪商貿有限公司 (Lianyungang Huihao Trading Co., Ltd.)	車淮遠 (Che Huaiyuan)	40%
62	宣城匯盛通商貿有限公司 (Xuancheng Huishengtong Trading Co., Ltd.)	田輝 (Tian Hui)	40%
63	安慶市千百匯網絡技術服務有限公司 (Anqing Qianbaihui Network Technology Service Co., Ltd.)	陳方園 (Chen Fangyuan)	40%
64	蘇州建格空調有限公司 (Suzhou Jiange Air Conditioning Co., Ltd.)	黃利強 (Huang Liqiang)	40%
65	揚州彙聚鼎網絡有限公司 (Yangzhou Huijuding Network Co., Ltd.)	呂學蘭 (Lv Xuelan)	40%
66	六安彙聚達網絡有限公司 (Luan Huijuda Network Co., Ltd.)	黃滿 (Huang Man)	40%
67	東營嘉匯爾網絡科技有限公司 (Dongying Jiahui'er Network Technology Co., Ltd.)	魏永剛 (Wei Yonggang)	40%
68	杭州匯森貿易有限公司 (Hangzhou Huisen Trading Co., Ltd.)	李輝 (Li Hui)	40%
69	天長市匯甯達商貿有限公司 (Tianchang Huiningda Trading Co., Ltd.)	黃文昌 (Huang Wenchang)	40%
70	嘉興滙豐網絡科技有限公司 (Jiaxing Huifeng Network Technology Co., Ltd.)	潘永新 (Pan Yongxin)	40%
71	蚌埠匯錦網絡有限公司 (Bengbu Huijin Network Co., Ltd.)	沈紅 (Shen Hong)	40%
72	成都澤潤通達網絡科技有限公司 (Chengdu Zeruntongda Network Technology Co., Ltd.)	羅小鋒 (Luo Xiaofeng)	40%
73	臨沂市匯拓網絡科技有限公司 (Linyi Huituo Network Technology Co., Ltd.)	宋加偉 (Song Jiawei)	40%
74	南通匯拓商貿有限公司 (Nantong Huituo Trading Co., Ltd.)	陳小東 (Chen Xiaodong)	40%
75	銅陵市匯美達網絡科技有限公司 (Tongling Huimeida Network Technology Co., Ltd.)	姚新華 (Yao Xinhua)	40%

	<u>Name of Members of our Group</u>	<u>Name of Shareholder</u>	<u>Percentage of Shareholding</u>
76	杭州匯勵電器貿易有限公司 (Hangzhou Huili Electrical Appliance Trading Co., Ltd.)	吳張磊 (Wu Zhanglei)	40%
77	泰安匯力網絡科技有限公司 (Taian Huili Network Technology Co., Ltd.)	楊志龍 (Yang Zhilong)	40%
78	揚州潤美電器有限公司 (Yangzhou Runmei Electric Appliance Co., Ltd.)	田大明 (Tian Daming)	40%
79	南京未來之家智能控制系統有限公司 (Nanjing Future Home Smart Control System Co., Ltd.)	楊明虎 (Yang Minghu)	40%
80	阜陽市匯信電器銷售有限公司 (Fuyang Huixin Electrical Appliance Sales Co., Ltd.)	張廣奎 (Zhang Guangkui)	40%
81	洛陽匯峰網絡科技有限公司 (Luoyang Huifeng Network Technology Co., Ltd.)	任朝峰 (Ren Chaofeng)	40%
82	莊平縣匯海達網絡科技有限公司 (Chiping County Huihaida Network Technology Co., Ltd.)	楊朋 (Yang Peng)	40%
83	南通東恒冷暖設備有限公司 (Nantong Dongheng Cooling and Heating Equipment Co., Ltd.)	周海燕 (Zhou Haiyan)	40%
84	滁州市匯元達網絡有限公司 (Chuzhou Huiyuanda Network Co., Ltd.)	劉先華 (Liu Xianhua)	40%
85	遼寧北方聚創網絡科技有限公司 (Liaoning Beifangjuchuang Network Technology Co., Ltd.)	王立國 (Wang Liguo)	40%
86	揚州匯高通網絡有限公司 (Yangzhou Huigaotong Network Co., Ltd.)	張國忠 (Zhang Guozhong)	40%
87	連雲港匯勝傑商貿有限公司 (Lianyungang Huishengjie Trading Co., Ltd.)	何美玲 (He Meiling)	40%
88	青島匯鑫源網絡有限公司 (Qingdao Huixinyuan Network Co., Ltd.)	魏琳傑 (Wei Linjie)	40%
89	湖南匯遠商貿有限公司 (Hunan Huiyuan Trading Co., Ltd.)	肖任 (Xiao Ren)	40%
90	南陽市匯美達網絡科技有限公司 (Nanyang Huimeida Network Technology Co., Ltd.)	馬鳳玲 (Ma Fengling)	40%
91	常州昊天網絡有限公司 (Changzhou Haotian Network Co., Ltd.)	邵煥成 (Shao Huancheng)	40%
92	湖北聚之帆網絡科技有限公司 (Hubei Juzhifan Network Technology Co., Ltd.)	熊增軍 (Xiong Zengjun)	40%
93	煙台新凌匯科網絡科技有限公司 (Yantai Xinling Huike Network Technology Co., Ltd.)	王德科 (Wang Deke)	40%
94	紹興匯邦網絡科技有限公司 (Shaoxing Huibang Network Technology Co., Ltd.)	趙建東 (Zhao Jiandong)	40%
95	臨沂匯恒網絡科技有限公司 (Linyi Huiheng Network Technology Co., Ltd.)	張悅 (Zhang Yue)	40%
96	開化縣匯陽網絡科技有限公司 (Kaihua County Huiyang Network Technology Co., Ltd.)	余冬梅 (Yu Dongmei)	40%
97	新鄉市匯和電子商務有限公司 (Xinxiang Huihe Electronic Commerce Co., Ltd.)	陳紀延 (Chen Jiyan)	40%
98	南昌市匯恩網絡科技有限公司 (Nanchang Huien Network Technology Co., Ltd.)	趙衛平 (Zhao Weiping)	40%

