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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our results of operations may be negatively affected if the brands or the products that we offer lose their popularity, including as a result of negative publicity.

Our success depends significantly on our ability to sell products featuring international kids' athleisure brands, which largely depends on the popularity of the brands we partner with and the product designs. We have limited control over the designs and development of our brand partners' products that we sell under our distributorships, and the branded products that we design under the exclusive and non-exclusive licenses must be approved by our brand partners to maintain consistent brand stories. Our brand partners' product designs or the brands themselves may fall out of fashion and lose popularity. Furthermore, due to rapidly changing fashion trends and shifting consumer preferences, the designs that we create or the products that we select to sell may not be as popular as we expected despite our insights into consumer preferences. In addition, negative publicity about these brands, their products or other aspects of their operations, such as product defects, recalls or scandals involving athletes, celebrities or KOLs endorsing these brands, could materially and adversely affect the consumer perception of these brands. Moreover, we may face claims from our consumers and/or customers that the branded products sold by us are of inferior quality, defective or unauthentic, which could affect the popularity of our products, even if such claims are baseless. If the brands we partner with or the branded products we sell lose popularity for any of these reasons, consumer demand will decline, and our sales will be adversely and significantly affected.

We rely on our brand partners' global marketing efforts, and our own brand-specific marketing initiatives often need to align with individual brands' marketing themes. Any negatively perceived marketing campaigns of a brand may adversely affect that brand's image, and by association, our Rookie brand, which may have a material adverse effect on our business. As all of the brands we partner with are international brands, any negative consumer sentiment against the home countries of these brands for reasons such as geopolitical tensions may negatively affect sales of their products, which, in turn, may materially and adversely affect our results of operations and financial condition.

We face risks related to the broader economy and demographic change of Greater China.

The childrenswear brand operator industry is relatively sensitive to broader economy trends. As a result, volatile economic conditions, a recession in the economy, or uncertainties regarding future economic prospects, of Greater China, could affect consumer spending habits in Greater China, including a reduction in their spending, and have an adverse effect on our business. A sustained economic downturn would likely have an adverse effect on our results of operations and financial condition. Furthermore, other marcoeconomic conditions, such as inflation, currency rates, supply chain disruptions, labor supply and transportation capacity, and public health emergencies, could also affect our operating and product costs. There can be no assurance that we will be able to maintain our historical growth in revenues or remain profitable in the future.

The development of Greater China's consumer base for childrenswear products is influenced by the child population and birth rate in the region. Mainland China's population has been growing slowly in recent years. The PRC government has implemented supportive policies to create a favorable environment for people of childbearing age to raise more children in mainland China, such as the "three-child" policy, paving the way for potential growth in the consumer base for childrenswear products. However, if such favorable government policies are not able to stimulate population growth as planned, any resulting lower-than-expected birth rate may reduce the demand for our childrenswear products, which could negatively affect our business, results of operations and growth prospects.

Our business performance depends on our ability to understand and timely respond to changes in consumer preferences and spending patterns.

Our business performance is sensitive to consumer preferences and spending patterns. Consumers in different geographical locations of our markets have different shopping tastes and patterns. They could be affected by a number of factors, including both national and local economic conditions, interest rates, inflation, uncertainties about future economic prospects, shifts in discretionary spending towards other goods and services, climate and weather. Moreover, consumer preferences and spending patterns may differ or change from time to time. For example, Chinese consumers recently started to invest in kids' sports training and activities, which creates increasing demand for kids' athleticwear. If the retail environment in Greater China becomes stagnant or declines in the event of a recession in Greater China's or the global economy, this trend may be reversed.

With years of operations in Greater China, we have accumulated knowledge about and insights into consumer preferences and spending patterns, which are critical to our operations in this region. Our capability of original design and innovation is at the core of our business. We seek to incorporate local cultural elements and consumer-oriented designs to enrich and refresh international brands' product offerings and consumer experience in the local context. In 2022, 68.7% of the SKUs we sold in the apparel category were designed by us and revenue from self-designed apparel accounted for 76.3% of our revenue from the apparel category. However, as consumer preferences are continuously changing, and as we expand into new markets, there is no guarantee that we will be always able to predict the shift and design, produce or procure products to address consumers' needs. If we fail to understand or timely respond to changes in consumer preferences and spending patterns, we will suffer a decrease in demand for our product offerings and a significant portion of our inventory may become obsolete. As a result, our business, results of operations and financial condition may be materially and adversely affected.

Our physical store network may not expand successfully. If we, our operational partners or our franchisees are unable to identify or secure suitable locations for new stores on commercially acceptable terms, our expansion and growth prospects may be adversely affected.

The extensive physical network has been critical to driving our business growth and results of operations. As of December 31, 2022, our physical store network included 243 company-operated stores, 75 partnership stores and 639 franchised stores. Whether this network can be expanded successfully depends, to a significant extent, on finding suitable locations for new stores. We, our operational partners and our franchisees generally seek to locate new stores in large shopping malls and department stores with easy accessibility and heavy foot traffic.

Our and our operational partners' ability to effectively open new stores and conduct operations depends on the availability of sites that meet our criteria for traffic, size, co-tenancies, lease economics, demographics and other factors. In addition, from time to time, we may seek to downsize, consolidate, reposition or close some of our existing stores, which may require modification of an existing lease. Our franchisees face similar challenges when opening new stores. Failure to secure adequate new locations or successfully modify leases for existing locations, or failure to effectively manage the profitability of the existing stores of ours, our operational partners' or our franchisees', could have an adverse effect on our operating results and financial condition.

If the licenses we use or distributorships with our brand partners were not renewed on favorable terms or discontinued for any reasons, our profitability and business prospects may be materially and adversely affected.

We currently partner with a limited number of brands and generate revenue by primarily selling branded products. The majority of our brand partners, including NIKE, Jordan, Converse, Levi's, Hurley and Polo Ralph Lauren, license our shareholder Haddad to use their brands in kids' athleisure products globally and Haddad in turn authorizes us to use their licenses within our authorized territories. We are also directly licensed by Tommy Hilfiger and Calvin Klein to use their brands in kids' lifestyle products in mainland China. In 2020, 2021 and 2022, revenue generated from sales of products featuring the NIKE, Jordan, Converse and Levi's brands accounted for 99.6%, 99.2% and 98.8% of our total revenue, respectively. In addition, NIKE, Jordan and Converse products supplied by our brand partner in aggregate contributed to 36.2%, 28.6% and 24.0% of our total purchases in 2020, 2021 and 2022, respectively. Therefore, our ability to maintain good relationships and continue to have access to the licenses and maintain distributorships with our brand partners on favorable terms, particularly NIKE, Jordan, Converse and Levi's, is critical to the growth of our business.

Our or Haddad's agreements with our brand partners are normally renewed based on negotiations between the two parties. Factors that our brand partners may take into consideration include our or Haddad's performance during previous contract terms, our or Haddad's compliance with their general policies and procedures, general market conditions and our brand partners' overall growth strategies. Our or Haddad's relationship with Tommy Hilfiger, Calvin Klein and Polo Ralph Lauren is relatively short, and we cannot assure you that we or Haddad will be able to maintain our relationships with them. Although NIKE, Jordan, Converse, Levi's and Hurley have had a long history of continuous cooperation with Haddad, there is no assurance that Haddad will be able to maintain good relationships with or successfully renew the agreements with these brand partners on favorable terms, or at all. We will lose access to the licenses Haddad authorizes us to use, if Haddad does not renew or otherwise no longer maintains such licenses for any reasons. Furthermore, our brand partners may change the terms of their agreements with us or Haddad, which could impose restrictions on the existing scope of the licenses we use, such as the authorized product category, territories and channels.

In addition, we also rely on Haddad to authorize us to use these brand partners' licenses. Despite the fact that our arrangement with Haddad has been extended to 2045 (which enables us to benefit from Haddad's licensing arrangement with NIKE, Jordan, Converse, Levi's, Hurley and Polo Ralph Lauren), there is no assurance that our interests will always align with our Founding Shareholders' in the future. In addition, our licensing arrangement with Calvin

Klein requires Haddad to maintain a certain percentage of equity interest in us. If we fail to maintain or renew our arrangement with Haddad, our sales, prospects, financial condition and results of operations could be materially and adversely affected. See "Connected Transactions" for additional details of our arrangement with Haddad.

If we do not successfully manage our inventory levels, our business may be materially and adversely impacted.

Maintaining optimal inventory levels is critical to the success of our business. As of December 31, 2020, 2021 and 2022, the balance of our inventory, which primarily consisted of finished products that we self-designed and products purchased from our brand partners, accounted for 30.6%, 26.3% and 25.5% of our total assets, respectively. In 2020, 2021 and 2022, our inventory turnover days were 189 days, 146 days and 175 days, respectively.

We aim to maintain a diverse product assortment with sufficient inventory level for each product based on purchase orders but to replenish popular items quickly through monitoring and analyzing sales data. We make decisions for the purchase and manufacture of products with our suppliers and manufacturers two to six months in advance, and sometimes before trends are identified or evidenced by consumer purchases. In addition, the seasonality of the retail business requires us to carry a significant amount of inventory, especially prior to peak selling periods (such as the new-year holiday season), when we generally build up inventory levels of seasonal products. As a result, it can be difficult for us to respond to new or changing consumer needs and there can be no assurance that we will be able to continue to stock our stores adequately and with sufficient product assortment levels. It is also difficult for us to accurately forecast proper product levels at our new store locations, where we may not have historical purchase information to leverage. Historically, our ability to manage our inventory levels was negatively affected by the public health emergency. Our provisions for impairment losses on inventories increased as of December 31, 2022, compared to December 31, 2021 and 2020, which was in part attributable to the accumulation of slow-moving and excess inventories from 2020 to 2022 in an evolving offline retail environment influenced by the public health emergency.

Any failure to maintain proper product assortment levels could lead to excess inventories, which could lead to markdowns and increased promotions, resulting in a decrease in our product margins. On the other hand, if our forecast is lower than the actual demand, we may experience insufficient levels of inventory and increased costs to fulfill the demand, consumers may choose to visit our physical stores or online DTC channels less frequently, and our Rookie brand image and our partners' brand image may suffer. Either of these types of development may adversely affect our financial condition and results of operations.

We are dependent upon external manufacturers and suppliers. Our business could be adversely affected if our manufacturers and/or suppliers do not perform in accordance with our standards and/or our brand partners' standards.