	<u>Name of Members of our Group</u>	<u>Name of Shareholder</u>	<u>Percentage of Shareholding</u>
99	宿州匯潤達網絡有限公司 (Suzhou Huirunda Network Co., Ltd.)	李躍 (Li Yue)	40%
100	禹州市匯城電子商務有限公司 (Yuzho Huicheng Electronic Commerce Co., Ltd.)	吳冠元 (Wu Guanyuan)	40%
101	常州馳晟網絡科技有限公司 (Changzhou Chisheng Network Technology Co., Ltd.)	劉秀芳 (Liu Xiufang)	40%
102	萊蕪匯鼎網絡科技有限公司 (Laiwu Huiding Network Technology Co., Ltd.)	趙加政 (Zhao Jiazheng)	40%
103	杭州臨安匯遠達網絡科技有限公司 (Hangzhou Lin'an Huiyuanda Network Technology Co., Ltd.)	方國明 (Fang Guoming)	40%
104	常州欣滿意電器銷售有限公司 (Changzhou Xinmanyi Electric Appliance Sales Co., Ltd.)	劉亞軍 (Liu Yajun)	40%
105	寧波匯美網絡科技有限公司 (Ningbo Huimei Internet Technology Co., Ltd.)	應燕芬 (Ying Yanfen)	40%
106	泰興市匯達商貿有限公司 (Taixing Huida Trading Co., Ltd.)	沈玲 (Shen Ling)	40%
107	駐馬店市匯美電子商務有限公司 (Zhumadian Huimei Electronic Commerce Co., Ltd.)	龔提提 (Gong Titi)	40%
108	溫州匯盈網絡有限公司 (Wenzhou Huiying Network Co., Ltd.)	李新英 (Li Xinying)	40%
109	湖南村達網絡有限公司 (Hunan Cunda Network Co., Ltd.)	劉鵬 (Liu Peng)	40%
110	杭州匯臻網絡科技有限公司 (Hangzhou Huizhen Network Technology Co., Ltd.)	黃國榮 (Huang Guorong)	40%
111	嘉興匯眾環境科技有限公司 (Jiaxing Huizhong Environmental Technology Co., Ltd.)	王曉瑜 (Wang Xiaoyu)	40%
112	十堰匯易購網絡科技有限公司 (Shiyan Huiyigou Network Technology Co., Ltd.)	江勁松 (Jiang Jinsong)	40%
113	湖北匯荊達網絡科技有限公司 (Hubei Huijingda Network Technology Co., Ltd.)	王建 (Wang Jian)	40%
114	長沙市匯千怡電子商務有限公司 (Changsha Huiqianyi Electronic Commerce Co., Ltd.)	李奇 (Li Qi)	40%
115	廊坊市匯隆益網絡科技有限公司 (Langfang Huilongyi Network Technology Co., Ltd.)	曹文濤 (Cao Wentao)	40%
116	山東聊城匯義達網絡科技有限公司 (Shandong Liaocheng Huiyida Network Technology Co., Ltd.)	楊軍 (Yang Jun)	40%
117	襄陽匯南洋通達商貿有限公司 (Xiangyang Huinanyang Tongda Trading Co., Ltd.)	革小明 (Ge Xiaoming)	40%
118	威海金東匯網絡科技有限公司 (Weihai Jindonghui Network Technology Co., Ltd.)	劉東 (Liu Dong)	40%
119	鎮江匯興海電器商貿有限公司 (Zhenjiang Huixinghai Electrical Appliance Trading Co., Ltd.)	陸麓 (Lu Lu)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
120 荊門匯通芸科農業科技有限公司 (Jingmen Huitong Yunke Agricultural Technology Co., Ltd.)	蘇永進 (Su Yongjin)	40%
121 南通博浩匯峰貿易有限公司 (Nantong Bohao Huifeng Trading Co., Ltd.)	吉安軍 (Ji Anjun)	40%
122 威海龍匯網絡科技有限公司 (Weihai Longhui Network Technology Co., Ltd.)	劉心潔 (Liu Xinjie)	40%
123 安慶三創商貿有限公司 (Anqing Sanchuang Trading Co., Ltd.)	衛揚超 (Wei Yangchao)	40%
124 淄博匯鈺達網絡科技有限公司 (Zibo Huixinda Network Technology Co., Ltd.)	付婷 (Fu Ting)	40%
125 合肥市育德永匯銷售有限公司 (Hefei Yude Yonghui Sales Co., Ltd.)	劉雲 (Liu Yun)	40%
126 江山市匯金網絡科技有限公司 (Jiangshan Huijin Network Technology Co., Ltd.)	周建波 (Zhou Jianbo)	40%
127 南通市惠客萊貿易有限公司 (Nantong Huikelai Trading Co., Ltd.)	葛憶然 (Ge Yiran)	40%
128 滕州市匯順達網絡科技有限公司 (Tengzhou Huishunda Network Technology Co., Ltd.)	孫靜 (Sun Jing)	40%
129 濟甯匯通天安網絡科技有限公司 (Jining Huitong Tian'an Network Technology Co., Ltd.)	譚鋒 (Tan Feng)	40%
130 濟南匯達豐網絡科技有限公司 (Jinan Huidafeng Network Technology Co., Ltd.)	楊會永 (Yang Huiyong)	40%
131 常德匯華貿易有限公司 (Changde Huihua Trading Co., Ltd.)	肖巍 (Xiao Wei)	40%
132 臨沂安吉匯達網絡科技有限公司 (Linyi Anji Huida Network Technology Co., Ltd.)	張欽月 (Zhang Qinyue)	40%
133 豐縣匯勇達農業裝備有限公司 (Fengxian Huiyongda Agricultural Equipment Co., Ltd.)	劉蘭珍 (Liu Lanzhen)	40%
134 杭州匯居住佳網絡科技有限公司 (Hangzhou Huijuzhijia Network Technology Co., Ltd.)	吳信雲 (Wu Xinyun)	40%
135 山東匯朗網絡技術有限公司 (Shandong Huilang Network Technology Co., Ltd.)	劉煥青 (Liu Huanqing)	40%
136 濱州匯泰達網絡科技有限公司 (Binzhou Huitaida Network Technology Co., Ltd.)	卞紅霞 (Bian Hongxia)	40%
137 武漢匯通七彩網絡科技有限公司 (Wuhan Huitong Qicai Network Technology Co., Ltd.)	梁小武 (Chen Xiaowu)	40%
138 池州市藍天電子商務有限公司 (Chizhou Lantian Electronic Commerce Co., Ltd.)	項亮日 (Xiang Liangri)	40%
139 滕州市彙集網絡科技有限公司 (Tengzhou Huiji Network Technology Co., Ltd.)	朱永成 (Zhu Yongcheng)	40%
140 南京金聚陽網絡科技有限公司 (Nanjing Jinjuyang Network Technology Co., Ltd.)	陳紅兵 (Chen Hongbing)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
141 成都匯泰邦網絡有限責任公司 (Chengdu Huitaibang Network Co., Ltd.)	肖梅玲 (Xiao Meiling)	40%
142 宿遷市匯源通農機汽車銷售有限公司 (Suqian Huiyuantong Agricultural Machinery Automobile Sales Co., Ltd.)	高念軍 (Gao Nianjun)	40%
143 沂南縣匯合網絡技術有限公司 (Yinan Huihe Network Technology Co., Ltd.)	杜秀菊 (Du Xiuju)	40%
144 唐山匯揚網絡科技有限公司 (Tangshan Huiyang Network Technology Co., Ltd.)	曹海揚 (Cao Haiyang)	40%
145 成武縣匯鑫網絡科技有限公司 (Chengwu Huixin Network Technology Co., Ltd.)	龐豔敏 (Pang Yanmin)	40%
146 南京匯銓達機電設備有限公司 (Nanjing Huixinda Mechanical and Electrical Equipment Co., Ltd.)	汪晨 (Wang Chen)	40%
147 余姚市匯洋網絡科技有限公司 (Yuyao Huiyang Network Technology Co., Ltd.)	韓文超 (Han Wenchao)	40%
148 武漢匯盟信達網絡科技有限責任公司 (Wuhan Huimeng Xinda Network Technology Co., Ltd.)	李剛 (Li Gang)	40%
149 池州匯旺達電子商務有限公司 (Chizhou Huiwangda Electronic Commerce Co., Ltd.)	田定永 (Tian Dingyong)	40%
150 南昌川和網絡科技有限公司 (Nanchang Chuanhe Network Technology Co., Ltd.)	管希華 (Guan Xihua)	40%
151 萍鄉市匯鑫網絡科技有限公司 (Pingxiang Huixin Network Technology Co., Ltd.)	劉洪 (Liu Hong)	40%
152 河北欣龍匯網絡科技有限公司 (Hebei Xinlonghui Network Technology Co., Ltd.)	馬保安 (Ma Baoan)	40%
153 荊門匯通九源商貿有限公司 (Jingmen Huitong Jiuyuan Trading Co., Ltd.)	朱成俊 (Zhu Chengjun)	40%
154 南通美雲銷電器有限公司 (Nantong Meiyunxiao Electric Appliance Co., Ltd.)	姚少強 (Yao Shaoqiang)	40%
155 南京惠林環境科技有限公司 (Nanjing Huilin Environmental Technology Co., Ltd.)	姚天俊 (Yao Tianjun)	40%
156 廣州粵寧匯互聯網科技有限公司 (Guangzhou Yueninghui Internet Technology Co., Ltd.)	馬亞 (Ma Ya)	40%
157 南京彙聚幫光電科技有限公司 (Nanjing Huijubang Optoelectronics Technology Co., Ltd.)	曹仙華 (Cao Xianhua)	40%
158 常州市匯德菲網絡科技有限公司 (Changzhou Huidefei Network Technology Co., Ltd.)	王進 (Wang Jin)	40%
159 南京匯晟通電器銷售有限公司 (Nanjing Huishengtong Electrical Appliances Sales Co., Ltd.)	傅世南 (Fu Shinan)	40%
160 南通亦珩雲網絡銷售有限公司 (Nantong Yihengyun Network Sales Co., Ltd.)	薛宇麟 (Xue Yulin)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
161 六安匯聯商貿有限公司 (Luan Huilian Trading Co., Ltd.)	徐華成 (Xu Huacheng)	40%
162 運城鄰訊電子商務有限公司 (Yuncheng Linxun E-commerce Co., Ltd.)	秦民山 (Qin Minshan)	40%
163 甯國市匯宇電子商務有限公司 (Ningguo Huiyu Electronic Commerce Co., Ltd.)	王振 (Wang Zhen)	40%
164 河北匯盟網絡科技有限公司 (Hebei Huimeng Network Technology Co., Ltd.)	王洪義 (Wang Hongyi)	40%
165 陽新匯泰網絡科技有限公司 (Yangxin Huitai Network Technology Co., Ltd.)	彭彬 (Peng Bin)	40%
166 黃山惠立達電子商務有限公司 (Huangshan Huilida Electronic Commerce Co., Ltd.)	蘇美玲 (Su Meiling)	40%
167 宿州市九州泰隆網絡科技有限公司 (Suzhou Jiuzhou Tailong Network Technology Co., Ltd.)	孫偉 (Sun Wei)	40%
168 泰州市匯夢達網絡科技有限公司 (Taizhou Huimengda Network Technology Co., Ltd.)	沈丙鳳 (Shen Bingfeng)	40%
169 鹽城大豐海存網絡有限公司 (Yancheng Dafeng Haicun Network Co., Ltd.)	餘海存 (Yu Haicun)	40%
170 任丘市匯榮網絡科技有限公司 (Renqiu Huirong Network Technology Co., Ltd.)	郭亞先 (Guo Yaxian)	40%
171 宿遷天沃商貿有限公司 (Suqian Tianwo Trading Co., Ltd.)	莫書榮 (Mo Shurong)	40%
172 蕪湖奧斯普爾電子商務有限責任公司 (Wuhu Aosipuer Electronic Commerce Co., Ltd.)	王海濤 (Wang Haitao)	40%
173 平頂山市匯康電子商務有限公司 (Pingdingshan Huikang Electronic Commerce Co., Ltd.)	張紅新 (Zhang Hongxin)	40%
174 深圳市天地匯恒網絡科技有限公司 (Shenzhen Tiandi Huiheng Network Technology Co., Ltd.)	鄭偉貞 (Zheng Weizhen)	40%
175 商丘匯星達電子商務有限公司 (Shangqiu Huixingda Electronic Commerce Co., Ltd.)	黃宇 (Huang Yu)	40%
176 泉州匯銘網絡科技有限公司 (Quanzhou Huiming Network Technology Co., Ltd.)	黃貴榮 (Huang Guirong)	40%
177 合肥農惠樂網絡科技有限公司 (Hefei Nonghuile Network Technology Co., Ltd.)	施宏涼 (Shi Hongliang)	40%
178 濟甯碩智家網絡科技有限公司 (Jining Shuozhijia Network Technology Co., Ltd.)	劉磊 (Liu Lei)	40%
179 蕪湖市美尊電器銷售有限公司 (Wuhu Meizun Electrical Appliances Sales Co., Ltd.)	陳鈴 (Chen Ling)	40%
180 南昌匯國網絡科技有限公司 (Nanchang Huiguo Network Technology Co., Ltd.)	吳君 (Wu Jun)	40%
181 龍口彙聚瀧經貿有限公司 (Longkou Huijulong Trading Co., Ltd.)	王亮 (Wang Liang)	40%

	<u>Name of Members of our Group</u>	<u>Name of Shareholder</u>	<u>Percentage of Shareholding</u>
182	四川匯澤吉邦電子商務有限公司 (Sichuan Huize Jibang Electronic Commerce Co., Ltd.)	趙曉瓊 (Zhao Xiaorong)	40%
183	無錫匯蘇通商貿有限公司 (Wuxi Huisutong Trading Co., Ltd.)	吳鳳興 (Wu Fengxing)	40%
184	佛山市慕滋智慧科技有限公司 (Foshan Muzi Zhihui Technology Co., Ltd.)	嚴若軍 (Yan Ruojun)	40%
185	四川誠信匯通貿易有限公司 (Sichuan Chengxin Huitong Trading Co., Ltd.)	戴宏凌 (Dai Hongling)	40%
186	鹽城匯眾網絡科技有限公司 (Yancheng Huizhong Network Technology Co., Ltd.)	徐進 (Xu Jin)	40%
187	鄱陽縣東泰網絡科技有限公司 (Poyang Dongtai Network Technology Co., Ltd.)	陳小波 (Chen Xiaobo)	40%
188	京山京匯達商貿有限公司 (Jingshan Jinghuida Trading Co., Ltd.)	李小年 (Li Xiaonian)	40%
189	湖北匯通賽普網絡科技有限公司 (Hubei Huitong Saipu Network Technology Co., Ltd.)	魯克 (Lu Ke)	40%
190	龍岩市四通八達網絡科技有限公司 (Longyan Sitongbada Network Technology Co., Ltd.)	華海宇 (Hua Haiyu)	40%
191	溫州匯瑞網絡科技有限公司 (Wenzhou Huirui Network Technology Co., Ltd.)	呂煥烽 (Lv Huanfeng)	40%
192	安慶聖久電子商務有限公司 (Anqing Shengjiu Electronic Commerce Co., Ltd.)	王守風 (Wang Shoufeng)	40%
193	陝西金美匯電子商務有限公司 (Shaanxi Jinmeihui Electronic Commerce Co., Ltd.)	馬亞強 (Ma Yaqiang)	40%
194	南京匯必達供應鏈管理有限公司 (Nanjing Huibida Supply Chain Management Co., Ltd.)	易中平 (Yi Zhongping)	40%
195	四川百匯新瑞網絡科技有限公司 (Sichuan Baihui Xinrui Network Technology Co., Ltd.)	楊雪松 (Yang Xuesong)	40%
196	常州市匯佳網絡科技有限公司 (Changzhou Huijia Network Technology Co., Ltd.)	吳佳音 (Wu Jiayin)	40%
197	廣州市匯如宜網絡有限責任公司 (Guangzhou Huiruyi Network Co., Ltd.)	鐘文 (Zhong Wen)	40%
198	惠安縣匯順網絡科技有限公司 (Hui'an Huishun Network Technology Co., Ltd.)	陳亞強 (Chen Yaqiang)	40%
199	青島紅四月匯信通網絡有限公司 (Qingdao Hongsiyue Huixintong Network Co., Ltd.)	張翔 (Zhang Xiang)	40%
200	南昌贛翔網絡科技有限公司 (Nanchang Ganxiang Network Technology Co., Ltd.)	丁海雪 (Ding Haixue)	40%
201	黃山惠爾普電子商務有限公司 (Huangshan Whirlpool Electronic Commerce Co., Ltd.)	江徽 (Jiang Hui)	40%
202	天津新維網絡科技有限公司 (Tianjin Xinwei Network Technology Co., Ltd.)	關立輝 (Guan Lihui)	40%
203	襄陽市寶成達人網絡科技有限公司 (Xiangyang Baocheng Daren Network Technology Co., Ltd.)	翟文珍 (Zhai Wenzhen)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
204 濮陽市國甯商貿有限公司 (Puyang Guoning Trading Co., Ltd.)	程相竹 (Cheng Xiangzhu)	40%
205 廈門立信通達網絡科技有限公司 (Xiamen Lixin Tongda Network Technology Co., Ltd.)	吳志濤 (Wu Zhitao)	40%
206 宜興恒美電器有限公司 (Yixing Hengmei Electric Appliance Co., Ltd.)	吳升標 (Wu Shengbiao)	40%
207 天津市匯裕達網絡科技有限公司 (Tianjin Huiyuda Network Technology Co., Ltd.)	徐文利 (Xu Wenli)	40%
208 蕪湖市狼途商貿有限公司 (Wuhu Langtu Trading Co., Ltd.)	湯俊 (Tang Jun)	40%
209 永州匯智網絡有限責任公司 (Yongzhou Huizhi Network Co., Ltd.)	李俊傑 (Li Junjie)	40%
210 懷化匯美網絡科技有限公司 (Huaihua Huimei Network Technology Co., Ltd.)	杜樹萍 (Du Shuping)	40%
211 上海匯貫信息科技有限公司 (Shanghai Huiguan Information Technology Co., Ltd.)	瞿盈運 (Qu Yingyun)	40%
212 湖北匯雲鼎商貿有限公司 (Hubei Huiyunding Trading Co., Ltd.)	饒雲霞 (Rao Yunxia)	40%
213 河北聚品匯網絡科技有限公司 (Hebei Jupinhui Network Technology Co., Ltd.)	邱慶偉 (Qiu Qingwei)	40%
214 安慶匯雲達電子商務有限公司 (Anqing Huiyunda Electronic Commerce Co., Ltd.)	琚海燕 (Ju Haiyan)	40%
215 漳州市匯通恒豐網絡科技有限公司 (Zhangzhou Huitong Hengfeng Network Technology Co., Ltd.)	蔡建偉 (Cai Jianwei)	40%
216 上海全磐網絡科技有限公司 (Shanghai Quanpan Network Technology Co., Ltd.)	李敢 (Li Gan)	35%
217 臨沂匯一網絡科技有限公司 (Linyi Huiyi Network Technology Co., Ltd.)	韓濤 (Han Tao)	40%
218 南京派爾匯電器設備有限公司 (Nanjing Paierhui Electrical Equipment Co., Ltd.)	楊麗 (Yang Li)	40%
219 河南省恒璽貿易有限公司 (Henan Hengxi Trading Co., Ltd.)	吳鬥炳 (Wu Doubing)	40%
220 廣州市匯一網絡科技有限公司 (Guangzhou Huiyi Network Technology Co., Ltd.)	張愛平 (Zhang Aiping)	40%
221 南京美爾樂電器有限公司 (Nanjing Meierle Electric Appliance Co., Ltd.)	高明威 (Gao Mingwei)	40%
222 武漢匯眾海網絡科技有限公司 (Wuhan Huizhonghai Network Technology Co., Ltd.)	王華平 (Wang Huaping)	40%
223 蘇州匯雲太網絡有限公司 (Suzhou Huiyuntai Network Co., Ltd.)	曹正傑 (Cao Zhengjie)	40%
224 臨沂匯普瑞生態農業有限公司 (Linyi Huipurui Ecological Agriculture Co., Ltd.)	謝成金 (Xie Chengjin)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
225 諸城市匯仁達網絡科技有限公司 (Zhucheng Huirenda Network Technology Co., Ltd.)	王濤 (Wang Tao)	40%
226 西安百匯通電子商務有限公司 (Xi'an Baihuitong Electronic Commerce Co., Ltd.)	劉忠世 (Liu Zhongshi)	40%
227 南京安坦利電子商務有限公司 (Nanjing Antanli Electronic Commerce Co., Ltd.)	汪磊 (Wang Lei)	40%
228 昆山新美諾電器有限公司 (Kunshan Xinmeino Electric Appliance Co., Ltd.)	管愛榮 (Guan Airong)	40%
229 瀋陽匯邦達網絡科技有限公司 (Shenyang Huibangda Network Technology Co., Ltd.)	朱德軍 (Zhu Dejun)	31%
230 湖北匯金海網絡科技有限公司 (Hubei Huijinhai Network Technology Co., Ltd.)	晏玉婷 (Yan Yuting)	40%
231 蚌埠匯達國新網絡科技有限公司 (Bengbu Huida Guoxin Network Technology Co., Ltd.)	張鑫 (Zhang Xin)	40%
232 湖北億牛網絡科技有限公司 (Hubei Yiniu Network Technology Co., Ltd.)	程闊 (Cheng Kuo)	40%
233 淮安華高匯電子科技有限公司 (Huaian Huagaohui Electronic Technology Co., Ltd.)	葛一楓 (Ge Yifeng)	40%
234 西安華汛通電子商務有限公司 (Xian Huaxuntong Electronic Commerce Co., Ltd.)	賈王東 (Jia Wangdong)	40%
235 樂山智澤電子商務有限公司 (Leshan Zhize Electronic Commerce Co., Ltd.)	唐剛 (Tang Gang)	40%
236 馬鞍山匯邦泰化肥商貿有限公司 (Maanshan Huibangtai Fertilizer Trading Co., Ltd.)	貢元元 (Gong Yuanyuan)	40%
237 上海煜衍實業有限公司 (Shanghai Yuyan Industrial Co., Ltd.)	吳富強 (Wu Fuqiang)	40%
238 亳州市陽豐網絡科技有限公司 (Bozhou Yangfeng Network Technology Co., Ltd.)	李傳祥 (Li Chuanxiang)	40%
239 深圳市匯通德網絡科技有限公司 (Shenzhen Huitongde Network Technology Co., Ltd.)	林澤萍 (Lin Zeping)	40%
240 南京創易美網絡科技有限公司 (Nanjing Chuangyimei Network Technology Co., Ltd.)	陳超林 (Chen Chaolin)	40%
241 上海望哲智能環境科技有限公司 (Shanghai Wangzhe Intelligent Environmental Technology Co., Ltd.)	鄔澤洋 (Wu Zeyang)	40%
242 荷澤市通智網絡科技有限公司 (Heze Tongzhi Network Technology Co., Ltd.)	李佑利 (Li Youli)	40%
243 安徽儂匯電子商務有限公司 (Anhui Nonghui E-Commerce Co., Ltd.)	董雪 (Dong Xue)	40%
244 合肥創恩網絡科技有限公司 (Hefei Chuang'en Network Technology Co., Ltd.)	王光華 (Wang Guanghua)	40%
245 常州市匯康信網絡有限公司 (Changzhou Huikangxin Network Co., Ltd.)	朱夢若 (Zhu Mengruo)	40%
246 山東匯存網絡科技有限公司 (Shandong Huicun Network Technology Co., Ltd.)	李二棟 (Li Erdong)	40%
247 合肥絡豐電子商務有限公司 (Hefei Luofeng Electronic Commerce Co., Ltd.)	周伊文 (Zhou Yiwen)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
248 湖南三匯富汽車銷售服務有限公司 (Hunan Sanhuifu Automobile Sales Service Co., Ltd.)	陳輝旗 (Chen Huiqi)	40%
249 上海達動網絡科技有限公司 (Shanghai Daxun Network Technology Co., Ltd.)	孫浩然 (Sun Haoran)	40%
250 北京旭匯網絡科技有限公司 (Beijing Xuhui Network Technology Co., Ltd.)	徐桂清 (Xu Guiqing)	40%
251 泉州市廣勝網絡科技有限公司 (Quanzhou Guangsheng Network Technology Co., Ltd.)	吳偉業 (Wu Weiye)	40%
252 安徽匯農電子商務有限公司 (Anhui Huinong Electronic Commerce Co., Ltd.)	龍雲 (Long Yun)	40%
253 滁州舒潤機電設備有限公司 (Chuzhou Shurun Electromechanical Equipment Co., Ltd.)	餘舜琴 (Yu Shunqin)	40%
254 深圳市大匯金穀科技有限公司 (Shenzhen Dahui Jingu Technology Co., Ltd.)	陳澤錯 (Chen Zekai)	40%
255 銅川匯通達電子商務有限公司 (Tongchuan Huitongda Electronic Commerce Co., Ltd.)	劉小三 (Liu Xiaosan)	40%
256 涿州匯普佳網絡科技有限公司 (Zhuozhou Huipujia Network Technology Co., Ltd.)	李明霞 (Li Mingxia)	40%
257 南京恒旻電子商務有限公司 (Nanjing Hengmin Electronic Commerce Co., Ltd.)	陳昌甫 (Chen Changfu)	40%
258 成都匯弘康科技有限公司 (Chengdu Huihongkang Technology Co., Ltd.)	季康 (Ji Kang)	40%
259 廣州市匯瑞華網絡科技有限公司 (Guangzhou Huiruihua Network Technology Co., Ltd.)	鄭勇 (Zheng Yong)	40%
260 安徽欣遠達網絡科技有限公司 (Anhui Xinyuanda Network Technology Co., Ltd.)	徐良紅 (Xu Lianghong)	40%
261 宿遷品弘商貿有限公司 (Suqian Pinhong Trading Co., Ltd.)	劉潤清 (Liu Runqing)	40%
262 廈門匯通金達網絡科技有限公司 (Xiamen Huitong Jinda Network Technology Co., Ltd.)	方友煙 (Fang Youyan)	40%
263 長沙精耕網絡科技有限公司 (Changsha Jinggeng Network Technology Co., Ltd.)	張丹 (Zhang Dan)	40%
264 南京匯揚農資有限公司 (Nanjing Huiyang Agricultural Materials Co., Ltd.)	周藝 (Zhou Yi)	40%
265 濟南匯榮達網絡科技有限公司 (Jinan Huirongda Network Technology Co., Ltd.)	岳喜寧 (Yue Xining)	40%
266 湖南富匯合網絡科技有限公司 (Hunan Fuhuihe Network Technology Co., Ltd.)	劉彬 (Liu Bin)	40%
267 鷹潭市科勝網絡科技有限公司 (Yingtán Kesheng Network Technology Co., Ltd.)	劉智平 (Liu Zhiping)	40%
268 天津匯通融合網絡科技有限公司 (Tianjin Huitong Ronghe Network Technology Co., Ltd.)	李潔 (Li Jie)	40%
269 贛州巨榕網絡科技有限公司 (Ganzhou Jurong Network Technology Co., Ltd.)	陳江亮 (Chen Jiangliang)	40%
270 臨沂匯凱網絡科技有限公司 (Linyi Huikai Network Technology Co., Ltd.)	楊學霞 (Yang Xuexia)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
271 武漢鑫農達商貿有限公司 (Wuhan Xinnongda Trading Co., Ltd.)	陳曉陽 (Chen Xiaoyang)	40%
272 連雲港俞博農資有限公司 (Lianyungang Yubo Agricultural Materials Co., Ltd.)	方媛媛 (Fang Yuanyuan)	40%
273 棗莊匯鼎網絡科技有限公司 (Zaozhuang Huiding Network Technology Co., Ltd.)	劉慧真 (Liu Huizhen)	40%
274 陝西星英匯商貿有限公司 (Shaanxi Xingyinghui Trading Co., Ltd.)	石建英 (Shi Jianying)	40%
275 上海達腦網絡科技有限公司 (Shanghai Da'nao Network Technology Co., Ltd.)	周劍波 (Zhou Jianbo)	35%
276 金華匯碩網絡科技有限公司 (Jinhua Huishuo Network Technology Co., Ltd.)	華勇軍 (Hua Yongjun)	40%
277 煙台匯松商貿有限公司 (Yantai Huisong Trading Co., Ltd.)	高潤銅 (Gao Runtong)	40%
278 大連金博網絡科技有限公司 (Dalian Jinbo Network Technology Co., Ltd.)	郭瑩 (Guo Ying)	40%
279 上海舉昊網絡科技有限公司 (Shanghai Juhao Network Technology Co., Ltd.)	楊貴平 (Yang Guiping)	40%
280 北京匯中鑫網絡科技有限公司 (Beijing Huizhongxin Network Technology Co., Ltd.)	高超 (Gao Chao)	40%
281 徐州匯農達商貿有限公司 (Xuzhou Huinongda Trading Co., Ltd.)	尹洪彬 (Yin Hongbin)	40%
282 桐勝(上海)網絡科技有限公司 (Tongsheng (Shanghai) Network Technology Co., Ltd.)	周斌 (Zhou Bin)	40%
283 湖北匯滿鑫網絡科技有限公司 (Hubei Huimanxin Network Technology Co., Ltd.)	唐遠清 (Tang Yuanqing)	40%
284 中山市匯眼網絡科技有限公司 (Zhongshan Huiyan Network Technology Co., Ltd.)	柳龍輝 (Liu Longhui)	40%
285 內黃縣匯通圓網絡科技有限公司 (Neihuang County Huitongyuan Network Technology Co., Ltd.)	李志偉 (Li Zhiwei)	40%
286 南京市海鯤電子電腦有限公司 (Nanjing Haikun Electronic Computer Co., Ltd.)	趙欣 (Zhao Xin)	40%
287 廣州匯智聯趣網絡科技有限公司 (Guangzhou Huizhi Lianqu Network Technology Co., Ltd.)	顧瑞林 (Gu Ruilin)	40%