We do not own or operate any manufacturing facilities. Substantially all of our products are provided by independent manufacturers or suppliers. We procure self-designed or curated licensed products from OEMs that are vetted by our brand partners, and procure other products from our brand partners and their designated manufacturers. The failure of our manufacturers or suppliers to meet required quality standards could damage our relationships with our consumers and/or customers. In addition, the failure by our manufacturers or suppliers to ship products to us in a timely manner could cause us to miss the delivery date requirements of our customers. The failure to make timely deliveries could cause our customers to cancel orders, refuse to accept delivery of products or demand reduced prices.

We are also dependent on our manufacturers for compliance with the policies of ours and our brand partners' regarding labor practices employed by them. For example, when producing products of certain brand partners, we are required to use manufacturers approved by the relevant brand partners. These manufacturers are required by the brand partners to comply with a code of conduct and other environmental, human rights, health and safety standards for the benefit of workers, as well as applicable standards for product safety. Any failure by our manufacturers to comply with required labor standards or any other divergence in their labor or other practices from those generally considered ethical, and the potential negative publicity relating to any of these events, could result in a violation by us of the licenses we use and harm us and our reputation. In addition, a manufacturer's or supplier's failure to comply with safety or content regulations and standards could result in substantial liability and harm to our reputation.

Fluctuations in the price, availability and quality of materials used in our products could have a material adverse effect on our cost of goods sold and our ability to meet our customers' and/or consumers' demands.

Fluctuations in the price, availability and quality of raw materials used in our products, particularly cotton, polyester and nylon, could have a material adverse effect on our cost of sales. Raw materials are vulnerable to adverse climate conditions, oil prices and natural disasters that can affect the supply and price of raw materials. For example, the price of cotton grew from 2017 to 2022, with a CAGR of 10.2%, according to the Frost & Sullivan Report. Although we generally do not directly purchase raw materials required for our products, the cost of raw materials will indirectly affect the purchase cost of our products. Our manufacturers or suppliers may pass such raw material price increases to us, and we may not be able to offset all increases in raw material prices by increasing the prices of our products. Moreover, we may lose our competitive advantage if the prices of our products increase significantly.

We regularly discuss with our suppliers and manufacturers on the potential changes or trend in the price, availability and quality of raw materials. Based on our own price forecasts, we sometimes suggest our manufacturers and suppliers to pre-order certain raw materials or use alternatives. However, our forecasts or the forecasts of our suppliers and manufacturers may not always be accurate, and there is no assurance that we will not be affected by such fluctuations.

We rely significantly on information technology to operate our business, and any failure, inadequacy or interruption of that technology could harm our ability to effectively operate our business.

We are heavily dependent on information technology systems, including product design, production, forecasting, inventory management, ordering, manufacturing, transportation, sales and distribution, as well as for processing financial information, retail operations and other business activities. Most of these systems are cloud-based. Our work to integrate, secure and enhance these systems and related processes in our operations is ongoing and we will continue to invest in these efforts. We cannot provide assurance, however, that the measures we take to secure and enhance these systems will be sufficient to protect our information technology systems and prevent cyberattacks, system failures or data or information loss. In addition, the increased use of employee-owned devices for communications presents additional operational risks to our information technology systems, including, but not limited to, increased risks of cyberattacks. Our information technology systems, and the systems run by or those of our third-party providers, including cloud-based services, may fail to operate effectively, suffer damage, disruption, or shutdown and we or our third-party providers may not be able to effectively resolve the issues in a timely manner. Any of such incidents could cause delays in product fulfillment, reduced efficiency of our operations or delays in our financial results reporting, or require significant capital investments to remediate the problem, which may have an adverse effect on our business, financial condition, and results of operations. If we expand our use of third-party services, our technology infrastructure may be subject to increased risk of slowdown or interruption as a result of integration with such services and/or failures by such third parties, which are out of our control.

Furthermore, we depend on information technology systems and personal data collection for digital marketing, ecommerce, consumer engagement and the marketing and use of our digital products and services. We also rely on our ability to engage in electronic communications between and among our employees as well as with other third parties, including customers, manufacturers, suppliers and consumers. Any interruption in information technology systems may impede our ability to engage in the digital space and result in lost revenues, damage to our reputation, and loss of users.

Our company-operated stores and online DTC operations have required and will continue to require substantial investment and commitment of resources and are subject to numerous risks and uncertainties.

Our company-operated stores and online DTC operations have required and will continue to require significant investment. For example, we have recognized substantial lease liabilities for the properties we lease for our physical company-operated stores. Certain company-operated stores, such as our high-end stores, have been designed and built to serve as high-profile venues to promote brand awareness and marketing activities. Because of their unique design, locations and size, these high-end stores require substantially more investment than other company-operated stores. Due to the high fixed-cost structure associated with our company-operated stores, a decline in sales, a shift in consumer behavior away from offline retail, or the closure, temporary or otherwise, or poor performance, of a company-operated store could result in significant lease termination costs, write-offs of equipment and leasehold improvements and employee-related costs. Retail operations pose risks and uncertainties, such as credit card fraud, misbehavior of retail staff and inability to manage costs associated with store construction and operation, some of which are beyond our control.

In addition, we have made significant investments in digital technologies and information technology systems for the digital aspect of our company-operated stores and online DTC operations, which will require continued investment in the development and upgrading of our technology platform. We have also been investing in building a self-owned smart hub to further enhance our supply chain responsiveness. We may not be successful in developing our technology platform to operate effectively with a range of technologies, systems, networks or standards that we do not control, and may fail to deliver high-quality digital experience. A growing portion of consumers access our digital Rookie stores. However, if consumers find that our digital Rookie stores are difficult to access or use, or do not effectively meet their needs or expectations, the success of our online DTC operations could be adversely impacted. Our competitors may develop, or have already developed, digital experiences, features, content, services or technologies that are similar to ours or that achieve greater acceptance. While we regularly evaluate the return on our investment, there is no guarantee that they will generate sufficient returns or that they will have the expected effects on our business operations. If our investment does not meet expectations, our prospects, cash flow and results of operations may be adversely affected.

Furthermore, we cannot assure you that any new company-operated stores we open in the future will reach breakeven point within the typical range of period for achieving the same or will reach the investment payback point within the typical range of investment payback period, if at all. We continue to optimize our existing store fleet through strategic relocations or closures of underperforming stores. However, relocations may not successfully generate profit, and if we decide to close stores that we believe cannot achieve breakeven point and/or investment payback point, our investments in these stores may not be able to be recovered and our results of operations and financial position will be materially and adversely affected. If the affected stores are predominately mono-brand stores of a particular brand, our relationship with that brand partner may also be adversely affected. Even if these new company-operated stores can achieve breakeven point, we cannot assure you that they can achieve the investment payback point within the typical range of period for achieving the same, if at all, thereby failing to fully recoup the initial investment on such company-operated stores from the accumulated net profit attributable to such store, which may adversely affect our profitability and financial position.

We, our operational partners or our franchisees may not be able to renew, in a timely manner or at all, current lease agreements or concession agreements for our existing company-operated, partnership or franchised stores on the same or more favorable terms, or locate desirable alternatives for them.

Our existing company-operated, partnership and franchised stores are operated under either lease or concession agreements. We cannot assure you that we, our operational partners or our franchisees will be able to renew our or their lease or concession agreements upon expiry on the same terms or on other commercially reasonable terms, in a timely manner or at all, especially for stores at locations with heavy foot traffic. Our competitors, as well as other companies that require similar locations, may have greater financial resources or bargaining power than us. We, our operational partners, or our franchisees may therefore be forced to find new replacement locations or move to less favorable locations. If any of these circumstances develops, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Additionally, economic environment may make it difficult to determine the fair market economics of real estate properties. This could affect our, our operational partners' or our franchisees' ability to negotiate commercial terms when renewing expiring leases or concessions. Any misjudgment could impact our, our operational partners' or our franchisees' ability to retain real estate locations adequate to meet performance targets or efficiently manage the profitability of the existing stores, which could have an adverse effect on our operating results and financial condition.

We may be adversely affected by the financial health and business strategies of our key account customers.

We sell a portion of our products to key account customers who are mainly the self-owned channels of our brand partners and large distributors of our brand partners. In 2020, 2021 and 2022, key account customer sales contributed 25.6%, 27.1% and 28.7% of our total revenue, respectively. When the retail economy weakens or as consumer behavior shifts, key account customers may be more cautious with orders. A slowing or changing economy in our key markets could adversely affect the financial health and business strategies of our key account customers, which in turn could have an adverse effect on our results of operations and financial condition. In addition, product sales are dependent in part on high quality merchandising and an appealing shopping experience to attract consumers, which requires continuing investments by our key account customers. Key account customers that experience financial difficulties or change their business strategies may fail to make such investments or delay them, resulting in lower sales and orders for our products.

Furthermore, large scale financial uncertainty, such as that surrounding the public health emergency in 2022, could have a significant impact on our key account customers in general, which could have a material adverse effect on our sales.

Our Rookie brand value and our reputation and relationship with our brand partners could be harmed if our partnership stores or franchised stores are not managed in accordance with our standards. We may also be adversely affected by the financial health of our franchisees.

We sell a portion of our products to franchisees and through our partnership stores managed by our operational partners. We supply products to our partnership stores but we do not engage in the day-to-day operations. We require our franchisees and operational partners to carry out their business following our rules and procedures regarding various aspects of store operations. These rules and procedures relate to service standards (for franchisees), store layouts, selection of brands, product assortment, merchandising and marketing activities. However, there is no assurance that our franchisees or operational partners will carry out their business in full compliance with our policies and standards. In the event of any non-compliance or substandard services, our Rookie brand value and our reputation and relationship with brand partners may be harmed, which in turn could adversely affect our business, results of operations and financial condition. The remedies available to us upon a breach by our franchisees or operational partners under the relevant franchise or partnership agreements may not be sufficient to cover all losses we may incur. In addition, there is no assurance that inventory accumulation will not develop at franchised stores. Under such circumstances, franchisees may attempt to liquidate excessive inventory using aggressive markdowns, which may damage the image and the value of the products and brands we offer.

Furthermore, our franchised stores and partnership stores must comply with relevant local laws and regulations, as well as obtain and maintain various approvals, licenses and permits for the business operations. If a significant number of franchised stores or partnership stores are required to suspend or cease their operations as a result of non-compliance with relevant local laws and regulations, our results of operations, market share, geographical coverage and brand image may be adversely affected.