288 福州市華百達網絡科技有限公司 (Fuzhou Huabaida Network Technology Co., Ltd.)	王建彬 (Wang Jianbin)	40%
289 濟南匯農達化肥有限公司 (Jinan Huinongda Fertilizer Co., Ltd.)	李娟 (Li Juan)	40%
290 山東匯德瑞網絡科技有限公司 (Shandong Huid Rui Network Technology Co., Ltd.)	薑興劍 (Jiang Xingjian)	40%
291 北京萬祥金源網絡科技有限公司 (Beijing Wanxiang Jinyuan Network Technology Co., Ltd.)	王從玉 (Wang Congyu)	40%
292 煙台匯安生態農業科技有限公司 (Yantai Hui'an Ecological Agriculture Technology Co., Ltd.)	吳澄澤 (Wu Chengze)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
293 杭州匯和道網絡科技有限公司 (Hangzhou Huihedao Network Technology Co., Ltd.)	李利奇 (Li Liqi)	40%
294 深圳市榮安匯達網絡科技有限公司 (Shenzhen Rongan Huida Network Technology Co., Ltd.)	劉曉倩 (Liu Xiaoqian)	40%
295 常州匯潤網絡科技有限公司 (Changzhou Huirun Network Technology Co., Ltd.)	楊柳 (Yang Liu)	40%
296 匯坤達網絡(廣州)有限公司 (Huikunda Network (Guangzhou) Co., Ltd.)	盛秀英 (Sheng Xiuying)	40%
297 郴州市海泉商貿有限公司 (Chenzhou Haiquan Trading Co., Ltd.)	段志軍 (Duan Zhijun)	40%
298 浙江匯成通信設備有限公司 (Zhejiang Huicheng Communication Equipment Co., Ltd.)	黃洋揚 (Huang Yangyang)	40%
299 合肥盟成網絡科技有限公司 (Hefei Mengcheng Network Technology Co., Ltd.)	徐鑫 (Xu Xin)	40%
300 岳陽匯農達穀物有限公司 (Yueyang Huinongda Grain Co., Ltd.)	彭亮 (Peng Liang)	40%
301 貴州佰潤鑫宏法科技有限公司 (Guizhou Bairunxinhongfa Technology Co., Ltd.)	劉健 (Liu Jian)	40%
302 漳州市易發網絡科技有限公司 (Zhangzhou Yifa Network Technology Co., Ltd.)	黃朝鵬 (Huang Chaopeng)	40%
303 淄博匯創網絡科技有限公司 (Zibo Huichuang Network Technology Co., Ltd.)	王隆新 (Wang Longxin)	40%
304 上海迅吉達網絡科技有限公司 (Shanghai Xunjida Network Technology Co., Ltd.)	江鋒 (Jiang Feng)	40%
305 亳州瑞通達電子商務有限公司 (Bozhou Ruitongda Electronic Commerce Co., Ltd.)	江國飛 (Jiang Guofei)	40%
306 宿州惠澤通達網絡科技有限公司 (Suzhou Huize Tongda Network Technology Co., Ltd.)	單爾響 (Shan Erxiang)	40%
307 杭州匯銀電子有限公司 (Hangzhou Huiyin Electronic Co., Ltd.)	陳海飛 (Chen Haifei)	40%
308 嘉興市新匯鼎網絡科技有限公司 (Jiaxing Xinhuiding Network Technology Co., Ltd.)	柳雲寶 (Liu Yunbao)	40%
309 武漢匯嘉時代商貿有限責任公司 (Wuhan Huijia Times Trading Co., Ltd.)	楊濤 (Yang Tao)	40%
310 蘇州尊美暖通設備有限公司 (Suzhou Zunmei HVAC Equipment Co., Ltd.)	周正軍 (Zhou Zhengjun)	40%
311 哈爾濱匯實豐商貿有限公司 (Harbin Huishifeng Trading Co., Ltd.)	李思萱 (Li Sixuan)	40%
312 山東洛頓農業開發有限公司 (Shandong Luodun Agricultural Development Co., Ltd.)	牟海麗 (Mou Haili)	37%
313 浙江暢匯科技有限公司 (Zhejiang Changhui Technology Co., Ltd.)	洪貫中 (Hong Guanzhong)	40%
314 宿遷鑫匯農農業科技有限公司 (Suqian Xinhuionong Agricultural Science and Technology Co., Ltd.)	張同華 (Zhang Tonghua)	40%
315 南陽匯訊通網絡科技有限公司 (Nanyang Huixuntong Network Technology Co., Ltd.)	張海濤 (Zhang Haitao)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
316 吉林省朗高網絡科技有限公司 (Jilin Langgao Network Technology Co., Ltd.)	李進財 (Li Jincai)	40%
317 宿州匯富網絡科技有限公司 (Suzhou Huifu Network Technology Co., Ltd.)	周凱 (Zhou Kai)	40%
318 鎮江迅騰網絡科技有限公司 (Zhenjiang Xunteng Network Technology Co., Ltd.)	侯磊 (Hou Lei)	40%
319 青島和盛匯通網絡科技有限公司 (Qingdao Hesheng Huitong Network Technology Co., Ltd.)	王憲坤 (Wang Xiankun)	40%
320 天津中匯偉時網絡科技有限公司 (Tianjin Zhonghui Weishi Network Technology Co., Ltd.)	周揚 (Zhou Yang)	40%
321 秦皇島昶泰匯力農業科技有限公司 (Qinhuangdao Changtai Huili Agricultural Technology Co., Ltd.)	王世光 (Wang Shiguang)	40%
322 合肥潤玻網絡科技有限公司 (Hefei Runbo Network Technology Co., Ltd.)	徐進旗 (Xu Jinqi)	40%
323 台州匯五強網絡科技有限公司 (Taizhou Huiwuqiang Network Technology Co., Ltd.)	程國印 (Cheng Guoyin)	40%
324 六安樂美辰網絡科技有限公司 (Liu'an Lemeichen Network Technology Co., Ltd.)	張顯海 (Zhang Xianhai)	40%
325 瀋陽遠諾網絡科技有限公司 (Shenyang Yuannuo Network Technology Co., Ltd.)	甘洪雨 (Gan Hongyu)	40%
326 武漢匯昶豐商貿有限公司 (Wuhan Huichangfeng Trading Co., Ltd.)	劉忠 (Liu Zhong)	40%
327 福建歐勒通訊網絡科技有限公司 (Fujian Oule Communication Network Technology Co., Ltd.)	倪婕妤 (Ni Jieyu)	40%
328 石家莊美匯興德網絡科技有限公司 (Shijiazhuang Meihui Xingde Network Technology Co., Ltd.)	王利波 (Wang Libo)	40%
329 商洛匯景達網絡科技有限公司 (Shangluo Huijingda Network Technology Co., Ltd.)	李書慧 (Li Shuhui)	40%
330 甘肅瑞通達網絡科技有限公司 (Gansu Ruitongda Network Technology Co., Ltd.)	火克東 (Huo Kedong)	40%
331 泉州穩中快網絡科技有限公司 (Quanzhou Wenzhongkuai Network Technology Co., Ltd.)	袁少昌 (Yuan Shaochang)	40%
332 合肥匯龍達網絡科技有限公司 (Hefei Huilongda Network Technology Co., Ltd.)	張先鋒 (Zhang Xianfeng)	40%
333 安徽眾家惠玻璃貿易有限公司 (Anhui Zhongjiahui Glass Trading Co., Ltd.)	邱祥鳳 (Qiu Xiangfeng)	40%
334 安徽福乘達電子商務有限公司 (Anhui Fuchengda Electronic Commerce Co., Ltd.)	陳剛 (Chen Gang)	40%
335 濟甯匯利成農業服務有限公司 (Jining Huilicheng Agricultural Service Co., Ltd.)	王新龍 (Wang Xinlong)	40%
336 山東匯通恒信農資有限公司 (Shandong Huitong Hengxin Agricultural Materials Co., Ltd.)	李元元 (Li Yuanyuan)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
337 南京美思諾電器商貿有限公司 (Nanjing Meisnuo Electrical Appliance Trading Co., Ltd.)	李斌 (Li Bin)	40%
338 蘭州通隴原電子商務有限公司 (Lanzhou Tonglongyuan Electronic Commerce Co., Ltd.)	劉兆民 (Liu Zhaomin)	40%
339 天津匯榮達科技有限公司 (Tianjin Huirongda Technology Co., Ltd.)	陳明明 (Chen Mingming)	40%
340 江西樂駿商貿有限公司 (Jiangxi Lejun Trading Company)	王建飛 (Wang Jianfei)	40%
341 陝西金石為開電子商務有限公司 (Shaanxi Jinshiweikai Electronic Commerce Co., Ltd.)	張強 (Zhang Qiang)	40%
342 宜城市匯通大為商貿有限公司 (Yicheng Huitong Dawei Trading Co., Ltd.)	薛凱 (Xue Kai)	40%
343 滄州匯流通商貿有限公司 (Cangzhou Huiliutong Trading Co., Ltd.)	滕國強 (Teng Guoqiang)	40%
344 安慶譽匯達電子商務有限公司 (Anqing Yuhuida Electronic Commerce Co., Ltd.)	吳義俊 (Wu Yijun)	40%
345 湖南省聚潤商貿有限公司 (Hunan Jurun Trading Co., Ltd.)	柳陽 (Liu Yang)	40%
346 深圳市馳銘匯達科技發展有限公司 (Shenzhen Chiming Huida Technology Development Co., Ltd.)	萬宇 (Wan Yu)	40%
347 蒙城匯盈網絡科技有限公司 (Mengcheng Huiying Network Technology Co., Ltd.)	崔世豪 (Cui Shihao)	40%
348 嘉興匯糧貿易有限公司 (Jiaxing Huiliang Trading Co., Ltd.)	鐘久鳴 (Zhong Jiuming)	40%
349 南京匯環網絡科技有限公司 (Nanjing Huihuan Network Technology Co., Ltd.)	賈小軍 (Jia Xiaojun)	40%
350 杭州樂頤匯數碼科技有限公司 (Hangzhou Leyihui Digital Technology Co., Ltd.)	洪伊 (Hong Yi)	40%
351 陝西卓華匯通網絡科技有限公司 (Shaanxi Zhuohua Huitong Network Technology Co., Ltd.)	龍知知 (Long Zhizhi)	40%
352 濰坊匯遠農業科技有限公司 (Weifang Huiyuan Agricultural Technology Co., Ltd.)	趙新生 (Zhao Xinsheng)	40%
353 山東中匯宏泰汽車用品銷售有限公司 (Shandong Zhonghui Hongtai Auto Supplies Sales Co., Ltd.)	孔憲慧 (Kong Xianhui)	40%
354 山東星之辰輪胎有限公司 (Shandong Xingzhichen Tire Co., Ltd.)	張興樂 (Zhang Xingle)	40%
355 湛江市匯嘉網絡科技有限公司 (Zhanjiang Huijia Network Technology Co., Ltd.)	曲祥之 (Qu Xiangzhi)	40%
356 杭州匯蜜科技有限公司 (Hangzhou Huimi Technology Co., Ltd.)	袁慧慧 (Yuan Huihui)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
357 山東匯華農生態農業科技有限公司 (Shandong Huihuanong Ecological Agriculture Science and Technology Co., Ltd.)	周榕瑾 (Zhou Rongjin)	40%
358 四川美興博商貿有限公司 (Sichuan Meixingbo Trading Co., Ltd.)	譚忠傑 (Tan Zhongjie)	40%
359 武漢匯昌晟達商貿有限公司 (Wuhan Huichang Shengda Trading Co., Ltd.)	潘永敏 (Pan Yongmin)	40%
360 貴州新融匯達貿易有限公司 (Guizhou Xinrong Huida Trading Co., Ltd.)	張玉新 (Zhang Yuxin)	40%
361 南昌文濤科技有限公司 (Nanchang Wentao Technology Co., Ltd.)	祝俊華 (Zhu Junhua)	40%
362 江西新贊盈網絡科技有限公司 (Jiangxi Xinzanying Network Technology Co., Ltd.)	楊雅楠 (Yang Ya'nan)	40%
363 河南匯騎電子商務有限公司 (Henan Huiqi Electronic Commerce Co., Ltd.)	鄭曉紅 (Zheng Xiaohong)	40%
364 湖北匯昌達網絡科技有限公司 (Hubei Huichangda Network Technology Co., Ltd.)	陳浩 (Chen Hao)	40%
365 廣州恒匯貿易發展有限公司 (Guangzhou Henghui Trading Development Co., Ltd.)	吳嫻芝 (Wu Xianzhi)	40%
366 張家口海納沃德網絡科技有限公司 (Zhangjiakou Hainawode Network Technology Co., Ltd.)	賀品源 (He Pinyuan)	40%
367 河南容秀達網絡科技有限公司 (Henan Rongxiuda Network Technology Co., Ltd.)	王越超 (Wang Yuechao)	40%
368 陝西顥穎共創電子商務有限公司 (Shanxi Haoying Co-Creation Electronic Commerce Co., Ltd.)	盧佩佩 (Lu Peipei)	40%
369 陝西暉達通電子商務有限公司 (Shanxi Huidatong Electronic Commerce Co., Ltd.)	柴康 (Chai Kang)	40%
370 廣州匯視通網絡科技有限公司 (Guangzhou Huishitong Network Technology Co., Ltd.)	莫永釗 (Mo Yongzhao)	40%
371 廣西俏玻商貿有限公司 (Guangxi Qiaobo Business Trading Co., Ltd.)	劉翔 (Liu Xiang)	40%
372 陝西匯眾品電子商務有限公司 (Shanxi Huizhongpin Electronic Commerce Co., Ltd.)	張旭輝 (Zhang Xuhui)	40%
373 成都市滙豐達電子商務有限公司 (Chengdu Huifengda Electronic Commerce Co., Ltd.)	廖芳明 (Liao Fangming)	40%
374 四川德鴻匯貿易有限公司 (Sichuan Dehonghui Trading Co., Ltd.)	姚國龍 (Yao Guolong)	40%
375 杭州匯常科技有限公司 (Hangzhou Huichang Technology Co., Ltd.)	金梅舜 (Jin Meishun)	40%
376 福州中匯眾誠網絡科技有限公司 (Fuzhou Zhonghuizhongcheng Network Technology Co., Ltd.)	黃維建 (Huang Weijian)	40%
377 山西匯恒優品網絡科技有限公司 (Shanxi Huihengyoupin Network Technology Co., Ltd.)	孔融輝 (Kong Ronghui)	40%
378 山東金沃達數碼科技有限公司 (Shandong Jinwada Digital Technology Co., Ltd.)	劉帥帥 (Liu Shuaishuai)	40%
379 成都凱和匯科技有限公司 (Chengdu Kaihehui Technology Co., Ltd.)	席禮航 (Xi Lihang)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
380 煙台皓匯網絡科技有限公司 (Yantai Haohui Network Technology Co., Ltd.)	殷志龍 (Yin Zhilong)	40%
381 淮安匯墾農業科技有限公司 (Huaiyan Huiken Agricultural Technology Co., Ltd.)	謝雲 (Xie Yun)	40%
382 北京匯德誠達網絡科技有限公司 (Beijing Huidechengda Network Technology Co., Ltd.)	陳德安 (Chen Dean)	40%
383 甯德匯閩達網絡科技有限公司 (Ningde Huiminda Network Technology Co., Ltd.)	金榮華 (Jin Ronghua)	40%
384 成都吾要玖科技有限公司 (Chengdu Wuyaojiu Technology Co., Ltd.)	宋久洋 (Song Jiuyang)	40%
385 河南匯順達電子商務有限公司 (Henan Huishunda Electronic Commerce Co., Ltd.)	楊超 (Yang Chao)	40%
386 山東匯好運農業科技有限公司 (Shandong Huihaoyun Agricultural Science and Technology Co., Ltd.)	陳乃江 (Chen Naijiang)	40%
387 杭州杭融電子有限公司 (Hangzhou Hangrong Electronics Co., Ltd.)	胡晰翔 (Hu Xixiang)	40%
388 河南匯安輪胎有限公司 (Henan Huian Tire Co., Ltd.)	聶世賓 (Nie Shibao)	40%
389 南京凌浦合機電設備有限公司 (Nanjing Lingpuhe Electrical and Mechanical Equipment Co., Ltd.)	祖秀玲 (Zu Xiuling)	40%
390 合肥騰福居網絡科技有限公司 (Hefei Tengfujie Network Technology Co., Ltd.)	張仰普 (Zhang Yangpu)	40%
391 合肥匯百川電子科技有限公司 (Hefei Huibaichuan Electronic Technology Co., Ltd.)	周金海 (Zhou Jinhai)	40%