In addition, if the financial health of our major franchisees deteriorates, our results of operations and financial condition may be adversely affected. In 2020, 2021 and 2022, franchisee sales contributed 27.7%, 24.7% and 21.7% of our total revenue, respectively. We allowed a higher exchange rate than what we contractually agreed for certain of our franchisees in 2020 and 2022 to help them improve liquidity and recover from the impact of the public health emergency and we cannot assure a similar situation will not reoccur. If we lose our major franchisees, our results of operations and geographical coverage may also be adversely affected.

We operate in a highly competitive and fast-changing market, and increased competition may limit our growth and reduce our profitability.

The childrenswear brand operator industry in Greater China is highly competitive and rapidly evolving, and we expect competition in our industry to intensify. We primarily compete with operators of other international brands and national childrenswear brands that market similar lines of products in Greater China. Many of our competitors are companies with substantially greater financial, marketing or other resources, for example, adult clothing brand operators extending to the childrenswear market. As a result, these competitors may be able to adapt to changes in consumer trends more quickly, take advantage of acquisitions and other opportunities more readily, devote greater resources to the marketing and sale of their products and their ecommerce activities, and adopt more aggressive pricing strategies than we can. Existing and new competitors may develop new marketing strategies or channels that prove to be more successful than ours. Our company-operated and partnership stores and online DTC operations may compete with some of our wholesale customers, including our brand partners' own channels and our key account customers, which sell the licensed products we provide to consumers.

In addition, we may compete with other retailers in the geographic markets in which we operate, retailers from alternative sales channels, such as third-party ecommerce/media platforms, and our brand partners' own channels for products which fall under our distributorship arrangements, such as NIKE kids' footwear. We compete with retailers in areas such as product offerings, depth and breadth of store network, digital services and experiences, social media presence, consumer relationships and logistics efficiency. Some of our competitors may have more financial and human resources, better access to attractive store locations, more competitive pricing strategies or closer relationships with brand partners. Furthermore, there can be no assurance that our brand partners will not increase sales through their own channels and reduce the volume of products they sell through us.

Competition may lead to, among other things, less favorable terms in agreements with our brand partners, higher costs for retail space, harmed reputation, and lower sales, all of which could have a material adverse effect on our results of operations and financial condition.

We may not be able to successfully manage or expand our brand portfolio.

We adopt a multi-brand strategy. All of our physical and most of our digital Rookie stores are multi-brand stores, which sell products featuring substantially all of the brands we partner with. We seek to diversify and expand our brand and product portfolio through exclusive and non-exclusive license arrangements and distributorships with new brand owners. For example, we recently entered into license arrangements with Tommy Hilfiger and Calvin Klein to design, manage the manufacturing of, and distribute branded products in mainland China. However, our multi-brand strategy may not be successful. The success of our multi-brand strategy and expansion of our brand portfolio is dependent on a number of factors, including whether we would be able to identify suitable brand owners who are seeking partners in our markets, whether our distribution network and our brand strategy would be a good match with those brand owners, whether they view our current brand portfolio as sufficiently distinct from theirs, and whether our competitors would be able to offer better terms than us to those brand owners. As a result, there is no assurance that we will be able to secure new brand partners on terms favorable to us, or at all, or successfully integrate the new brands into our brand portfolio.

Failure by our brand partners or us to maintain the brands' reputation, brand image or culture could negatively impact our business.

Our brand partners' iconic brands have worldwide recognition, and our success depends on their and our ability to maintain and enhance these brands' image and reputation. Maintaining, promoting and growing these brands will depend on our brand partners' and our ability to create on-trend design, spending on advertising and consumer campaigns, as well as commitment to product innovation, quality and sustainability. These efforts may not always have the desired impact on the brand image and reputation. In addition, success in maintaining, extending and expanding brand image depends on our collective ability to adapt to a rapidly changing media and digital environment, which includes increasing reliance on social media and digital dissemination of advertising campaigns on digital platforms and through digital experiences and products. We could be adversely impacted if our brand partners or we fail to achieve any of these objectives.

Our brand partners' brand value also depends on their ability to maintain a positive consumer perception of corporate integrity, purpose and brand culture. Negative claims or publicity involving our brand partners, their culture and values, their products, services and experiences, consumer data, or any of their key employees, endorsers, sponsors or suppliers could seriously damage their reputation and brand image, regardless of whether such claims are valid. For example, while our brand partners and we require the suppliers of the branded products to operate their business in compliance with applicable laws and policies, neither our brand partners nor we control these suppliers' practices. Negative publicity relating to a violation or an alleged violation of policies or laws by such suppliers could damage our brand partners' brand image and diminish consumer trust in their brands. Further, our brand partners' reputation and brand image could be damaged as a result of their support of, association with or lack of support or disapproval of certain social causes, as well as any decisions they make to continue to conduct, or change, certain of their activities in response to such considerations. Social media, which accelerates and potentially amplifies the scope of negative publicity, can increase the challenges of responding to negative claims. Adverse publicity about regulatory or legal action against our brand partners, or by them, could also damage their reputation and brand image, undermine consumer confidence in them and reduce long-term demand for their products, even if the regulatory or legal action is unfounded or not material to their operations. If the reputation, culture or brand image of any of our brand partners is tarnished or if they receive negative publicity, our sales, financial condition and results of operations could be materially and adversely affected.

If our recognition and reputation as a leading, fully-integrated operator of childrenswear brands were damaged, our business may be adversely affected.

Our financial success depends in significant part on the name recognition and reputation of our Rookie brand in Greater China to draw consumers to our stores. A significant portion of this name recognition is based upon our reputation as a go-to place for high-quality childrenswear products in Greater China. The Rookie brand value can be damaged for a number of reasons, such as the selection of brands featured in our stores, the popularity and quality of the products we offer, as well as the shopping experiences we provide. If we were to lose our reputation, our stores may draw fewer consumers and our sales may fall as a result.

Any negative news concerning the KOLs and celebrities whom we engage to market our products or our Rookie brand could materially and adversely affect our sales and reputation.

We engage KOLs and celebrities to market our partner brands, products and our Rookie brand on social media. These celebrities and KOLs may incidentally distribute information about the brands we partner with, our products or our Rookie brand, which may result in a negative perception of the brands we partner with, our products or our Rookie brand by the public. In addition, even though we only engage KOLs and celebrities who share our values, their actions may deviate from these values, and any negative publicity or negative commentary regarding our spokespersons, or boycotting or blocking of these KOLs or celebrities, may result in a negative perception of the brands we partner with, our products or our Rookie brand by the public even if the negative publicity does not involve these brands or products. Any negative publicity about our spokespersons or negative perception of the brands we partner with, our products or our Rookie brand, regardless of veracity, could lead to potential loss of consumer confidence or difficulty in retaining or recruiting talent that is essential to our business operations. As a result, our business, financial condition, results of operations, reputation and prospects may be materially and adversely affected.

We are exposed to the risks related to third parties involved in our business operations.

Our business operations involve a number of third parties or counterparties, such as our brand partners, franchisees, operational partners, manufacturers, suppliers, logistics service providers, as well as landlords, the owners and operators of the shopping malls and department stores where our stores are located. If any of them fails to perform their contractual obligations, commits negligent, fraudulent, illegal or inappropriate actions or misconduct, obtain and maintain relevant licenses, permits or approvals for their operations, or otherwise fails to comply with applicable laws and regulations, we may receive negative publicity or regulatory inquiries as a result of our business relationships with such third parties, which would adversely affect our reputation and business. In the event that we become subject to claims or administrative penalties caused by actions of third parties, we may seek compensation from the relevant third parties. However, such compensation may be inadequate to cover our actual losses. If no claim can be asserted against the relevant third parties, or the amounts that we claim cannot be fully recovered from such third parties, we may be required to bear such losses and compensation at our own costs. This could have a material and adverse effect on our business, financial condition and results of operations.

If we fail to maintain our relationship with third-party ecommerce/media platforms, or otherwise fail to grow our digital business, our profitability and business prospects may be materially and adversely affected.

We sell a portion of our products through third-party ecommerce/media platforms in mainland China. We benefit from the volume of traffic and popularity of ecommerce/media platforms as shopping destinations and those of the ecommerce/media platforms on which our products are sold. If our partnerships with these platforms are not renewed, these platforms drastically change their business model, policies or systems, consumers shift away from online shopping, these platforms decline in popularity, including as a result of competition between ecommerce/media platforms, or we do not keep up with their development, our profitability and business prospects may be adversely affected.

In addition, third-party ecommerce/media platforms charge us platform and service fees for our sales through them. The major ecommerce/media platforms that we cooperate with have large market shares, and as a result it may be difficult for us to negotiate the fees they charge us for using their platforms. If these major ecommerce platforms increase their fees and other charges, we may not be able to pass on such additional expenses to our customers and/or consumers, which may adversely affect our profitability.

We are also vulnerable to certain risks and uncertainties specific to our digital and ecommerce strategy. These include rapid changes in technology, diversion of sales from our physical stores, website downtime and other technical failures. Our failure to successfully respond to these risks and uncertainties could reduce our ecommerce sales, increase our costs, diminish our growth prospects, and damage our Rookie brand, which in turn could negatively impact our business, financial condition and results of operations.

If we fail to maintain, promote or grow our membership base, our business could be adversely affected.

We believe an expansive and loyal membership base is significant to our success. During the Track Record Period, members' purchases accounted for a large portion of the sales generated by our company-operated physical stores and our proprietary Rookie App. As of the Latest Practicable Date, we had 1.3 million registered members. Our membership program provides a wide variety of benefits in terms of products, services, discounts and activities to increase member loyalty. However, we cannot assure you that our membership program will continue to be successful. If we fail to maintain, promote or grow our membership base, our business may be adversely affected.

A decline in the number of people who visit shopping malls, especially those where we experience high sales volumes, could reduce the number of our consumers and reduce our sales.

A majority of our company-operated stores and partnership stores are currently located in shopping malls. Our sales are derived, in part, from the volume of traffic at those malls. We benefit from the ability of the shopping malls' "anchor" tenants (such as cinemas and family entertainment centers) and other area attractions, to generate consumer traffic around our stores. We also benefit from the popularity of shopping malls as shopping destinations. Our sales volume and consumer traffic at such stores are likely to be adversely affected by economic downturns in a particular area, development of ecommerce business, change of consumers' purchasing habits or preferences, competition from non-shopping mall retailers (including ecommerce businesses) and other shopping malls where we do not have stores and the closing of anchor tenants in a particular shopping mall. In addition, a decline in the popularity of shopping malls (especially popular shopping malls that typically benefit from high traffic volume) among our core consumers may curtail consumer visits, which in turn could result in decreased sales in our stores and result in a material adverse effect on our business, financial condition and results of operations.

Our financial condition and results of operations are subject to seasonal fluctuations.

Our business is subject to seasonal fluctuations, and we typically record higher sales around festive seasons. If we fail to capture the sales opportunities arising from these festive seasons, our overall performance could be adversely affected. For the same reason, we need to increase our stock to satisfy our increased sales demand around these festive seasons, which exposes us to higher levels of inventories. In addition, our autumn and winter products typically have higher average selling prices than our spring and summer products.

Our business is also susceptible to extreme or unexpected changes in weather conditions. For example, extended periods of unusually warm temperatures during the winter season or cool weather during the summer season can render a portion of our inventory obsolete, such as winter coats during a warm winter. These extreme or unusual weather conditions could result in inventory surplus and have an adverse effect on our business and results of operations.

As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different years, are not necessarily meaningful and should not be relied upon as an indicator of our performance.

Climate change and other sustainability-related matters, or legal, regulatory or market responses thereto, may have an adverse impact on our business and results of operations.

There are concerns that increased levels of carbon dioxide and other greenhouse gases in the atmosphere have caused, and may continue to cause, potentially at a growing rate, increases in global temperatures, changes in weather patterns and increasingly frequent and/or prolonged extreme weather and climate events. Climate change may also exacerbate challenges relating to the availability and quality of water and raw materials, including those used in the production of our products, and may result in changes in regulations or consumer preferences, which could in turn affect our business, operating results and financial condition. For example, there has been increased focus by governmental and non-governmental organizations, consumers, customers, employees and other stakeholders on products that are sustainably made and other sustainability matters, including sustainable procurement, the use of plastic, energy and water, the recyclability or recoverability of packaging and materials transparency, any of which may require us to incur increased costs for additional transparency, due diligence and reporting. In addition, governmental authorities have proposed, and are likely to continue to propose, legislative and regulatory initiatives to reduce or mitigate the impacts of climate change on the environment. Any of the foregoing may require us to make additional investments in facilities and equipment, impact the availability and cost of key raw materials used in the production of our products or the demand for our products, and, in turn, adversely impact our business, operating results and financial condition.

We face risks related to health epidemics, infectious diseases and other outbreaks, including the recent public health emergency which has caused and may continue to cause disruption to our operations and negatively affect our business and growth prospects.

Our business could be materially and adversely affected by outbreaks of contagious diseases such as SARS, H5N1 avian influenza, human swine flu and the recent public health emergency relating to COVID-19, or another epidemic or outbreak.

Our business was during the Track Record Period affected by a public health emergency of international concern, which was declared in January 2020 and ended in May 2023, according to the World Health Organization. The public health emergency and related restrictive measures taken to contain the spread of the virus during the Track Record Period resulted in temporary closure and/or a substantial decline in store traffic and sales at some of our stores. In addition, we experienced a net decrease of company-operated, partnership and franchised stores in certain years during the Track Record Period. As of the Latest Practicable Date, all of our company-operated stores have returned to normal operations. As a result of the temporary store closures and decline in store traffic, our revenue was significantly affected in some periods such as 2020 and 2022.

In addition, the public health emergency and its related movement restrictions also caused supply chain disruptions. If we fail to minimize the impact of supply chain disruptions when facing future health epidemics, infectious diseases and other outbreaks, our manufacturers' and suppliers' ability to produce sufficient quantities of our products on time will be affected, and we may not be able to fulfil customer orders on time, which will negatively affect our business, reputation and financial condition. For example, our revenue from footwear decreased in 2022 due to supply chain constraints experienced by our brand partners, which negatively impacted our inventory level. Moreover, reduced sales from our company-operated physical stores, partnership stores and from our franchisees and key account customers, mainly caused by disruptions in operations due to public health emergency, resulted in an increase of inventory turnover days in 2022. Additionally, our inventories and provisions for impairment losses on inventories increased as of December 31, 2022, compared to December 31, 2021 and 2020. The increase in inventories was primarily due to reduced sales in 2022, and the increase in provisions for impairment losses was in part attributable to the accumulation of slow-moving and excess inventories from 2020 to 2022 in an evolving offline retail environment influenced by the public health emergency.

Furthermore, the public health emergency has created significant economic uncertainty globally and negatively affected global economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates and interest rates. This may result in an increase in our operating costs or a decrease in consumer confidence which could negatively affect our business and growth prospects. The overall economic performance of the affected markets may not improve even after the containment of the public health emergency. The public health emergency delayed our store opening plans in 2020, 2021 and 2022, which negatively affected our growth plan. Any of the above factors could have a material adverse effect on our business, financial condition and results of operations.

Even though governments around the world have mostly eased the public health emergency related measures and restrictions, due to the rapidly evolving global situation, the risk of further waves of infections, the range of national responses including movement restrictions and border closures, and the uncertainties surrounding vaccine efficacy, we cannot predict the duration or the ultimate impact of the public health emergency. We may not have adequate and successful arrangements for our operations to meet customer demand if there is another wave of the public health emergency. Any additional impact of the public health emergency, or the outbreak of any other infectious disease, may have a material adverse effect on our business, financial condition, and results of operations.

Extreme weather conditions and natural disasters could negatively impact our operating results and financial condition.

We are vulnerable to the physical risks of climate change, such as shifts in weather patterns. Extreme weather conditions in the areas in which our stores, suppliers, manufacturers, customers, warehouses, offices or headquarters are located could adversely affect our operating results and financial condition. Moreover, natural disasters such as earthquakes, hurricanes and wildfires and their related consequences and effects, including energy shortages and public health issues, could disrupt our operations, the operations of our manufacturers and suppliers, or could result in economic instability, that may negatively impact our operating results and financial condition. In particular, if a natural disaster or severe weather event were to occur in an area in which we or our suppliers, manufacturers, employees, customers or warehouses are located, our continued success would depend, in part, on the safety and availability of the relevant personnel and facilities and proper functioning of our or third parties' computer, network, telecommunication and other systems and operations. In addition, a natural disaster or severe weather event could negatively impact retail traffic to our stores and could have an adverse impact on consumer spending, any of which could in turn affect our sales. Further, climate change may increase both the frequency and severity of extreme weather conditions and natural disasters, which may affect our business operations, as well as the activities of our suppliers, manufacturers and customers. We believe the diversity of locations in which we operate, our operational size, disaster recovery and business continuity planning and our information technology systems and networks, including the Internet and third-party services, position us well, but may not be sufficient for all or for concurrent eventualities. If we are unable to find alternative manufacturers or suppliers, replace capacity at key manufacturing or distribution locations or quickly repair damage to our information technology systems or supply systems, we could be late in delivering, or be unable to deliver, products to our customers. These events could result in reputational damage, loss of sales, cancellation charges or markdowns, all of which could have an adverse effect on our business, results of operations and financial condition.

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

We have procured insurance policies, including public liability insurance and property insurance, for our business in accordance with industry practice. These policies cover damages caused by natural hazards such as hurricanes, storms, rainstorms, fires and other unpredictable and uncontrollable incidents. We do not maintain insurance for all of our assets or against losses at all of our properties. Although we review the adequacy of our insurance policies from time to time, there can be no assurance that our insurance policies will be sufficient to cover all losses or liabilities under all circumstances. If our insurance policies are insufficient to cover our losses or liabilities, this could have a material adverse effect on our business, financial condition and results of operations.

We are subject to certain risks relating to the transportation and warehousing of our products.

Our products are delivered from our manufacturers and suppliers to our warehouses and onward to our stores, customers and consumers. Products in transit or warehouses are subject to a number of risks beyond our control, including loss and damage due to poor handling, storage conditions or weather events, transportation bottlenecks and labor strikes or other industrial action at seaports or other transportation hubs. One or more of these risks may result in our products being delivered late or in a damaged state, or in some cases being lost altogether. Any of the events above could have a material adverse effect on our business.

In addition, we rely on a limited number of external logistics service providers for our extensive logistics needs. Disputes with or a termination of our relationships with one or more of our logistics service providers could result in delayed product deliveries, increased costs or consumer dissatisfaction. There can be no assurance that we can continue or extend relationships with our current logistics service providers on terms acceptable to us, or that we will be able to establish relationships with new logistics service providers to ensure accurate, timely and cost-efficient delivery services. We cannot guarantee that we will not experience disruptions in the logistics services that we receive, which may materially and adversely affect our business operations. In addition, our logistics service providers may charge us higher fees for their services as a result of external factors that are beyond our control, such as inflation, increase in labor costs, outbreaks of diseases, natural disasters and industry-wide price adjustment. Any increase in our logistics service expenses could adversely affect our profitability and have an adverse impact on our results of operations.

Counterfeit or "knock-off" products, as well as products that are "inspired by" the brands we partner with or our designs, or failure by us to adequately protect or enforce our intellectual property rights may siphon off demand for the branded products we offer and may result in customer and/or consumer confusion, harm to our brand portfolio, a loss of our market share and/or a decrease in our results of operations.

We face competition from counterfeit or "knock-off" products manufactured and sold by third parties in violation of our intellectual property rights, as well as from products that are inspired by the branded products we offer or our designs, including private label offerings by ecommerce retailers. These activities of third parties may result in customer and/or consumer confusion, require us to incur additional administrative costs to manage customer and/or consumer complaints related to counterfeit goods, divert customers and/or consumers from us, cause us to miss out on sales opportunities, and result in a loss of our market share. We could also be required to increase our marketing and advertising spend. If consumers are confused by these other products and believe them to be actual products from our brands, we could be forced to deal with dissatisfied customers and/or consumers who mistakenly blame us for poor service or poor-quality goods. We may also be required to incur substantial expense to protect our brands and enforce our intellectual property rights, which could negatively impact our results of operations and financial condition.

We take various actions to prevent the unauthorized use and/or disclosure of our confidential information and intellectual property rights. These actions include contractual measures such as entering into non-disclosure agreements and agreements which provide that the intellectual property of a work product by our employee belongs to us. Our measures to prevent unauthorized use and/or disclosure of confidential information and intellectual property rights may not always be effective. For example, confidential information related to business strategy, innovations, new designs, unpublished financial results or personal data could be prematurely, inadvertently, or improperly used and/or disclosed, resulting in a loss of reputation, loss of intellectual property rights, and/or a negative impact on our market position, and could lead to damages, fines, penalties or injunctions.

We may face significant expenses and liability in connection with the protection of our intellectual property rights, and if we are unable to successfully protect our rights or resolve intellectual property conflicts with others, our business or financial condition may be adversely affected.