392 安徽福瑞德聚網絡科技有限公司 (Anhui Furuideju Network Technology Co., Ltd.)	吳璿 (Wu Jun)	40%
393 青島華商匯通網絡有限公司 (Qingdao Huashanghuitong Network Co., Ltd.)	于吉芳 (Yu Jifang)	40%
394 蘇州松觀箐商貿有限公司 (Suzhou Songguanqing Business Trading Co., Ltd.)	孫建設 (Sun Jianshe)	40%
395 南通瀚生鈺貿易有限公司 (Nantong Hanshengyu Trading Co., Ltd.)	丁錫林 (Ding Xilin)	40%
396 浙江中圓酒業有限公司 (Zhejiang Zhongyuan Wine Industry Co., Ltd.)	黃建堯 (Huang Jianyao)	40%
397 湖北匯通雲豐網絡科技有限公司 (Hubei Huitongyunfeng Network Technology Co., Ltd.)	卜許偉 (Bu Xuwei)	40%
398 山西匯鴻科技有限公司 (Shanxi Huihong Technology Co., Ltd.)	王瑤 (Wang Yao)	40%
399 濟南匯榮智能科技有限公司 (Jinan Huirong Wisdom Technology Co., Ltd.)	李娟 (Li Juan)	40%
400 蘇州匯中傑信息科技有限公司 (Suzhou Huizhongjie Information Technology Co., Ltd.)	陳娟 (Chen Juan)	40%
401 天津匯欣達網絡科技有限公司 (Tianjin Huixinda Network Technology Co., Ltd.)	趙晨羽 (Zhao Chenyu)	40%
402 岳陽盛豐達農牧有限責任公司 (Yueyang Shengfengda Farming Co., Ltd.)	付勇 (Fu Yong)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
403 湖北華雙網絡科技有限公司 (Hubei Huashuang Network Technology Co., Ltd.)	鄧紫娟 (Yan Zijuan)	40%
404 哈爾濱匯和商科技有限公司 (Harbin Huiheshang Technology Co., Ltd.)	李慕謙 (Li Muqian)	40%
405 合肥輪嘉網絡科技有限公司 (Hefei Lunjia Network Technology Co., Ltd.)	丁豔 (Ding Yan)	40%
406 湖北金信達網絡科技有限公司 (Hubei Jinxinda Network Technology Co., Ltd.)	黃久貴 (Huang Jiugui)	40%
407 武漢匯榮榮商貿有限公司 (Wuhan Huishengrong Business Trading Co., Ltd.)	潘永敏 (Pan Yongmin)	40%
408 彙聚嚴選(天津)科技有限公司 (Huijuyanxuan (Tianjin) Technology Co., Ltd.)	王江永 (Wang Jiangyong)	40%
409 暢匯泰達(天津)科技有限公司 (Changhuitaida (Tianjin) Technology Co., Ltd.)	馬少波 (Ma Shaobo)	40%
410 蘇州玻匯建材有限公司 (Suzhou Bohui Building Materials Co., Ltd.)	塗洋 (Tu Yang)	40%
411 淄博謙達網絡科技有限公司 (Zibo Qianda Network Technology Co., Ltd.)	于長江 (Yu Changjiang)	40%
412 上海永高網絡科技有限公司 (Shanghai Yonggao Network Technology Co., Ltd.)	董燕娟 (Dong Yanjuan)	40%
413 杭州品臣信息科技有限公司 (Hangzhou Pinchen Information Technology Co., Ltd.)	張軍喜 (Zhang Junxi)	40%
414 西安橫嶺電源科技有限公司 (Xi'an Hengling Power Supply Technology Co., Ltd.)	陳平 (Chen Ping)	40%
415 菏澤匯喆網絡科技有限公司 (Heze Huizhe Network Technology Co., Ltd.)	韋瑋 (Wei Wei)	40%
416 湖北匯淇捷農業科技有限公司 (Hubei Huiqijie Agricultural Technology Co., Ltd.)	王俊 (Wang Jun)	40%
417 常州市米佑環保裝飾材料有限公司 (Changzhou Miyou Environmental Decorative Materials Co., Ltd.)	仇凱 (Qiu Kai)	40%
418 上海蒼聚網絡科技有限公司 (Shanghai Cangju Network Technology Co., Ltd.)	徐波晟 (Xu Bosheng)	40%
419 廣州易馳匯科技有限公司 (Guangzhou Yichihui Technology Co., Ltd.)	劉國文 (Liu Guowen)	40%
420 深圳市匯美達網絡科技有限公司 (Shenzhen Huimeida Network Technology Co., Ltd.)	黃彩鈴 (Huang Cailing)	40%
421 湖北匯翔晟雲網絡科技有限公司 (Hubei Huixiangshengyun Network Technology Co., Ltd.)	王輝 (Wang Hui)	40%
422 安徽津東網絡科技有限公司 (Anhui Jindong Network Technology Co., Ltd.)	韋委 (Wei Wei)	40%
423 天津匯通盛世科技有限公司 (Tianjin Huitongshengshi Technology Co., Ltd.)	肖美靈 (Xiao Meiling)	40%
424 河南彙聚輪胎有限公司 (Henan Huiju Tire Co., Ltd.)	王釗 (Wang Zhao)	40%
425 四川淼森焱壺鑫科技有限公司 (Sichuan Miaosenyanyao Technology Co., Ltd.)	李勇偉 (Li Yongwei)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
426 陝西明匯達網絡科技有限公司 (Shanxi Minghuida Network Technology Co., Ltd.)	夏愛娟 (Xia Aijuan)	40%
427 中山錦禮匯科技有限公司 (Zhongshan Jinlihui Technology Co., Ltd.)	盧燕芳 (Lu Yanfang)	40%
428 南京千機匯網絡科技有限公司 (Nanjin Qianjihui Network Technology Co., Ltd.)	蘇州雙爭通訊 有限公司 (Suzhou Shuangzheng Communication Co., Ltd.)	40%
429 江蘇銘北匯電器銷售有限公司 (Jiangsu Mingbeihui Appliance Sales Co., Ltd.)	胡長順 (Hu Changshun)	40%
430 北京匯德通達網絡科技有限公司 (Beijing Huidetongda Network Technology Co., Ltd.)	朱純桂 (Zhu Chungui)	40%
431 安徽創冕網絡科技有限公司 (Anhui Chuangmian Network Technology Co., Ltd.)	合肥新綠寶電纜 有限公司 (Hefei Xinlvbao Cable Co., Ltd.)	40%
432 山東阡耘潤銀智慧農業有限公司 (Shandong Qianyunrunyin Intelligent Agricultural Co., Ltd.)	山東諾信達國際貿易 有限公司 (Shandong Nuoxinda International Trade Co., Ltd.)	40%
433 山東阡耘瑞祥智慧農業有限公司 (Shandong Qianyunruixiang Intelligent Agricultural Co., Ltd.)	山東瑞星國際貿易 有限公司 (Shandong Ruixing International Trading Co., Ltd.)	40%
434 寧波智舜網絡科技有限公司 (Ningbo Zhishun Network Technology Co., Ltd.)	寧波舜潔衛生器具 有限公司 (Ningbo Shunjie Sanitary Ware Co., Ltd.)	40%
435 南京世紀諾亞電子商務有限公司 (Nanjing Shijinuoya Electronic Commerce Co., Ltd.)	張國勇 (Zhang Guoyong)	40%
436 浙江桔子泰臨網絡有限公司 (Zhejiang Juzitailin Network Co., Ltd.)	深圳中顯屏創光電 有限公司 (Shenzhen Zhongxianpingchuang Optoelectronics Co., Ltd.)	40%
437 平湖水匯裕貿易有限公司 (Pinghu Huiyu Trading Co., Ltd.)	馬超 (Ma Chao)	40%
438 北京匯德恒通科技有限公司 (Beijing Huidehengtong Technology Co., Ltd.)	鄭新富 (Zheng Xinfu)	40%
439 河南莫爾蒙網絡科技有限公司 (Henan Moermeng Network Technology Co., Ltd.)	魏田 (Wei Tian)	40%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
440 湖北學勤通網絡科技有限公司 (Hubei Xueqintong Network Technology Co., Ltd.)	朱正君 (Zhu Zhengjun)	40%
441 山西玖威達數字科技有限公司 (Shanxi Jiuweida Digital Technology Co., Ltd.)	于哲 (Yu Zhe)	40%
442 重慶三盟農業有限公司 (Chongqi Sanmeng Agricultural Co., Ltd.)	重慶市農業生產資料 (集團)有限公司 (Chongqi Agricultural Production Information Group) Co., Ltd.)	40%
443 星達網絡科技(青島)有限公司 (Xingda Network Technology (Qingdao) Co., Ltd.)	青島雙星行銷 有限公司 (Qingdao Shuangxing Marketing Co., Ltd.)	39%
444 南京市匯中億網絡科技有限公司 (Nanjing Huizhongyi Network Technology Co., Ltd.)	南京中意輪胎銷售有 限責任公司 (Nanjing Zhongyi Tire Sale Co., Ltd.)	39%
445 國威匯達酒業(南京)有限公司 (Guoweihuida Liquor (Nanjing) Co., Ltd.)	貴州迎賓酒股份 有限公司 (Guizhou Yingbin Liquor Co., Ltd.)	39%
446 連雲港匯德豐網絡科技有限公司 (Lianyungang Huidefeng Network Technology Co., Ltd.)	張傳梅 (Zhang Chuanmei)	37%
447 河南匯澤電子商務有限公司 (Henan Huize Electronic Commerce Co., Ltd.)	呂岩勇 (Lv Yanyong)	37%
448 漳州匯興網絡科技有限公司 (Zhangzhou Huixing Network Technology Co., Ltd.)	朱榮海 (Zhu Ronghai)	37%
449 武漢市科創明達網絡科技有限公司 (Wuhan Kechuangmingda Network Technology Co., Ltd.)	江泉霖 (Jiang Quanlin)	37%
450 象山匯盛網絡科技有限公司 (Xiangshan Huisheng Network Technology Co., Ltd.)	章國飛 (Zhang Guofei)	36%
451 常德市匯幸福網絡銷售有限公司 (Changde Huixingfu Network Sales Co., Ltd.)	向永斌 (Xiang Yongbin)	36%
452 成都眾犇成鑫電子商務有限公司 (Chengdu Zhongbenchengxin Electronic Commerce Co., Ltd.)	曾林 (Zeng Lin)	36%
453 安徽匯銘達網絡科技有限公司 (Anhui Huimingda Network Technology Co., Ltd.)	陳繼忠 (Chen Jizhong)	35%
454 徐州匯鑠通商貿有限公司 (Xuzhou Huishuotong Business Trading Co., Ltd.)	郭培剛 (Guo Peigang)	35%
455 宿遷邦元商貿有限公司 (Suqian Bangyuan Business Trading Co., Ltd.)	周慧 (Zhou Hui)	35%
456 阜陽市匯鵬電器銷售有限公司 (Fuyang Huipeng Appliance Sales Co., Ltd.)	韓正生 (Han Zhengsheng)	30%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
457 山東匯智達網絡科技有限公司 (Shandong Huizhida Network Technology Co., Ltd.)	耿雪萍 (Geng Xueping)	35%
458 東營市匯鑫宇網絡科技有限公司 (Dongying Huixinyu Network Technology Co., Ltd.)	尹建立 (Yin Jianli)	35%
459 福州億和達網絡科技有限公司 (Fuzhou Yiheda Network Technology Co., Ltd.)	朱功鋒 (Zhu Gongfeng)	35%
460 陝西匯達通電子商務有限公司 (Shanxi Huidatong Electronic Commerce Co., Ltd.)	張偉 (Zhang Wei)	35%
461 南京匯享萊網絡有限公司 (Nanjing Huixianglai Network Co., Ltd.)	曹興旭 (Cao Xingxu)	35%
462 宿州滙豐網絡科技有限公司 (Suzhou Huifeng Network Technology Co., Ltd.)	李冬生 (Li Dongsheng)	35%
463 山西駿豐元電子商務有限公司 (Shanxi Junfengyuan Electronic Commerce Co., Ltd.)	李德昌 (Li Dechang)	35%
464 濮陽匯慶貿易有限公司 (Puyang Huiqing Trading Co., Ltd.)	蘇彥那 (Su Yanna)	35%
465 吉安市金稻網絡科技有限公司 (Jian Jindao Network Technology Co., Ltd.)	謝瑞強 (Xie Ruiqiang)	35%
466 四川卓美新瑞機電設備有限公司 (Sichuan Zhuomeixinrui Mechatronics Equipment Co., Ltd.)	王順美 (Wang Shunmei)	35%
467 南京帝匯網絡科技有限公司 (Nanjing Dihui Network Technology Co., Ltd.)	姚林 (Yao Lin)	35%
468 廈門阡耘傲農智慧供應鏈有限公司 (Xiamen Qianyun Aonong Intelligent Supply Chain Co., Ltd.)	福建傲農生物科技 集團股份有限公司 (Fujian Aonong Biotechnology Group Co., Ltd.)	30%
469 湖南鼎潤通達建材網絡科技有限公司 (Hunan Dingruntongda Building Materials Network Technology Co., Ltd.)	楚晶晶 (Chu Jingjing)	33%
470 南京匯潔信商貿有限公司 (Nanjing Huijiexin Trading Co., Ltd.)	王海濤 (Wang Haitao)	30%
471 濟南匯宇通達貿易有限公司 (Jinan Huiyutongda Trading Co., Ltd.)	尹兵 (Yin Bing)	30%
472 江蘇達創電器有限公司 (Jiangsu Dachuang Electric Co., Ltd.)	深圳創維-RGB電子 有限公司 (Shenzhen Chuangwei-RGB Electronic Co., Ltd.)	30%
473 新鄉市匯澤電子商務有限公司 (Xinxiang Huize Electronic Commerce Co., Ltd.)	李衛華 (Li Weihua)	30%
474 內鄉縣匯恒達電子商務有限公司 (Neixiang Huihengda Electronic Commerce Co., Ltd.)	仵韓夏 (Wu Hanxia)	30%
475 寧海匯佳網絡科技有限公司 (Ninghai Huijia Network Technology Co., Ltd.)	林衛國 (Lin Weiguo)	30%
476 山西美創電子商務有限公司 (Shanxi Meichuang E-commerce Co., Ltd.)	白治國 (Bai Zhiguo)	30%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
477 北京匯德聯盟網絡科技有限公司 (Beijing Huide Alliance Network Technology Co., Ltd.)	郭添藝 (Guo Tianyi)	30%
478 萬戶聯新能源科技有限公司 (Wanhulian New Energy Technology Co., Ltd.)	協鑫集成 (上海)太陽能科技 有限公司 (Xiexinjicheng (Shanghai) Solar Technology Co., Ltd.)	30%
479 煙台尚霖電器有限公司 (Yantai Shanglin Appliance Co., Ltd.)	宋慶波 (Song Qingbo)	30%
480 南京源源至商貿有限公司 (Nanjing Yuanyuanzhi Business Trading Co., Ltd.)	王科明 (Wang Keming)	30%
481 福建奕晟通網絡科技有限公司 (Fujian Yishengtong Network Technology Co., Ltd.)	上海亦星新能源科技 有限公司 (Shanghai Yixing New Energy Technology Co., Ltd.)	30%
482 福建奕晟通網絡科技有限公司 (Fujian Yishengtong Network Technology Co., Ltd.)	李小媚 (Li Xiaomei)	30%
483 貴州耀潤達貿易有限公司 (Guizhou Yaorunda Trading Co., Ltd.)	楊雲芳 (Yang Yunfang)	30%
484 徐州匯運商貿有限公司 (Xuzhou Huiyun Trading Co., Ltd.)	李桂志 (Li Guizhi)	28%
485 湖北匯榮盛商貿有限公司 (Hubei Huirongsheng Trading Co., Ltd.)	榮美枝 (Rong Meizhi)	27%
486 南京帝匯網絡科技有限公司 (Nanjing Dihui Network Technology Co., Ltd.)	徐傑 (Xu Jie)	20%
487 南京市悅梵雲網絡科技有限公司 (Nanjing Yuefanyun Network Technology Co., Ltd.)	劉洋 (Liu Yang)	20%
488 南京市匯中億網絡科技有限公司 (Nanjing Huizhongyi Network Technology Co., Ltd.)	固鉑輪胎 (中國)投資 有限公司 (Gubo Tire (China) Investment Co., Ltd.)	20%
489 貴州耀潤達貿易有限公司 (Guizhou Yaorunda Trading Co., Ltd.)	貞豐縣貴耀材料科技 有限公司 (Zhenfeng Guiyao Material Technology Co., Ltd.)	20%