Allegations regarding the quality and authenticity of the products we sell may adversely affect our business.

We believe that consumers and customers value our Rookie brand and our reputation for selling products that adhere to high quality and safety standards. In addition, the quality of kids' products is regulated by relevant government departments. The products we design and order from manufacturers must pass our quality control tests before they are sold to our consumers and customers. Our brand partners have their own quality control systems in place and have warranted that products supplied to us have passed their internal quality control tests before they are shipped to us. Nevertheless, we may still face claims from our consumers and/or customers that products sold by us are of inferior quality, defective or unauthentic. We may have to incur expenses to defend such claims if they arose, irrespective of their merits. Moreover, we could be required to pay damages or to discontinue selling substandard, defective or unauthentic products if such claims prevail. If the products we sell fail to adhere to quality and safety standards that meet the expectations of consumers and/or customers, we may lose sales, face product liability claims and see our Rookie brand equity deteriorate and our relationships with our brand partners harmed.

We may be subject to liability if we are found to have infringed upon the trademarks or other intellectual property rights of third parties.

Although we take measures to minimize the risk of infringing upon third-party intellectual property rights, from time to time, we may be subject to claims by third parties that our products or our brands infringed on their intellectual property rights. We may also be involved in trademark disputes and litigation in the ordinary course of business. If we are found to be liable for any such infringement, we could be required to pay substantial damages or comply with injunctions against us to prevent further infringement. Any payments we may be required to make and any injunctions with which we may be required to comply as a result of such alleged infringement actions could materially and adversely affect our business, financial condition and results of operations. In addition, such infringement claims could harm the market perception of our brand or otherwise harm our brand image and reputation.

If the technology-based systems that give our consumers the ability to shop or interact with us online do not function effectively, our operating results, as well as our ability to grow our ecommerce business or to retain our consumer base, could be materially adversely affected.

Many of our consumers shop with us through our digital Rookie stores. Increasingly, consumers are using mobile-based devices and applications to shop online with us and with our competitors, to do comparison shopping and to engage with us and our competitors through digital services and experiences that are offered on mobile platforms. We are increasingly using social media and mobile applications, such as our Rookie App, to interact with our consumers and enhance their shopping experience. Any failure on our part to provide attractive, effective, reliable, secure, user-friendly ecommerce platforms that offer a wide assortment of merchandise with rapid delivery options and that continually meet the changing expectations of online shoppers, or any failure to provide attractive digital experiences to our consumers, could place us at a competitive disadvantage, result in the loss of ecommerce and other sales and harm our reputation with consumers. In addition, as use of our digital Rookie stores continues to grow, we will need an increasing amount of technical infrastructure to continue to satisfy our consumers' needs. If we fail to continue to effectively scale and adapt our digital Rookie stores to accommodate increased consumer demand, our business may be subject to interruptions, delays or failures and consumer demand for our products and digital experiences could decline.

We may not be able to keep abreast of technology innovation and our investment in technology may not generate expected returns.

We believe that technology will be a driving force for our business growth. We rely on technical innovation and high-quality products to compete in the market for our products. Technical innovation and quality control in the design and manufacturing processes of apparel and accessories are essential to the commercial success of our products and development of new products. Research and development play a key role in technical innovation. We rely upon specialists in the fields of chemistry, sustainability and related fields and other experts to develop and test new and innovative materials and fabrics. If we fail to introduce technical innovation in our products, consumer demand for our products could decline, and if we experience problems with the quality of our products, we may incur substantial expense to remedy the problems and loss of consumer confidence.

In addition, we have invested, and intend to continue to invest, significantly, in digital technology and business intelligence tools to optimize our operations and improve our consumers' shopping experience. However, technological change is rapid, and we may not be able to keep abreast of the latest development or innovation. As a result, our technology systems may become obsolete. While we actively evaluate the return on investments for our technology initiatives, there is no guarantee that our investments will generate sufficient returns or that they will have the expected effects on our business operations. If our technology investments do not meet expectations, our prospects, cash flow and results of operations may be adversely affected.

We hold a substantial amount of consumer data and may be exposed to cybersecurity risks.

The use of electronic payment systems and operation of digital stores makes us more susceptible to a risk of loss in connection with these issues, particularly with respect to an external security breach of consumer information that we or third parties control. Our sales require the collection of certain consumer data, with consumers' consent, including personal data such as contact number, address and name as well as order details such as quantity and price of products purchased. In order for our sales channels to function, we and other parties involved in processing consumer transactions must be able to transmit confidential information, including payment information, securely over public networks. In the event of a security breach, theft, leakage, accidental release or other illegal activity with respect to employee, consumer, manufacturer, supplier, franchisee or other data, we could become subject to various claims, including those arising out of theft or fraudulent transactions, and may also result in the suspension of electronic payment services. This could cause consumers to lose confidence in our security measures, harm our reputation as well as divert management attention and expose us to potential claims and litigation. Any loss in connection with these types of claims could be substantial. In addition, if our electronic payment systems are damaged or cease to function properly, we may have to make significant investments to fix or replace them, and we may suffer interruptions in our operations in the interim. We are reliant on these systems, not only to protect the security of the information stored, but also to appropriately track and record data. Any failure or inadequacy in these systems could expose us to significant losses, which could materially and adversely affect our business, financial condition and results of operations.

Laws and regulations related to cybersecurity and data privacy in mainland China may impose additional requirements and obligations on our online channels or could increase our compliance costs.

We regularly obtain consumer data through our physical stores and digital Rookie stores. Local and international laws and regulations govern the collection, retention, sharing and security of data that we receive from and about our employees, consumers, customers, manufacturers, suppliers and franchisees. The regulatory environment surrounding information security and privacy has been increasingly demanding in recent years, particularly in mainland China, and may see the imposition of new and additional requirements by governments in the jurisdictions in which we operate. Compliance with these requirements may result in cost increases due to necessary system changes and the development of new processes to meet these requirements by us and our franchisees. If the governments of the jurisdictions in which we operate, in particular the PRC government, establish stricter data privacy or other regulatory requirements on ecommerce activities in the future, we may incur significantly higher compliance costs in our online sales channels, and we may not be able to meet all the regulatory requirements in a timely manner, or at all. If we fail to comply with these laws and regulations, including in connection with our membership program, or experience a significant breach of consumer, employee, manufacturer, supplier, franchisee or other company data, it may result in damage to our reputation and lost sales, fines or lawsuits.

Laws and regulations governing cybersecurity and data privacy are extensive, complex and rapidly evolving, all of which subject us to significant uncertainties. Many of these laws and regulations are subject to change and uncertain interpretation, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, suspension or disruption of our operations, increased cost of operations, or otherwise harm our business. According to the PRC Cybersecurity Law promulgated by the Standing Committee of the National People's Congress ("NPC") on November 7, 2016 and effective on June 1, 2017, personal information and important data collected and generated by critical information infrastructure operators ("CIIOs") in the course of their operations in the PRC should be stored in the PRC, and the law imposes heightened regulation and additional security obligations on CIIOs. Pursuant to the Security Protection Regulations for Critical Information Infrastructure promulgated on July 30, 2021 which became effective in September 2021, "critical information infrastructure" means important network facilities and information systems in important industries and areas such as public communications and information services, energy, transportation, water conservancy, finance, public services, e-government, defence technology industry and others that may seriously harm national security, national economy, people's livelihoods and public interests if it is damaged, disabled or its data disclosed. In addition, according to the Personal Information Protection Law which was promulgated by the Standing Committee of the NPC on August 20, 2021 and took effect on November 1, 2021, CIIOs and personal information processors that process personal information of up to the amount prescribed by the national cyberspace department shall store the personal information collected and generated within the territory of the PRC. Where it is truly necessary to provide the information to a party outside the territory of the PRC, such provision shall be subject to security assessment organized by the national cyberspace department unless the relevant laws, administrative regulations, or provisions issued by the national cyberspace department provide that security assessment is not necessary.

On December 28, 2021, the Cyberspace Administration of China ("CAC") promulgated the revised version of the Measures for Cybersecurity Review (the "Measures"), which further clarifies and expands the scope of application of cybersecurity review and became effective on February 15, 2022. Pursuant to the Measures, in addition to CIIOs who purchase network products and services, "Internet Platform Operators" are also subject to cybersecurity review if they carry out data processing activities that affect or may affect national security. "Internet Platform Operator" which possesses personal information of more than one million users and is going to list abroad should also be subject to the cybersecurity review. The Measures also provide that in addition to the CIIOs and Internet Platform Operator filing the cybersecurity review application, any member of the cybersecurity review mechanism has the discretion to review any network product or service and data processing activity that he or she believes affects or is likely to affect national security after the required approval procedures. On November 14, 2021, the CAC published the Notice of Request for Public Comments on the Regulations for the Administration of Internet Data Security (Draft for Comment) and invited comments from the public on the draft Regulations for the Administration of Internet Data Security (the "Draft Regulations"). According to the Draft Regulations, a data processor which processes personal information of more than one million individuals must apply for a cybersecurity review if it intends to be listed abroad, and it shall apply for a cybersecurity review if its proposed listing in Hong Kong affects or may affect national security. However, the Draft Regulations did not clearly define what constitutes "affects or may affect national security." As of the Latest Practicable Date, the Draft Regulations were released for public comment only and its final version and effective date may be subject to change and uncertainty. If our business activities are deemed to be affecting or likely to affect national security, we may be subject to cybersecurity review when conducting data processing activities and may face challenges in addressing CAC's requirements and may need to make necessary changes to our policies and practices in data processing.

In addition, on June 10, 2021, the Standing Committee of the NPC promulgated the PRC Data Security Law, which took effect on September 1, 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data processing activities (including activities outside of the PRC) and introduces a data protection system based on the importance of data as well as the degree of harm that may be caused by data leakage or compromise. The PRC Data Security Law also provides for a national security review procedure for data processing activities that may affect national security and imposes export restrictions on certain data and information. In this context, "data" refers to any recording of information by electronic or other means, and data processing includes the collection, storage, use, processing, transmission, availability and disclosure of data and others.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer which became effective on September 1, 2022. Such data export measures requires that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information abroad. The security assessment requirement also applies to any transfer of important data outside of mainland China. As uncertainties remain regarding to what extent we would be subject to such measures, we cannot assure you that we will be able to comply with such regulations in all respects, and we may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities.

In addition, even though our PRC Legal Advisor has advised that the obligations of voluntary filing for cybersecurity review under the PRC regulations are not applicable to us, we cannot assure you that we will not be subject to a cybersecurity review initiated by the regulatory authorities.

Such legislation and enforcement may result in additional compliance obligations and costs or place restrictions upon our current or future sales through ecommerce channels and affect how we design our IT systems and how we process and use data. These may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

We may require additional funding to finance our operations, which may not be available on favorable terms or at all.

We currently fund our operations principally through cash flow generated from operations, bank facilities available to us and cash and cash equivalents on hand. To finance our ongoing operations, enhancement of our brand equity, expansion of our physical store fleet, improvement of our supply chain management capabilities, investment in research and development, existing and future capital expenditure requirements, other investment plans and funding requirements, we may need to obtain adequate external debt financing and equity fund raising from external sources from time to time to supplement our internal sources of liquidity in the future. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including, among other things (i) regulatory approvals to obtain financing in the domestic or international markets; (ii) our financial condition, results of operations, cash flows and credit history; (iii) the condition of the global and domestic financial markets and changes in the monetary and fiscal policies in mainland China, with resulting effects on bank interest rates and lending practices and conditions.

We had bank loans of RMB76.8 million, RMB78.1 million and RMB145.0 million as of December 31, 2020, 2021 and 2022. For further details, see "Financial Information – Indebtedness – Interest-bearing Bank Borrowings." Our ability to obtain external financing is subject to a variety of uncertainties, including our financial condition, results of operations, cash flows and liquidity of the domestic and international capital and lending markets. In addition, our loan agreements may contain financial covenants that restrict our ability to incur additional indebtedness without our lenders' consent. Any indebtedness that we may incur in the future may also contain operating and financing covenants that could be restrictive. Financing may not be available in a timely manner or in amounts or on terms acceptable to us, or at all. A large amount of bank borrowings and other debt may result in a significant increase in interest expenses while at the same time exposing us to increased interest rate risks, and may also affect our ability to fund our operations and planned developments. If we are required to raise equity financing, this could result in dilution to our Shareholders, and the securities issued in future financings may have rights, preferences and privileges that are senior to those of our Shares. Any failure to raise additional funds on favourable terms or in a timely manner or at all could severely restrict our liquidity and have a material adverse effect on our business, financial condition and results of operations.

The government incentives that we currently enjoy may be altered or terminated, which could have an adverse effect on our business, financial position, results of operations and prospects.

We enjoy a number of government incentives in mainland China, primarily including a headquarters enterprise support fund from the local government. In 2020, 2021 and 2022, total government incentives we recognized amounted to RMB27.9 million, RMB38.9 million and RMB53.0 million, respectively. The government incentives that we currently enjoy are of a non-recurring nature, and there can be no assurance that these government incentives will not be altered or terminated. Any alteration or termination of our current government incentives could have an adverse effect on our business, financial condition, results of operations and prospects.

Failure to collect our trade receivables may adversely affect our liquidity.

We may not be able to collect our trade receivables in a timely manner, and we may face difficulty in collecting receivables for reasons beyond our control, such as customers delaying payment past the relevant credit periods granted or being unable to pay us when payments are due. We had total trade receivables of RMB83.7 million, RMB125.2 million and RMB146.0 million as of December 31, 2020, 2021 and 2022. As of April 30, 2023, 98.5% of the outstanding amount of our trade receivables as of December 31, 2022 had been settled. See "Financial Information – Discussion of Certain Key Balance Sheet Items – Trade receivables" for more details. Any significant delay or default in our collection of trade receivables may impose pressure on our cash flow and working capital and reduce the pool of available financial resources relative to our expectations and expenditure plans, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may experience increases in labor costs, shortage of labor or deterioration in labor relations.

Labor costs have been increasing and may continue to rise in the future. Labor cost increases may cause our production costs to increase indirectly if our manufacturers or suppliers increase the selling price of the products, and we may not be able to pass on such increases to our customers and/or consumers. Labor cost increases may also cause the operating costs of our company-operated stores to increase. We, our manufacturers or suppliers may experience a shortage of labor. Any such shortage could hinder our ability to expand our company-operated store network, and our manufacturers' or suppliers' ability to maintain their production schedules, which could materially and adversely affect our ability to maintain or expand our business operations. Although we seek to maintain favorable labor relations as we believe that our long-term growth depends on the expertise, experience, and development of our employees, we may encounter labor disputes. Future deterioration of our labor relations could result in disputes, strikes, claims, legal proceedings and reputational damage, labor shortages that disrupt our business operations, as well as loss of experience, know-how and trade secrets.

Our success depends on our ability to retain our senior management team and to recruit, train and retain qualified personnel, especially qualified designers and store managers for our company-operated stores.

We rely on the experience and expertise of our senior management in developing business strategies, managing our business operations, developing our sales and marketing strategies and strengthening our relationships with our brand partners. Although we provide incentives to our senior management, such as our employee stock ownership plan, we cannot guarantee we will be able to retain them. If one or more members of our senior management were unable or unwilling to continue in their offices, we may not be able to replace them with suitable successors on a timely basis or at all. Such unexpected loss of service could have a material adverse effect on us.

Our ability to recruit, train and retain suitable staff is also vital to our success. As we expand our company-operated network, we will need to recruit staff who are both familiar with the local markets and experienced in the childrenswear industry. We are facing increasingly intense competition in our recruitment efforts. In particular, we rely on our designers to design kids' athleisure products which capture consumers' changing preferences and spending patterns, and our store managers, who are typically promoted to that position through our internal training and development programs, are responsible for the daily management of our company-operated stores. Our store managers also personally interact with our consumers, more importantly, our members, on a day-to-day basis and help us acquire first-hand information on evolving consumer preferences and market trends, as well as develop and maintain our membership base. If we lose significant numbers of designers or store managers, we may not be able to find or develop suitable personnel to fill these vacancies and our operations could be materially and adversely affected. In addition, we may incur additional expenses if we are required to offer more competitive packages in order to attract and retain key personnel. We cannot assure you that we will possess sufficient resources to accomplish these objectives.

Some of our leased properties have title defects, are situated on collectively-owned land, or did not complete registration procedures at the relevant authorities. We may be required to cease occupation and use of such leased properties if there is a valid claim for them.

As of the Latest Practicable Date, the lessors of some of the leased properties that we used had failed to provide valid title certificates or other relevant documents authorizing them to lease the properties. In addition, some of our leased properties are situated on collectively-owned land where the property rights holders failed to provide evidence that the leasing fulfilled the requisite procedures of obtaining the agreement of two-thirds of the members of the villagers' meeting or villagers' representatives. See "Business – Land and Properties – Leased Properties – Property Defects in the PRC" for more details.

Any dispute or claim in relation to these properties, including the lessors' alleged unauthorized lease of these properties, could force us to relocate these company-operated or partnership stores, offices or warehouses. If any of our leases is terminated or becomes unenforceable as a result of challenges from third parties, we would need to seek alternative properties and incur relocation costs. Any relocation could lead to disruptions to our operations and adversely affect our business, financial condition, results of operations and growth prospects.

In addition, as of the Latest Practicable Date, some of the lease agreements for our leased properties had not yet been registered with the relevant authorities. We use these leased properties primarily as our company-operated or partnership stores. As advised by our PRC Legal Advisor, for lease agreements that are not registered with the competent authorities, we may be subject to fines ranging from RMB1,000 to RMB10,000 per non-registration. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner once we are required to do so. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors.

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities.

Under PRC laws and regulations, we are required to complete the regulatory registrations regarding social insurance and housing provident funds within a prescribed period and make social insurance and housing provident fund contributions for the benefit of our employees, which are calculated as the prescribed percentages of relevant employees' actual income. During the Track Record Period, some of our PRC subsidiaries did not make social insurance and housing provident fund contributions for some of our employees in full. The shortfall amount of social insurance and housing provident fund contributions was RMB5.4 million, RMB10.0 million and RMB12.9 million in 2020, 2021 and 2022, respectively. See "Business – Employees" for more details.

In addition, we engaged a third-party human resources service provider to pay social insurance and housing provident funds for some of our employees. Under the agreements entered into between the third-party human resources service provider and us, it has the obligation to pay social insurance and housing provident funds for our relevant employees. Such arrangements are not in strict compliance with applicable PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not received any administrative fine or penalty or labor arbitration application from employees for such arrangement with the third-party human resources service provider.

As there are certain inconsistencies in practice among local governments regarding the regulatory registrations and contributions of social insurance and housing provident funds, we cannot guarantee that our subsidiaries can timely and fully comply with the relevant applicable PRC laws. As advised by our PRC Legal Advisor, under the relevant PRC laws and regulations, we may be ordered by the relevant authorities to complete the aforesaid regulatory registrations or pay the outstanding social insurance or housing provident funds contributions, along with possible surcharges and penalties for overdue payments. As of the Latest Practicable Date, we had not received any administrative penalty from regulatory authorities for non-compliance matters in this aspect. However, there can be no assurance that the relevant authorities would not enforce such payments, surcharges and penalties against us.

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

During the Track Record Period, certain of our customers (the "Relevant Customers") settled their payments with us through third-party payors (the "Third-Party Payment Arrangement(s)"). In 2020, 2021 and 2022, the aggregate amount of third-party payments accounted for 2.3%, 0.007% and 0.004% of our total revenue for the same periods, respectively. These Relevant Customers primarily included small-sized businesses and sole proprietorships. They settled with us through bank accounts of the third-party payors for the convenience of fund flows. In addition, as of October 2022, we had ceased all Third-party Payment Arrangements. According to the Frost & Sullivan Report, it is a relatively common practice in the industry in which we operate in mainland China for these entities to settle payments through third-party payors to their vendors and service providers. We are, nonetheless, subject to various risks relating to such Third-Party Payment Arrangements during the Track Record Period, 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. 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 third-party payments, we will have to spend 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 are subject to a broad range of laws and regulations, failure to comply with which could materially and adversely affect our business, financial condition and results of operations.

We are required to comply with a broad range of laws, rules and regulations, including but not limited to those regarding consumer protection, product quality, sales of products, labor, fire safety and data, cyber and information security, and are required to obtain and maintain relevant licenses, permits or approvals.

If our historical or current operations are considered by the relevant authorities to be without proper or adequate licenses, permits or approvals, or if new or existing laws and regulations or interpretations by the relevant authorities impose additional restrictions on any part of our operations, the relevant authorities have the power, among other things, to order timely rectification, with which we may not be able to comply, impose fines, confiscate our income, revoke our business licenses, require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Furthermore, compliance with any additional or more stringent laws or regulations may cause us to incur significantly increased costs.