Name of Members of our Group	Name of Shareholder	Percentage of Shareholding
490 萬戶聯新能源科技有限公司 (Wanhulian New Energy Technology Co., Ltd.)	南京仁眾福企業 管理合夥企業 (有限合夥) (Nanjing Renzhongfu Enterprise Management Partnership (Limited Partnership))	15%
491 國威匯達酒業(南京)有限公司 (Guowei Huida Wine Industry (Nanjing) Co., Ltd.)	南京新達興通企業 管理合夥企業 (有限合夥) (Nanjing Xindaxingtong Enterprise Management Partnership (Limited Partnership))	15%
492 廈門阡耘傲農智慧供應鏈有限公司 (Xiamen Qianyun Aonong Intelligent Supply Chain Co., Ltd.)	高智勇 (Gao Zhiyong)	14%
493 徐州匯運商貿有限公司 (Xuzhou Huiyun Trading Co., Ltd.)	王雯 (Wang Wen)	12%
494 徐州馳隆科貿有限公司 (Xuzhou Chilong Technology Trading Co., Ltd.)	李永華 (Li Yonghua)	10%
495 江蘇我可網信息科技有限公司 (Jiangsu Wokewang Information Technology Co., Ltd.)	天津潤合璽企業管理 諮詢合夥企業 (有限合夥) (Tianjin Runhexi Enterprise Management Consulting Partnership (Limited Partnership))	10%
496 江蘇聚勢三達網絡科技有限公司 (Jiangsu Jushi Sanda Network Technology Co., Ltd.)	童靖靖 (Tong Jingjing)	44%
497 山西汾杏通達數字科技有限公司 (Shanxi Fenxing Mastery Digital Technology Co., Ltd.)	山西杏花村汾杏酒廠 股份有限公司 (Shanxi Xinghua Village Fenxing Winery Co., Ltd.)	48%
498 廣州星通網絡科技有限公司 (Guangzhou Xingtong Network Technology Co., Ltd.)	冉林林 (Ran Linlin)	40%
499 揭陽匯達景富科技有限公司 (Jieyang Huida Jingfu Technology Co., Ltd.)	潘曉丹 (Pan Xiaodan)	40%
500 義烏市勵邦汽車銷售服務有限公司 (Yiwu Libang Automobile Sales Service Co., Ltd.)	洪正榮 (Hong Zhengrong)	40%