We may be involved, from time to time, in legal or other proceedings arising out of our operations, including product liability claims, and may face significant liabilities as a result.

We are exposed to legal or other proceedings arising out of our ordinary course of business, including claims initiated by or against us under concession agreements, licenses and other contracts we entered into, and other claims against us such as product liability claims. According to the relevant PRC laws and regulations, for example, consumers may choose to sue the retailer, distributor or manufacturer for damages caused by a defective product. We cannot guarantee that we will succeed in defending ourselves. Even if we successfully defend ourselves against a claim, or successfully make compensation claims against others, we may need to spend a substantial amount of money and time in defending such a claim and in seeking compensation, which could result in significant adverse publicity against us, and could have a material adverse effect on our reputation and the marketability of our products. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to litigation, penalties or other unfavorable results.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Uncertainties in the interpretation and enforcement of the evolving PRC laws and regulations could affect the legal protections available to you and us.

The majority of our operations are conducted in mainland China, and are governed by PRC laws, rules 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.

As the PRC legal system has continued to evolve rapidly over the past decades, the PRC government has made significant progress in promulgating laws and regulations related to economic affairs and matters, such as securities, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. Despite the fact that such laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in mainland China, some of these laws and regulations are relatively new and there is a limited volume of published decisions and enactments. As a result, there are uncertainties involved in the implementation and interpretation of such laws and regulations, which may affect the legal protections available to you under the PRC legal system.

It may be difficult to effect service of process upon us or our Directors who reside in mainland China, or to enforce foreign court judgments against us or them in mainland China.

We are an exempted company incorporated in the Cayman Islands, with substantially all of our assets located in mainland China. In addition, some of our Directors and senior management members currently reside in mainland China. Therefore, it may be difficult for investors to effect service of process upon those persons in mainland China or to enforce against us or them in mainland China any judgments obtained from courts outside of mainland China.

On July 14, 2006, mainland China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "2006 Arrangement"), pursuant to which a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in mainland China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a mainland China Court or a Hong Kong court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in mainland China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain. On January 18, 2019, the Supreme People's Court and the Hong Kong SAR Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2019 Arrangement"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between mainland China and Hong Kong, based on criteria other than a written bilateral choice of court agreement. The 2019 Arrangement will only take effect from its commencement date, which is not yet known. The 2019 Arrangement will, upon its coming into effect, supersede the 2006 Arrangement. However, the 2006 Arrangement will continue to apply to a choice of court agreement in writing signed before the 2019 Arrangement comes into effect. Therefore, before the 2019 Arrangement becomes effective, recognition and enforcement in the mainland China of judgments of a foreign court may be difficult.

Adverse changes in economic, political or social policies of the PRC government could have a material and adverse effect on overall economic growth in mainland China, which could materially and adversely affect our business.

A significant portion of our revenues are sourced from mainland China. Accordingly, our results of operations, financial condition and prospects are influenced by economic, political, social and legal developments in mainland China.

Generally, the PRC government regulates mainland China's economy and related industries through fiscal and monetary policies as well as industrial policies. During the past decades, the PRC government has taken various actions to promote a market economy and the establishment of sound corporate governance in business entities. The PRC government also exerts significant influence over mainland China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Although mainland China's economy has grown significantly in the past decades, the growth rate has gradually slowed in recent years, primarily as a result of the public health emergency. It may be difficult for us to predict all the risks and uncertainties that we may face as a result of current and future economic, political, social and regulatory developments in mainland China. Any adverse changes in economic conditions in mainland China, in the policies of the PRC government or in the laws and regulations in mainland China could have a material adverse effect on the overall economic growth of mainland China. Any severe or prolonged negative impacts on the economic, political or social conditions of mainland China may materially and adversely affect our business, results of operations, financial conditions and business prospects.

Inflation or deflation in mainland China could negatively affect our financial conditions and growth.

Economic growth in mainland China was, during certain periods in the past, accompanied by periods of high inflation, and the PRC government implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of mainland China's economy, including increasing interest rates and capital reserve thresholds at Chinese commercial banks. In recent years, mainland China's inflation has remained stable. However, if mainland China's inflation surges, our cost of raw materials and consumables will likely increase, and our financial position could be materially affected, as there is no assurance that we would be able to pass any cost increases onto our customers and/or consumers. On the other hand, our business could also be affected by deflationary pressures. A decline in general price levels could negatively impact sales growth, operating margins and earnings if our competitors react by lowering their pricing. As a result, our business, financial conditions and results of operations could be materially and adversely affected.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), promulgated on March 16, 2007, and came into effect on January 1, 2008, and was most recently amended on December 29, 2018, which became effective on the same date, and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a PRC resident enterprise. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts, property, etc. of an enterprise.

In 2009, the State Tax Administration (the "STA") issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as the 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》) which was most recently amended in December 2017, or the Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in mainland China. The STA issued Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or the Bulletin 45, which took effect on September 1, 2011, and was most recently amended on June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of Chinese-controlled offshore incorporated resident enterprises. Bulletin 45 also provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the STA's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident enterprise by virtue of having its "de facto management body" in mainland China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (a) senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) decisions relating to the enterprise's financial matters (such as loan, financing, financial risk management, etc.) and human resource matters (such as appointment, dismissal and remuneration, etc.) are made or are subject to determination or approval by organizations or personnel in the PRC; (c) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (d) at least 50% of voting board members or senior executives habitually reside in the PRC.

The tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our global income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations. In addition, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of the shares if such income is treated as sourced from within the PRC. Furthermore, if PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid to our non-PRC individual shareholders and any gain realized on the transfer of the shares by such holders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us), if such gains are deemed to be from PRC sources. These rates may be reduced by an applicable tax treaty between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise, but it is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

It may be difficult for overseas regulators to conduct investigations or collect evidence within mainland China.

Shareholder claims or regulatory investigations that are common in jurisdictions outside the PRC are difficult to pursue as a matter of law or practicality in the PRC. For example, in the PRC, there are legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside the PRC. Although the authorities in the PRC may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in jurisdictions outside the PRC may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law (《中華人民共和國證券法》), which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within mainland China, and without the consent by the securities regulatory authority of the State Council and the other relevant competent governmental agencies of the State Council, no entity or individual may provide documents or materials related to securities business to any foreign party. While detailed interpretation of or implementation rules under the article have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigations or evidence collection activities within mainland China and the potential obstacles for information provision may further increase difficulties faced by you in protecting your interests. Please see "– Risks relating to the

[**REDACTED**] – You may experience difficulties in enforcing your shareholder rights because we are incorporated in the Cayman Islands, and Cayman Islands law is different from the laws of Hong Kong and other jurisdictions in terms of minority shareholder protection." for risks associated with investment in us as a Cayman company.

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

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities, jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was effective as of September 8, 2006, and amended on June 22, 2009 (the "M&A Rules"). The M&A Rules, and other recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if any important industry is concerned, such transaction involves factors that impact or may impact national economic security, or such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC effective in August 2008 and the Provisions of the State Council on the Thresholds for Declaring Concentration of Business Operators (《國務院關於經營者集中申報標準的規定》), which was effective on August 3, 2008, and amended on September 18, 2018, require that transactions which are deemed concentrations and involve parties with specified turnover thresholds (meaning during the previous fiscal year, (a) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within mainland China, or (b) the total turnover within mainland China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within mainland China) must be cleared by anti-monopoly enforcement authority before they can be completed. On December 14, 2020, the SAMR announced three cases of administrative penalties for the failures of acquirers to make proper concentration declarations to authorities about their past acquisitions.

In addition, in 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), also known as Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), effective in September 2011, to implement Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns. Under the foregoing MOFCOM regulations, MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If MOFCOM decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter-Ministerial Panel, an authority established under Circular 6 led by the NDRC, and MOFCOM under the leadership of the State Council, to carry out security review. The regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements, offshore transactions, etc. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in the apparel and footwear retail business requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Security Review Circular are subject to MOFCOM review.

On December 19, 2020, the NDRC and MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the "Office of the Working Mechanism") will be established under NDRC, who will lead the task together with MOFCOM. Foreign investor or relevant parties in mainland China must declare the security review to the Office of the Working Mechanism prior to the investments in fields related to national defense and security, such as military industry and military industrial facilities, and the investments in military facilities and areas surrounding military facilities, and important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technology and internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises national defense and security or national security concerns. However, MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in mainland China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited.

We may be subject to additional regulatory requirements as new laws and regulations in connection with overseas listing are issued by PRC government authorities.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council issued the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) (the "July 6 Opinion"), which called for the enhanced administration and supervision of overseas-listed mainland China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. As of the Latest Practicable Date, due to the lack of further clarifications or detailed rules and regulations, there are still uncertainties regarding the interpretation and implementation of the July 6 Opinion. We cannot guarantee that new rules or regulations promulgated in the future pursuant to the July 6 Opinion will not impose any additional requirement on us.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures") and five relevant guidelines, which became effective on March 31, 2023.

According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. In addition, the Overseas Listing Trial Measures also provide that domestic companies must file with the CSRC within three business days for its follow-on offering of securities after it is listed in an overseas market.

If we fail to complete such filing with the CSRC, in a timely manner or at all, for any future securities offering or any other financing activities which are subject to the filing requirements under the Overseas Listing Trial Measures, our ability to raise or utilize funds and our operations could be materially and adversely affected.

The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt this [**REDACTED**] or future capital raising activities before settlement and delivery of the Shares offered hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

The heightened scrutiny over indirect transfer of onshore interests outside mainland China from the PRC tax authorities may have an adverse impact on our businesses, acquisitions or restructuring strategies.

Pursuant to the Announcement of STA on Several Issues Concerning Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("Circular 7") promulgated by the STA on February 3, 2015 and the Announcement of STA on Issues Concerning Withholding at Source of Income Tax of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) ("Circular 37") issued on October 17, 2017 and effective on December 1, 2017, non-resident enterprises in PRC which indirectly transferred assets (such as equity interests, etc.) in PRC resident enterprises through implementation of arrangements of no reasonable commercial purpose shall recategorize the transaction of indirect transfer in accordance with the EIT Law and recognize the transaction as direct transfer of assets (such as equity interests, etc.) in PRC resident enterprises. For the proceeds from the indirect transfer of equity interests subject to the Enterprises Income Tax in accordance with the Circular 7, the entities or individuals directly obliged to the relevant payment to the transferor of equity interests in accordance with relevant laws or contractual agreements are withholding obligor; the mutual parties and coordinators of the indirect transfer of PRC taxable assets, as well as the PRC resident enterprises whose equity interests are indirectly transferred shall provide relevant declaration in accordance with the requirements from competent tax authority. The Circular 7 and Circular 37 may be considered by the tax authorities to be applicable to our future offshore restructuring transactions or sale of the shares of our offshore subsidiaries. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to input time, efforts and relevant resources to comply with the Circular 7 and Circular 37 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for future restructuring or disposal of shares of our offshore subsidiaries, which may have an adverse effect on our financial condition and results of operations.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.

The SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("SAFE Circular 37") in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. According to the Notice 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》) released in February 2015 by SAFE, as amended in December 2019, or SAFE Circular 13, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 2015.

If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches or local banks, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We may not at all times be fully aware or informed of the identities of all of our shareholders or beneficial owners that are required to make or update such registrations, and we cannot compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, or will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your [REDACTED].

We prepare our consolidated financial statements in Renminbi for reporting purposes. We generate a substantial majority of our sales in mainland China, and substantially all of the payments made by us for settlement of purchases with manufacturers and suppliers are made in Renminbi. We also sell products to consumers and customers in Hong Kong, Macau, Taiwan and South Korea, which sales are settled in Hong Kong dollars, Macau pataca, New Taiwan dollars and U.S. dollars, respectively. These currencies are translated into Renminbi for reporting purposes. Cash and cash equivalents denominated in other currencies are exposed to fluctuations in the value of Renminbi against the relevant currencies, which may result in volatility in our results of operations and may make it difficult to compare our results of operations from period to period.

The conversion of Renminbi into foreign currencies, including Hong Kong dollars, Macau pataca, New Taiwan dollars and U.S. dollars, is based on rates set by the PBOC. It is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi and Hong Kong dollars, Macau pataca, New Taiwan dollars, U.S. dollars or other currencies in the future. The value of Renminbi against Hong Kong dollars, Macau pataca, New Taiwan dollars, U.S. dollars and other currencies is affected by changes in mainland China's political and economic conditions and by mainland China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong dollars, Macau pataca, New Taiwan dollars or U.S. dollars in the future. Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares. For example, to the extent that we need to convert Hong Kong dollars, Macau pataca, New Taiwan dollars and U.S. dollars we receive into Renminbi to pay our operating expenses, appreciation of Renminbi against Hong Kong dollars, Macau pataca, New Taiwan dollars and U.S. dollars would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of Renminbi against Hong Kong dollars, Macau pataca, New Taiwan dollars and U.S. dollars may significantly reduce the Hong Kong dollar, Macau pataca, the New Taiwan dollar or the U.S. dollar equivalent of our earnings, which in turn could adversely affect the value of our Shares.

Very limited hedging options are available in mainland China to reduce our exposure to exchange rate fluctuations. We sometimes purchase forward currency swap contracts to hedge our foreign currency risk. While we may decide to enter into hedging transactions, the availability and effectiveness of these hedges may be limited, and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currencies. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

During the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the net [**REDACTED**] from the [**REDACTED**] will be in Hong Kong dollars. Fluctuations in the exchange rate between Renminbi and Hong Kong dollars will affect the relative purchasing power in Renminbi terms of the net [**REDACTED**] from the [**REDACTED**]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our subsidiaries. In addition, appreciation or depreciation in the value of Renminbi relative to Hong Kong dollars, Macau pataca, New Taiwan dollars or U.S. dollars would affect our financial results in Hong Kong dollar, Macau pataca, New Taiwan dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations. During the Track Record

Period, we recorded currency translation losses of RMB2.0 million, losses of RMB0.3 million and gains of RMB1.7 million in 2020, 2021 and 2022, respectively, as other comprehensive income/(loss) in our consolidated statements of comprehensive income, which represents the differences arising from the translation of financial statements of our overseas subsidiaries into the Group's presentation currency, which is Renminbi.

Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your [REDACTED].

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of mainland China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Cayman holding company primarily relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under 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 approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our subsidiaries in mainland China may not be used to pay dividends to our Company. However, approval from or registration with appropriate government authorities is required where Renminbi 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. As a result, we need to obtain SAFE approval or registration to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than Renminbi owed to entities outside mainland China, or to make other capital expenditure payments outside mainland China in a currency other than Renminbi.

In light of the flood of capital outflows of mainland China in 2016 due to the weakening Renminbi, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement including overseas direct investment. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. If any of our shareholders regulated by such policies fails to satisfy the applicable overseas direct investment filing or approval requirement timely or at all, it may be subject to penalties from the relevant PRC authorities. The PRC government may at its discretion further restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

RISKS RELATING TO THE [REDACTED]

As there has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.

Prior to the [**REDACTED**], there was no public market for our Shares. The [**REDACTED**] of our Shares is the result of negotiations between us and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the market price for our Shares following the [**REDACTED**]. There is no guarantee that an active trading market for our Shares will develop, or, if it does develop, that it will sustain or that the market price of our Shares will not decline after the [**REDACTED**].

The market price and trading volume of our Shares may be volatile, which may result in substantial losses for investors in our Shares.

The market price of our Shares may fluctuate significantly and rapidly as a result of a variety of factors, many of which are beyond our control, including:

- actual and anticipated variations in our results of operations;
- changes in securities analysts' estimates or market perception of our financial performance;
- development affecting our brand partners;
- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or the childrenswear brand operator industry;
- regulatory or legal developments, including litigation;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- fluctuations in trading volumes or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, mainland China, the United States and elsewhere in the world.

There will be a time gap of several business days between pricing and trading of our Shares offered under the [REDACTED]. The market price of the Shares after trading begins could be lower than the [REDACTED].

The [**REDACTED**] of our Shares will be determined on the [**REDACTED**]. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the [**REDACTED**]. Investors are unlikely to be able to sell or otherwise deal in our Shares before they commence trading. Accordingly, holders of our Shares are subject to the risk that the price of our Shares after trading begins could be lower than the [**REDACTED**] as a result of adverse market conditions or other adverse development that may occur between the [**REDACTED**] and the time trading begins.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

Future sales of a substantial number of our Shares, especially by our Directors, senior management and substantial Shareholders, or the perception or anticipation of such sales, could negatively impact the price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. [The Shares held by certain Shareholders are subject to certain lock-up periods expiring 180 days after the date on which [**REDACTED**], details of which are set out in the section headed "[**REDACTED**]" in this document. Subject to these lock-up arrangements, such Shareholders may dispose of Shares that they may own now or in the future.] Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

Our future financing may result in dilution of your shareholding or place restrictions on our operations.

In order to raise capital and expand our business, we may consider offering and issuing additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may:

- further limit our ability or discretion to pay dividends;
- increase our risks in adverse economic conditions;
- adversely affect our cash flows; or
- limit our flexibility in business development and strategic plans.

You will experience immediate dilution and may experience further dilution if we issue additional Shares, or convertible securities or other equity linked instruments.

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

In addition, we may be required to finance our growth through future equity offerings. Any future equity issuances by us, including a primary offering of Shares, convertible securities or securities linked to Shares including through the vesting of Share awards, may lead to the dilution of investors' shareholdings in our Company. Any future equity issuances by us or sales of our Shares by our shareholders may adversely affect the trading price of the Shares, which may lead to other adverse consequences including difficulty in raising capital through offering of our Shares or incurring additional debt. In addition, any perception by investors that such issuances or sales might occur may also affect the market price of our Shares. There can be no guarantee that we will not issue Shares, convertible securities or securities linked to Shares or that our Shareholders will not dispose of, pledge or encumber their Shares in the future.

There is no assurance as to whether and when we will pay dividends.

We cannot guarantee when, if or in what form and amount dividends will be paid on our Shares following the [**REDACTED**]. Distribution of dividends must be proposed by our Board and is subject to a number of factors, including our results of operations, our financial condition, strategies and needs of future expansions, our capital expenditure needs, dividends paid to us by our subsidiaries, legal and contractual restrictions, and other factors that our Directors may deem relevant. Dividends may be declared and paid at the discretion of our Directors, subject to the Cayman Companies Act and our Articles of Association. As a result, our historical dividend distributions are not indicative of dividends that we may pay in the future. See "Financial Information – Dividend Policy" in this document for more details of our dividend policy.

Certain facts and statistics in this document are derived from various official government sources and may not be accurate, reliable, complete or up to date.

Certain facts and statistics in this document, including but not limited to information and statistics relating to the markets in which we operate and the childrenswear brand operator industry, particularly in "Business" and "Industry Overview", are based on the Frost & Sullivan Report or are derived from various government sources. We cannot guarantee the accuracy or completeness of certain facts, forecasts and other statistics contained in this document that are obtained from various government sources.

Although we believe that the data from official government sources may be considered to be reliable, the accuracy, completeness and underlying assumptions are not guaranteed, and its dependability cannot be guaranteed. The information from official government sources has not been independently verified by the Company, the Joint Sponsors, [**REDACTED**] or any of their respective affiliates, and no representation is given as to its accuracy. While we believe that the sources of the information are appropriate sources for such information and we have taken reasonable care in the reproduction or extraction of the information for the purpose of disclosure in this document, we make no representation or warranty, express or implied, as to the accuracy or completeness of such facts and statistics obtained from official government sources. In all cases, investors should give consideration as to how much weight or importance should be placed on such information or statistics.

You may experience difficulties in enforcing your shareholder rights because we are incorporated in the Cayman Islands, and Cayman Islands law is different from the laws of Hong Kong and other jurisdictions in terms of minority shareholder protection.

We are an exempted company incorporated in the Cayman Islands with limited liability. Cayman Islands law differs in some respects from the laws of Hong Kong and other jurisdictions where investors may be located. Our corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The rights of our Shareholders to take legal actions against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedents in the Cayman Islands, and from English common law, which is persuasive but does not have binding authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under the Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong, the United States or other jurisdictions where investors may be located. In particular, the Cayman Islands has a less developed body of securities law. As a result, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our management or Directors than they would as shareholders of a Hong Kong company, a United States company or companies incorporated in other jurisdictions.

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

Prior or subsequent to the publication of this document, there may have been press and media coverage regarding us and the [**REDACTED**], which includes certain information about us that does not appear in, or is different from what is contained in, this document. We have not authorized the disclosure of any such information in the press or media. The financial information, financial projection, valuation and other information about us contained in such unauthorized press or media coverage may not truly reflect what is disclosed in the document or the actual circumstances. We do not accept any responsibility for such unauthorized press and media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. To the extent that any information appearing in the press and media is inconsistent or conflict with the information contained in this document, we disclaim it. Investors should rely only on the information contained in this document in making investment decision.