	<u>Name of Members of our Group</u>	<u>Name of Shareholder</u>	<u>Percentage of Shareholding</u>
501	蚌埠匯易通達科技有限責任公司 (Bengbu Huiyitongda Technology Co., Ltd.)	劉洋 (Liu Yang)	49%
502	遼寧匯智通博網絡科技有限公司 (Liaoning Huizhi Tongbo Network Technology Co., Ltd.)	李鐵剛 (Li Tiegang)	40%
503	湖北廣勤通達網絡科技有限公司 (Hubei Guangqin Tongda Network Technology Co., Ltd.)	劉坤 (Liu Kun)	40%
504	南昌華創商貿有限公司 (Nanchang Huachuang Trading Company)	陳春花 (Chen Chunhua)	49%
505	上海匯通達信息科技有限公司 (Shanghai Huitongda Information Technology Co., Ltd.)	孟繁鈺 (Meng Fanyu)	40%
506	上海三鶯網絡科技有限公司 (Shanghai Sane Network Technology Co., Ltd.)	李虹豔 (Li Hongyan)	49%
507	重慶匯億恒網絡科技有限公司 (Chongqing Huiyiheng Network Technology Co., Ltd.)	王東 (Wang Dong)	10%
508	浙江匯億恒網絡科技有限公司 (Zhejiang Huiyiheng Network Technology Co., Ltd.)	王亮 (Wang Liang)	10%
509	成都盛世德昌網絡科技有限公司 (Chengdu Shengshi Dechang Network Technology Co., Ltd.)	張一 (Zhang Yi)	49%
510	金華市匯宏網絡有限公司 (Jinhua Huihong Network Co., Ltd.)	王英俊 (Wang Yingjun)	40%
511	杭州匯宏網絡科技有限公司 (Hangzhou Huihong Network Technology Co., Ltd.)	包盈盈 (Bao Yingying)	40%
512	邵陽市宏匯網絡科技有限公司 (Shaoyang Honghui Network Technology Co., Ltd.)	寧芳 (Ning Fang)	40%
513	陝西惠晟達商貿有限公司 (Shaanxi Huishengda Trading Co., Ltd.)	丁利強 (Ding Liqiang)	40%
514	廈門市匯華達網絡科技有限公司 (Xiamen Huihuada Network Technology Co., Ltd.)	楊龍 (Yang Long)	40%
515	廣州匯騰貿易發展有限公司 (Guangzhou Huiteng Trade Development Co., Ltd.)	吳銳坤 (Wu Ruikun)	49%

C. Disclaimers

- (a) none of our Directors or Supervisors has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

- (c) save as disclosed in “4. Disclosure of interest” in this appendix, without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive officer of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (d) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or its subsidiaries.

B. Litigation

As of the Latest Practicable Date, save as disclosed in “Business – Legal Proceedings and Compliance”, no member of our Group was engaged in any outstanding material litigation or arbitration which may have material and adverse effect on the Global Offering and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

C. Joint Sponsors

China International Capital Corporation Hong Kong Securities Limited and Citigroup Global Markets Asia Limited, two of the Joint Sponsors, satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

China Renaissance Securities (Hong Kong) Limited, one of the Joint Sponsors, does not consider itself to be independent from our Company according to Rule 3A.07(7) of the Listing Rules, since a director of the holding company of China Renaissance Securities (Hong Kong) Limited, and his/her close associate, are indirectly interested in no more than 2.19% of the total issued share capital of our Company as of the Latest Practicable Date through their interest in Shenzhen Huasheng Fengda Investment Partnership (Limited Partnership) (深圳華晟豐達投資合夥企業(有限合夥)).

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, H Shares to be issued as set out in this prospectus (including any H Shares which may be issued pursuant to the exercise of Over-allotment Option) and the H Shares to be converted from Domestic Shares, on the Main Board of the Hong Kong Stock Exchange.

Pursuant to the engagement letter entered into between the Company and the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of US\$400,000 to act as the sponsors of our Company in connection with the proposed listing on the Hong Kong Stock Exchange.

D. Compliance Advisor

The Company has appointed Altus Capital Limited as the compliance advisor upon the Listing in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

The Company did not incur any material preliminary expenses.

F. Promoters

Our promoters comprised of all of 18 then shareholders of our Company as of June 30, 2015 before our conversion into a joint stock limited liability company:

No.	Name
1.	Mr. Wang
2.	Mr. Xu Xiuxian
3.	Mr. Wang Jian
4.	Ms. Qian Zhengming
5.	Ms. Bian Huimin
6.	Mr. Xu Weihong
7.	Mr. Wang Qilin
8.	Mr. Li Wei
9.	Mr. Cai Jingzhong

No.	Name
10. . . .	Mr. Li Yonghua
11. . . .	Five Star Holdings
12. . . .	Jiangsu Venture Capital
13. . . .	Shenzhen Huasheng
14. . . .	Suzhou Shunwei
15. . . .	Beijing Yuhui
16. . . .	Tianjin New Vision
17. . . .	Nanjing Daoning
18. . . .	Huatai Zijin

Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters in connection with the Global Offering or the transactions described in this prospectus.

G. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed corporation under the SFO for 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) of the regulated activities as defined under the SFO
Citigroup Global Markets Asia Limited	Corporation 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), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities as defined under the SFO

<u>Name</u>	<u>Qualification</u>
China Renaissance Securities (Hong Kong) Limited	Licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Tian Yuan Law Firm	PRC legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant

H. Consents of Experts

Each of the experts named in paragraph G of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interests in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

I. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of the Company, including in circumstances where such transaction is effect on the Hong Kong Stock Exchange. A stamp duty of 0.26% is currently payable on a typical sale and purchase transaction involving the Shares. For further information in relation to taxation, see “Appendix IV – Taxation and Foreign Exchange”.

J. No Material and Adverse Change

Our Directors confirm that there has been no material and adverse change in the financial or trading position of the Group since December 31, 2020.

K. Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

L. Related Party Transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in “Appendix I – Accountants’ Report – Note 36 Material Related Party Transactions.”

M. Restriction on Share Repurchases

For details of the restrictions on share repurchases by the Company, see “Appendix VI – Summary of Articles of Association of the Company”.

N. Miscellaneous

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) save as disclosed in “– B. Changes in the Share Capital of Our Company” and “– C. Further Information about Our Principal Subsidiaries” above, no share or loan capital of the Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of the Group is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) save in connection with the Underwriting Agreements, 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 of the Group; and
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of the Company;
- (b) there are no founder, management or deferred shares or any debentures in the Group;
- (c) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus;
- (d) the Company has no outstanding convertible debt securities or debentures;

- (e) there is no arrangement under which future dividends are waived or agreed to be waived;
- (f) none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (g) the Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and
- (h) all necessary arrangements have been made to enable the H shares to be admitted into CCASS for clearing and settlement.

O. 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 (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. 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:

- (a) a copy of the **GREEN** Application Form;
- (b) copies of material contracts referred to in “2. Further Information About Our Business – A. Summary of Our Material Contracts” in Appendix VII; and
- (c) the written consents referred to in “5. Other Information – H. Consents of Experts” in Appendix VII.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.htd.cn during a period of 14 days from the date of this prospectus:

- (a) the Articles of Association of the Company;
- (b) the Accountants’ Report from KPMG, the text of which is set out in Appendix I;
- (c) the report from KPMG relating to the unaudited pro forma financial information, the text of which is set out in Appendix II;
- (d) the audited consolidated financial statements of our Group for three financial years ended December 31, 2018, 2019 and 2020 and the nine months ended September 30, 2021;
- (e) the letter in relation to the Loss Estimate of our Group for the year ended December 31, 2021 from KPMG, the text of which is set out in Appendix III;
- (f) the letter in relation to the Loss Estimate of our Group for the year ended December 31, 2021 from the Joint Sponsors, the text of which is set out in Appendix III;
- (g) the material contracts referred to in “2. Further Information About Our Business – A. Summary of Our Material Contracts” in Appendix VII;
- (h) the written consents referred to in “5. Other Information – H. Consents of Experts” in Appendix VII;
- (i) the service contracts referred to in “3. Further Information About Our Directors and Supervisors – A. Particulars of Directors’ and Supervisors’ Contracts” in Appendix VII;
- (j) the legal opinions issued by Tian Yuan Law Firm, our legal advisor as to PRC law, in respect of our general matters and property interests of the Group;
- (k) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations; and
- (l) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed “Industry Overview” in this prospectus.

